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**MINISTERIAL RESPONSIBILITY FOR
ENTERPRISES, SERVICE ORGANIZATIONS, TRUSTS & OTHER**

Minister of Agriculture, Food and Rural Affairs
Agricorp

Attorney General
The Public Guardian and Trustee for the Province of Ontario

Minister of Citizenship, Culture, and Recreation
Ontario Educational Communications Authority (TV Ontario)
Metropolitan Toronto Convention Centre Corporation

Minister of Consumer and Commercial Relations
Liquor Control Board of Ontario

Minister of Economic Development Trade and Tourism
Ontario Development Corporation
Niagara Parks Commission
Ontario Place

Minister of Energy, Science and Technology
Ontario Clean Water Agency

Minister of Environment
Ontario Hydro

Minister of Finance
Deposit Insurance Corporation of Ontario
Motor Vehicle Accident Claims Fund
Ontario Financing Authority
Ontario Securities Commission
Provincial Judges Pension Board
Losses deleted from the accounts
Revenue remissions of \$1,000 or more

Minister of Health
Cancer Care Ontario

Minister of Municipal Affairs and Housing
Ontario Housing Corporation

Minister of Labour
Workplace Safety and Insurance Board

Chair of Management Board of Cabinet
Ontario Casino Corporation
Ontario Lottery Corporation
Ontario Pension Board
Ontario Realty Corporation

Minister of Natural Resources
Algonquin Forestry Authority

Minister of Northern Development and Mines
Northern Ontario Heritage Fund Corporation
Ontario Northland Transportation Commission

Minister of Transportation
Ontario Transportation Capital Corporation
Toronto Area Transit Operating Authority

A GUIDE TO PUBLIC ACCOUNTS

1. 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 reflects the financial activities of the government's ministries on a modified cash basis.

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

Volume 3 contains the details of expenditure and the Ontario Public Sector salary disclosure.

2. A GUIDE TO VOLUME 2 OF THE PUBLIC ACCOUNTS

The financial statements of the selected crown corporations, boards and commissions are for fiscal periods ending within the Province's own fiscal period April 1, 1998 to March 31, 1999. They are presented in the same detail as the approved, audited financial statements and as nearly as possible in the same form. The statements have been presented in the order shown in the Table of Contents. In addition, a listing is provided which groups the crown corporations, boards and commissions by ministerial responsibility.

ONTARIO PUBLIC SECTOR SALARY DISCLOSURE

The *Public Sector Salary Disclosure Act* requires employers in the public sector to disclose the names, positions, salaries and taxable benefits of employees paid \$100,000 or more in the previous calendar year. One of the requirements is to include the information with their annual report or financial statements.

The employees of the following enterprises, organizations, trusts and ministry employees are paid through the Ontario government payroll system. Therefore, any employees paid \$100,000 or more in 1998 are listed in the OPS listing in Volume 3 of the Public Accounts:

Algonquin Forestry Authority
Ontario Development Corporation
Ontario Housing Corporation
Ontario Place
Ontario Realty Corporation
Motor Vehicle Accident Claims Fund
Provincial Judges Pension Fund
The Public Guardian and Trustee for the Province of Ontario

The following enterprises, organizations and trusts had no employees who were paid \$100,000 or more in 1998:

Northern Ontario Heritage Fund Corporation

For enterprises, organizations and trusts who have employees who were paid \$100,000 or more in 1998, the listing required by the Act is included with their financial statements in this volume.

ENTERPRISES

Office of the
Provincial Auditor
of Ontario



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vérificateur provincial
de l'Ontario

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Auditor's Report

To the Members, Algonquin Forestry Authority,
and to the Minister of Natural Resources

I have audited the balance sheet of the Algonquin Forestry Authority as at March 31, 1999 and the statements of operations, forest renewal account, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 management, 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 Authority as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
June 3, 1999

A handwritten signature in cursive script, reading "K.W. Leishman".

K.W. Leishman, CA
Assistant Provincial Auditor

Algonquin Forestry Authority

Balance Sheet

March 31

1999

1998

Assets**Current**

| | | |
|------------------------------------|--------------|---------------|
| Cash (Note 3) | \$ 5,160,940 | \$ 4,695,335 |
| Receivables | 1,736,834 | 3,223,815 |
| Due from Consolidated Revenue Fund | 162,658 | - |
| Inventory | 242,503 | 449,230 |
| Prepays | <u>2,672</u> | <u>12,627</u> |
| | 7,305,607 | 8,381,007 |

| | | |
|---------------------------------|---------------------|---------------------|
| Property and equipment (Note 4) | <u>1,608,266</u> | <u>1,621,764</u> |
| | <u>\$ 8,913,873</u> | <u>\$10,002,771</u> |

Liabilities**Current**

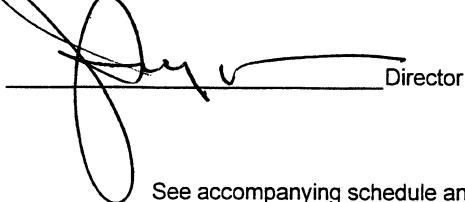
| | | |
|------------------------------------|----------------|------------------|
| Payables and accruals | \$ 331,260 | \$ 662,037 |
| Contractors' performance holdbacks | 24,556 | 68,361 |
| Due to Consolidated Revenue Fund | - | 1,046,751 |
| | <u>355,816</u> | <u>1,777,149</u> |

| | | |
|--|------------------|------------------|
| Deferred contributions (Note 5) | 54,710 | 372,736 |
| Deferred contributions related to forest renewal activity (Note 6) | <u>1,156,057</u> | <u>903,845</u> |
| | <u>1,210,767</u> | <u>1,276,581</u> |

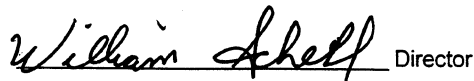
Net assets

| | | |
|---|---------------------|---------------------|
| Invested in capital assets | 1,608,266 | 1,621,764 |
| Restricted for forest renewal activity (Note 3) | 1,850,290 | 1,715,095 |
| Unrestricted | <u>3,888,734</u> | <u>3,612,182</u> |
| | <u>7,347,290</u> | <u>6,949,041</u> |
| | <u>\$ 8,913,873</u> | <u>\$10,002,771</u> |

On behalf of the Board



Director



Director

See accompanying schedule and notes to the financial statements.

Algonquin Forestry Authority

Statement of Operations

Year Ended March 31

1999

1998

Revenue

| | | |
|-----------------------|-------------------|-------------------|
| Product sales | \$ 14,898,095 | \$ 12,254,655 |
| Standing timber sales | 1,435,045 | 1,645,459 |
| Other | 577,465 | 485,861 |
| | <u>16,910,605</u> | <u>14,385,975</u> |

Expenditure

| | | |
|--------------------------------|-------------------|-------------------|
| Logging and distribution costs | 10,460,717 | 8,591,777 |
| Crown timber stumpage charges | 4,025,068 | 3,742,897 |
| Public access road maintenance | 366,524 | 328,703 |
| Wood measurement | 163,656 | 170,105 |
| Operations planning | 116,151 | 15,519 |
| | <u>15,132,116</u> | <u>12,849,001</u> |

Operating income

| | | |
|--|------------------|------------------|
| | <u>1,778,489</u> | <u>1,536,974</u> |
|--|------------------|------------------|

Administrative and other

| | | |
|-------------------------------------|------------------|------------------|
| Salaries and benefits | 939,755 | 885,169 |
| Depreciation and amortization | 370,332 | 324,859 |
| Office supplies and expenses | 64,535 | 59,719 |
| Office rent | 35,868 | 41,243 |
| Directors' allowances and expenses | 25,555 | 17,615 |
| Staff travel and training | 20,683 | 21,281 |
| Public relations | 10,786 | 7,552 |
| Insurance | 9,855 | 13,939 |
| Consulting, legal and miscellaneous | 2,987 | 70,620 |
| Interest | 244 | 5,057 |
| | <u>1,480,600</u> | <u>1,447,054</u> |

Net income for the year

| | | |
|--|-------------------|------------------|
| | <u>\$ 297,889</u> | <u>\$ 89,920</u> |
|--|-------------------|------------------|

See accompanying schedule and notes to the financial statements.

Algonquin Forestry Authority

Schedule - Forest Renewal Account

Year Ended March 31

1999

1998

Revenue

| | | |
|------------------------|------------------|------------------|
| Forest renewal charges | \$ 1,134,665 | \$ 1,098,931 |
| Consulting and other | <u>100,360</u> | <u>65,095</u> |
| | <u>1,235,025</u> | <u>1,164,026</u> |

Expenditure

| | | |
|---|----------------|----------------|
| Equipment rentals | 220,061 | 116,731 |
| Wages and benefits | 199,004 | 212,080 |
| Subcontractors - tree marking and other | 192,671 | 167,986 |
| Stand improvement | 123,380 | 223,567 |
| Materials | 78,936 | 66,634 |
| Vehicle costs | 25,602 | 27,234 |
| Paint | 15,914 | 21,635 |
| Board and provisions | <u>9,242</u> | <u>9,229</u> |
| | <u>864,810</u> | <u>845,096</u> |

Operating income

| | |
|----------------|----------------|
| <u>370,215</u> | <u>318,930</u> |
|----------------|----------------|

Administrative and other

| | | |
|-----------------------------|----------------|----------------|
| Salaries and benefits | 182,491 | 174,479 |
| Depreciation | 34,835 | 46,199 |
| Staff training | 18,648 | 3,400 |
| Office rent | 13,349 | 11,820 |
| Office expenses | 6,537 | 7,599 |
| Public relations | 5,795 | 2,701 |
| Insurance | 5,376 | 7,133 |
| Staff travel and relocation | <u>2,824</u> | <u>504</u> |
| | <u>269,855</u> | <u>253,835</u> |

Net income for the year

| | |
|-------------------|------------------|
| <u>\$ 100,360</u> | <u>\$ 65,095</u> |
|-------------------|------------------|

See accompanying notes to the financial statements.

Algonquin Forestry Authority **Statement of Changes in Net Assets**

Year Ended March 31

1999

1998

| | Invested In Capital Assets | Restricted For Forest Renewal Activity | Unrestricted | Total | Total |
|--------------------------------|----------------------------------|---|----------------------------|----------------------------|---------------------------|
| Balance, beginning of year | \$ 1,621,764 | \$ 1,715,095 | \$ 3,612,182 | \$ 6,949,041 | \$6,794,026 |
| Net income (loss) for the year | (405,167) | 135,195 | 668,221 | 398,249 | 155,015 |
| Investment in capital assets | <u>391,669</u> | <u>—</u> | <u>(391,669)</u> | <u>—</u> | <u>—</u> |
| Balance, end of year | <u>\$ 1,608,266</u> | <u>\$ 1,850,290</u> | <u>\$ 3,888,734</u> | <u>\$ 7,347,290</u> | <u>\$6,949,041</u> |

See accompanying schedule and notes to the financial statements.

Algonquin Forestry Authority

Statement of Cash Flows

Year Ended March 31

1999

1998

Cash derived from (applied to)

Operating

Net income for the year:

| | | |
|--|----------------|----------------|
| Algonquin Forestry Authority | \$ 297,889 | \$ 89,920 |
| Forest Renewal Account (Schedule) | 100,360 | 65,095 |
| Add (deduct): non-cash items | | |
| Depreciation and amortization | 405,167 | 371,058 |
| Gain on sale of property and equipment | (9,607) | (20,252) |
| | 793,809 | 505,821 |
| Change in non-cash operating working capital | 119,672 | 30,022 |
| | <u>913,481</u> | <u>535,843</u> |

Financing

| | | |
|------------------------|-----------------|----------------|
| Deferred contributions | <u>(65,814)</u> | <u>599,266</u> |
|------------------------|-----------------|----------------|

Investing

| | | |
|--|------------------|------------------|
| Acquisition of fixed assets | (391,669) | (354,796) |
| Proceeds on sale of property and equipment | 9,607 | 20,252 |
| | <u>(382,062)</u> | <u>(334,544)</u> |

| | | |
|-------------------------|---------------------|---------------------|
| Increase in cash | 465,605 | 800,565 |
| Cash, beginning of year | <u>4,695,335</u> | <u>3,894,770</u> |
| Cash, end of year | <u>\$ 5,160,940</u> | <u>\$ 4,695,335</u> |

See accompanying schedule and notes to the financial statements.

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 1999

1. Purpose of the organization

The Authority is responsible for forest management in Algonquin Provincial Park. The Authority is a Crown Agency which was established by the Ontario Government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is exempt from income taxes under the Income Tax Act.

2. Significant accounting policies

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Revenue from product and standing timber sales and forest renewal charges are recognized when the wood is delivered. Consulting and other income is recognized as revenue when earned.

Inventories

Inventories are valued on the first in, first out basis at the lower of cost or net realizable value.

Property and equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis, using rates of 10% per annum for furniture, fixtures, technical equipment, bridges, buildings and leasehold improvements, 20% per annum for data processing equipment and 33 1/3% per annum for automotive equipment. The cost of capital roads is amortized over the estimated number of operating seasons for which the roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are depreciated and amortized at the same rates as the assets mentioned above.

Algonquin Forestry Authority

Notes to the Financial Statements

March 31, 1999

3. Forest Renewal Account

Effective April 1, 1997, the Authority entered into a 20 year agreement with the Ministry of Natural Resources to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from the Forest Renewal charge of the Crown Stumpage Matrix as prescribed under the Crown Forest Sustainability Act.

The agreement also provided for a transfer of \$1,500,000 from unrestricted net assets to the Forest Renewal Account, which took place during 1998. The Authority is required to maintain, at a minimum, this amount in the Forest Renewal Account.

4. Property and equipment

| | | | <u>1999</u> | <u>1998</u> |
|---------------------------|---------------------|-------------------------------------|---------------------------|---------------------------|
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | <u>Net Book Value</u> |
| Furniture and fixtures | \$ 82,617 | \$ 53,135 | \$ 29,482 | \$ 25,705 |
| Data processing equipment | 151,842 | 116,104 | 35,738 | 51,588 |
| Bridges and buildings | 38,679 | 21,437 | 17,242 | 19,279 |
| Technical equipment | 196,039 | 173,922 | 22,117 | 33,860 |
| Automotive equipment | 250,759 | 182,417 | 68,342 | 89,276 |
| Capital roads | 3,946,862 | 2,565,031 | 1,381,831 | 1,340,504 |
| Leasehold improvements | 38,326 | 30,053 | 8,273 | 9,511 |
| Forest renewal assets | 432,101 | 386,860 | 45,241 | 52,041 |
| | <u>\$ 5,137,225</u> | <u>\$ 3,528,959</u> | <u>\$ 1,608,266</u> | <u>\$ 1,621,764</u> |

5. Deferred contributions

Deferred contributions represent unspent resources externally restricted for public access road maintenance received in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

| | <u>1999</u> | <u>1998</u> |
|--|------------------|-------------------|
| Beginning balance | \$ 372,736 | \$ — |
| Add: amount received in the year | 49,345 | 380,000 |
| Less: amount recognized as revenue in the year | (367,371) | (7,264) |
| Ending balance | <u>\$ 54,710</u> | <u>\$ 372,736</u> |

Algonquin Forestry Authority Notes to the Financial Statements

March 31, 1999

6. Deferred contributions related to forest renewal activity

Deferred contributions related to forest renewal activity represent unspent resources externally restricted for Forest Renewal Account activities received in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

| | <u>1999</u> | <u>1998</u> |
|--|---------------------|--------------------|
| Beginning balance | \$ 903,845 | \$ 677,315 |
| Add: amount received in the year | 1,386,877 | 1,325,461 |
| Less: amount recognized as revenue in the year | <u>(1,134,665)</u> | <u>(1,098,931)</u> |
| Ending balance | <u>\$ 1,156,057</u> | <u>\$ 903,845</u> |

7. Pension plan

The Authority provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) established by the Province of Ontario.

The Authority's contributions related to the pension plan for the year were \$75,871 (1998 - \$174,420) and are included in salaries and benefits in the Statement of Operations and the Schedule - Forest Renewal Account.

8. Remuneration of appointments

Total remuneration of the Board members of the Authority was \$11,700 during the 1999 fiscal year (1998 - \$7,500).

9. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Authority's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Authority, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To the Liquor Control Board of Ontario
and to the Minister of Consumer and Commercial Relations

I have audited the balance sheet of the Liquor Control Board of Ontario as at March 31, 1999 and the statements of income and retained income and of cash flows for the year then ended. These financial statements are the responsibility of the Board's management. 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 management, 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 Board as at March 31, 1999, the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
June 11, 1999

A handwritten signature in black ink, appearing to read 'Erik Peters'.

Erik Peters, FCA
Provincial Auditor


LIQUOR CONTROL BOARD OF ONTARIO**Balance Sheet
As at March 31, 1999**

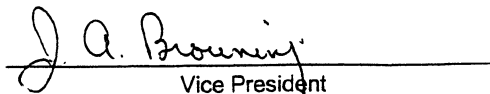
| | 1999 (\$000's) | 1998 (\$000's) |
|---|-------------------|-------------------|
| <u>ASSETS</u> | | |
| Current | | |
| Cash and short-term investments (Note 3) | 24,578 | 19,029 |
| Accounts receivable, trade and others | 6,061 | 12,446 |
| Inventories | 236,292 | 193,434 |
| Prepaid expenses | 8,843 | 5,811 |
| | <u>275,774</u> | <u>230,720</u> |
| Long-term | | |
| Capital assets (Note 4) | <u>148,183</u> | <u>132,958</u> |
| | <u>423,957</u> | <u>363,678</u> |
| <u>LIABILITIES AND RETAINED INCOME</u> | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | 210,029 | 179,175 |
| Retained income | <u>213,928</u> | <u>184,503</u> |
| | <u>423,957</u> | <u>363,678</u> |

Commitments (Note 5)

See accompanying notes to financial statements.

Approved:


Chair and Chief Executive Officer


Vice President
Finance and Administration

LIQUOR CONTROL BOARD OF ONTARIO
Statement of Income and Retained Income
Year Ended March 31, 1999

| | 1999 (\$000's) | 1998 (\$000's) |
|---|-----------------------|-----------------------|
| Sales and other income | 2,349,832 | 2,160,843 |
| Costs and expenses | | |
| Cost of sales | 1,165,849 | 1,064,286 |
| Retail stores and marketing | 276,554 | 249,747 |
| Warehousing and distribution | 37,917 | 38,293 |
| Administration | 34,507 | 38,947 |
| Amortization | <u>25,580</u> | <u>24,666</u> |
| | <u>1,540,407</u> | <u>1,415,939</u> |
| Net income for the year | 809,425 | 744,904 |
| Retained income, beginning of year | <u>184,503</u> | <u>184,599</u> |
| | 993,928 | 929,503 |
| Deduct: | | |
| Dividend paid to Province of Ontario | 776,000 | 745,000 |
| Payment to municipalities on behalf of the Province of Ontario (Note 9) | <u>4,000</u> | <u>—</u> |
| | 780,000 | 745,000 |
| Retained income, end of year | <u><u>213,928</u></u> | <u><u>184,503</u></u> |

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO
Statement of Cash Flows
Year Ended March 31, 1999

| | 1999 (\$000's) | 1998 (\$000's) |
|---|----------------------|----------------------|
| Cash provided from Operations | | |
| Net income | 809,425 | 744,904 |
| Amortization | 25,580 | 24,666 |
| Gain on sale of capital assets | (540) | (63) |
| | 834,465 | 769,507 |
| Change in working capital | (8,651) | (29,537) |
| | <u>825,814</u> | <u>739,970</u> |
| Cash used for investment activities | | |
| Purchase of capital assets | (40,958) | (25,654) |
| Proceeds from sale of capital assets | 693 | 130 |
| | <u>(40,265)</u> | <u>(25,524)</u> |
| Cash used for dividend paid to Province of Ontario | (776,000) | (745,000) |
| Cash used for payment to municipalities on behalf of the Province of Ontario | <u>(4,000)</u> | |
| Increase (Decrease) in cash during the year | 5,549 | (30,554) |
| Cash and short-term investments, beginning of year | <u>19,029</u> | <u>49,583</u> |
| Cash and short-term investments, end of year | <u><u>24,578</u></u> | <u><u>19,029</u></u> |

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO**Notes to Financial Statements****March 31, 1999**

1. NATURE OF THE CORPORATION

The Liquor Control Board of Ontario (Board) is a corporation without share capital incorporated under the *Liquor Control Act*, R.S.O. 1990, Chapter L.18. The corporation is a government enterprise responsible for regulating the production, importation, distribution and sale of alcoholic beverages in the Province of Ontario. As an Ontario Crown Corporation, the Board is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act*. The Board transfers most of its profits to the Consolidated Revenue Fund in the form of a dividend.

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Accounting**

The Board's financial statements are prepared in accordance with generally accepted accounting principles.

(b) Inventories

At March 31, 1999 inventories are valued at the lower of cost and net realizable value with cost being determined by the moving average cost method.

(c) Capital Assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

| | |
|------------------------|----------|
| Buildings | 20 years |
| Furniture and Fixtures | 5 years |
| Leasehold Improvements | 5 years |
| Computer Equipment | 3 years |

Minor capital expenditures and the expenditures for repairs and maintenance are charged to income.

3. CASH AND SHORT-TERM INVESTMENTS

The Board's investment policy restricts short-term investments to high liquidity, high grade money market instruments such as federal/provincial treasury bills, banker's acceptances and term deposits.

Cash and short-term investments include \$15.5 million (1998 - \$13 million) of investments maturing within one year, yielding 5.1% (1998 - 4.95%) on average, with a market value that approximates carrying value.

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements
March 31, 1999

4. CAPITAL ASSETS

| | 1999 (\$000's) | | 1998 (\$000's) | |
|------------------------|-------------------|-----------------------------|----------------------|----------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Land | 13,848 | — | 13,848 | 13,941 |
| Buildings | 244,292 | 165,218 | 79,074 | 81,481 |
| Furniture and fixtures | 33,820 | 28,157 | 5,663 | 4,839 |
| Leasehold improvements | 78,585 | 55,663 | 22,922 | 15,698 |
| Computer equipment | <u>78,266</u> | <u>51,590</u> | <u>26,676</u> | <u>16,999</u> |
| | <u>448,811</u> | <u>300,628</u> | <u>148,183</u> | <u>132,958</u> |

5. LEASE COMMITMENTS

The Board is committed under operating leases on leased premises with future minimum rental payments due as follows:

| | (\$000's) |
|------------|----------------|
| 2000 | 23,600 |
| 2001 | 20,809 |
| 2002 | 17,421 |
| 2003 | 13,867 |
| 2004 | 10,496 |
| Thereafter | <u>56,382</u> |
| | <u>142,575</u> |

6. PENSION PLAN

The Board provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario.

The Board's expense related to the PSPF and the OPSEU Pension Fund for the year was \$9.9 million (1998 - \$14.4 million) and is included in Costs and expenses in the Statement of Income and Retained Income.

7. HEDGING

The Board has entered into forward foreign exchange contracts to manage the foreign exchange risk associated with its purchases from foreign suppliers. A forward foreign exchange contract is an agreement between two parties to set exchange rates in advance.

LIQUOR CONTROL BOARD OF ONTARIO**Notes to Financial Statements
March 31, 1999**

7. HEDGING (CONTINUED)

As at March 31, 1999 the Board had \$1,485,000 (1998 - \$nil) forward foreign exchange contracts outstanding.

Credit risk is the risk that a party to a forward foreign exchange contract will fail to discharge its obligation and cause the Board to incur financial loss. The Board minimizes credit risk by only dealing with major Canadian Chartered banks and Canadian subsidiaries of major foreign banks.

8. YEAR 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors or systems failures when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on the Board's operations and financial reporting may range from minor errors to significant systems failure, which could affect the Board's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Board, including those related to the efforts of its customers, suppliers, or other third parties to be Year 2000 compliant, will be fully resolved on a timely basis.

9. PAYMENT TO MUNICIPALITIES

The Board was directed by Cabinet to contribute \$4.0 million in 1998/99, directly to municipalities, based upon a funding formula developed by the Ministry of the Environment (MOE). This contribution is to support MOE's waste diversion program. Cabinet further directed that \$5.0 million be paid in each of the fiscal years 1999/2000 and 2000/2001.

RECORD OF EMPLOYEES' 1998 SALARIES AND BENEFITS

| Cal. Year | Sector | Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|---------------|--------|----------|----------|-------------|---|--------------|------------------|
| 1998 OPS | | MCCR | Corke | Sue E. | ADM, Business Division | \$109,921.40 | \$314.28 |
| 1998 OPS | | MCCR | Daniels | Art F. | ADM, OPS Restructuring Secretariat | \$137,016.76 | \$351.36 |
| 1998 OPS | | MCCR | Evans | James M. | Project Executive, Ont. Bus. Connects | \$129,272.65 | \$344.80 |
| 1998 OPS | | MCCR | Georgas | Despina H. | ADM, Registration Division | \$125,765.40 | \$344.80 |
| 1998 OPS | | MCCR | Gibson | Ann | Solicitor, Ontario Racing Commission | \$104,414.60 | \$298.56 |
| 1998 OPS | | MCCR | Hundeck | Peter W. | ADM, Information Technology Division | \$114,367.56 | \$320.32 |
| 1998 OPS | | MCCR | Lewis | Clare E. | Chair, Alcohol & Gaming Comm. of Ont. | \$124,386.76 | \$355.80 |
| 1998 OPS | | MCCR | McClure | George Kent | Chair, Comm. Reg. Appeal Tribunal | \$104,694.36 | \$299.40 |
| 1998 OPS | | MCCR | Meslin | Eleanor | ADM, Corporate Services Division | \$132,088.16 | \$351.36 |
| 1998 Agencies | | LCBO | Brandt | Andrew S. | Chair & CEO | \$104,054.91 | \$391.84 |
| 1998 Agencies | | LCBO | Sherwood | Gar | Vice President, Retail | \$158,648.53 | \$472.42 |
| 1998 Agencies | | LCBO | Gee | Larry C. | Executive Vice President | \$158,134.34 | \$584.60 |
| 1998 Agencies | | LCBO | Kane | Murray | Vice President, Human Resources | \$143,647.65 | \$457.64 |
| 1998 Agencies | | LCBO | Browning | Alex | Vice President, Finance & Admin. | \$158,648.53 | \$472.42 |
| 1998 Agencies | | LCBO | Wilcox | Dave | Vice President, Merchandising | \$161,893.14 | \$476.74 |
| 1998 Agencies | | LCBO | Dutton | Rob | Director, Financial Plan. & Econo. Dev. | \$100,635.57 | \$365.20 |
| 1998 Agencies | | LCBO | Kennedy | Bill | Director, Corporate Communications | \$113,709.44 | \$381.02 |
| 1998 Agencies | | LCBO | Clute | Peter | Seconded to Min. of Finance | \$110,287.35 | \$423.20 |
| 1998 Agencies | | LCBO | Green | Michael | Lawyer | \$102,123.42 | \$148.14 |
| 1998 Agencies | | LCBO | Tattle | Wendy | Lawyer | \$102,120.58 | \$379.98 |
| 1998 Agencies | | LCBO | Yazejian | Levon | Director, General Audit | \$100,290.56 | \$340.50 |
| 1998 Agencies | | LCBO | Kelly | Hugh | Vice President, Information Technology | \$144,874.61 | \$460.48 |
| 1998 Agencies | | LCBO | Martin | Ian | Vice President, Logistics | \$143,647.65 | \$457.64 |
| 1998 Agencies | | LCBO | Ecker | Roy | Director, Store Operations | \$100,107.65 | \$363.52 |

RECORD OF EMPLOYEES' 1998 SALARIES AND BENEFITS

| Cal. Year | Sector | Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|-----------|----------|----------|---------|------------|------------------------------------|--------------|------------------|
| 1998 | Agencies | LCBO | Flynn | Larry | Director, Store Operations | \$100,891.51 | \$365.20 |
| 1998 | Agencies | LCBO | Buck | Peter | Director, Human Resources Services | \$100,909.97 | \$344.56 |
| 1998 | Agencies | LCBO | Hartley | Ann | Director, Product Management | \$100,635.76 | \$365.20 |
| 1998 | Agencies | AGCO | Brown | Duncan | Executive Director | \$169,995.93 | \$6,808.72 |
| 1998 | Agencies | AGCO | Cooper | Jerry | Director, Legal Services | \$100,961.49 | \$704.52 |
| 1998 | Agencies | AGCO | Tocher | Barry | Director, Licensing & Registration | \$124,890.57 | \$751.38 |

I certify that the information provided on this Record is correct in accordance with the Public Sector Salary Disclosure Act, 1996.

Name

Team Leader, Employee Services

Position Title

(416)326-8894
Phone Number

March 15, 1999
Date

Prepared under the Public Sector Salary Disclosure Act, 1996


Auditors' Report

To the Board of Directors
Metropolitan Toronto Convention Centre Corporation

We have audited the balance sheet of Metropolitan Toronto Convention Centre Corporation as at March 31, 1999 and the statements of revenue and expenses, surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in cursive script that reads "Deloitte & Touche LLP".

Chartered Accountants

Toronto, Ontario
May 7, 1999

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Balance Sheet

As at March 31, 1999

| | <u>1999</u> | <u>1998</u> |
|--|-----------------------|-----------------------|
| ASSETS | | |
| CURRENT | | |
| Cash | \$ 190,212 | \$ 2,056,583 |
| Customer deposits | 3,986,319 | 3,323,691 |
| Accounts receivable | 2,601,163 | 2,949,861 |
| Inventories | 247,949 | 295,621 |
| Prepaid expenses | 410,070 | 415,672 |
| | 7,435,713 | 9,041,428 |
| OTHER ASSETS | 512,025 | 432,089 |
| CAPITAL ASSETS (Note 2) | 154,146,626 | 155,210,220 |
| | \$ 162,094,364 | \$ 164,683,737 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 3,917,980 | \$ 3,646,717 |
| Deferred revenue | 4,306,667 | 4,001,407 |
| Current portion of long-term debt (Note 3) | 484,466 | 545,311 |
| | 8,709,113 | 8,193,435 |
| Temporary expansion financing (Note 4) | 151,338,841 | 146,708,991 |
| | 160,047,954 | 154,902,426 |
| ACCRUED EXPANSION COSTS PAYABLE | - | 1,738,146 |
| LONG-TERM DEBT (Note 3) | - | 484,466 |
| | 160,047,954 | 157,125,038 |
| COMMITMENTS AND CONTINGENCIES (Notes 5,7) | | |
| SURPLUS | 2,046,410 | 7,558,699 |
| | \$ 162,094,364 | \$ 164,683,737 |

APPROVED BY THE BOARD

..... Director

..... Director

**METROPOLITAN TORONTO
CONVENTION CENTRE CORPORATION****Statement of Revenue and Expenses****Year ended March 31, 1999**

| | <u>1999</u> | <u>1998</u> |
|---|----------------|---------------|
| REVENUE | \$ 37,566,743 | \$ 26,648,175 |
| GROSS OPERATING PROFIT | 20,926,342 | 15,220,145 |
| OPERATING EXPENSES | 13,076,107 | 10,126,565 |
| OPERATING PROFIT BEFORE THE UNDERNOTED ITEMS | 7,850,235 | 5,093,580 |
| EXECUTIVE PENSION CONTRIBUTION | - | 458,500 |
| INTEREST EXPENSE | 8,852,334 | 3,204,048 |
| AMORTIZATION (net of reallocation to operating expenses for parking garage of \$133,779; 1998 - \$93,600) | 4,510,190 | 2,280,693 |
| | 13,362,524 | 5,943,241 |
| DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR | \$ (5,512,289) | \$ (849,661) |

**METROPOLITAN TORONTO
CONVENTION CENTRE CORPORATION****Statement of Surplus****Year ended March 31, 1999**

| | <u>1999</u> | <u>1998</u> |
|---|--------------|--------------|
| SURPLUS, BEGINNING OF YEAR | \$ 7,558,699 | \$ 4,619,273 |
| RELEASE OF RESERVE FOR EXPANSION | - | 3,789,087 |
| DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR | (5,512,289) | (849,661) |
| SURPLUS, END OF YEAR | \$ 2,046,410 | \$ 7,558,699 |

**METROPOLITAN TORONTO
CONVENTION CENTRE CORPORATION**
Statement of Changes in Financial Position

Year ended March 31, 1999

| | <u>1999</u> | <u>1998</u> |
|---|----------------------|---------------------|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES | | |
| OPERATING | | |
| Deficiency of revenue over expenses for the year | \$(5,512,289) | \$(849,661) |
| Add charge to operations not requiring a current cash payment | | |
| Amortization | 4,643,969 | 2,374,293 |
| | (868,320) | 1,524,632 |
| Changes in non-cash working balances related to operations: | | |
| Accounts receivable | 348,698 | (884,003) |
| Inventories | 47,672 | (89,120) |
| Prepaid expenses | 289,206 | (301,141) |
| Accounts payable and accrued liabilities | (220,331) | 2,230,886 |
| Deferred revenue (net of customer deposits) | (357,368) | 367,147 |
| CASH PROVIDED BY OPERATING ACTIVITIES | (760,443) | 2,848,401 |
| CASH USED IN INVESTING ACTIVITIES | | |
| Decrease in short-term investments - restricted | - | 3,789,087 |
| Additions to capital assets | (3,452,321) | (546,015) |
| Additions to expansion | - | (35,397,775) |
| CASH USED IN INVESTING ACTIVITIES | (3,452,321) | (32,154,703) |
| CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | | |
| Increase in other assets | - | (308,585) |
| Decrease in accrued expansion costs payable | (1,738,146) | (2,288,227) |
| Repayment of long-term debt | (545,311) | (1,748,465) |
| Increase from capitalized interest and temporary expansion financing | 10,629,850 | 36,793,334 |
| Repayment of temporary expansion financing | (6,000,000) | - |
| CASH PROVIDED BY FINANCING ACTIVITIES | 2,346,393 | 32,448,057 |
| NET (DECREASE) INCREASE IN CASH | (1,866,371) | 3,141,755 |
| CASH AT BEGINNING OF YEAR | 2,056,583 | (1,085,172) |
| CASH AT END OF YEAR | \$ 190,212 | \$ 2,056,583 |

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to the Financial Statements

March 31, 1999

1. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

All transactions are accounted for on an accrual basis except for provincial grants which are recorded when received. Revenue from the use of the Metropolitan Toronto Convention Centre Corporation's ("Corporation") facilities is recognized when earned.

Inventories

Inventories are recorded at the lower of cost and net realizable value.

Other assets

Deferred development costs, included in other assets, represent expenses, net of pre-operating revenues, earned in the pre-operating period. The amount will be amortized on a straight-line basis over a period of five years, commencing April 1, 1998.

Capital assets

Capital assets which are financed by government grants are shown net of applicable grants.

Expenses, net of any income earned, incurred in connection with the expansion of the convention centre have been capitalized and are included in building. The expansion building is now complete and the capitalized expenses are being amortized over their estimated economic life of fifty years.

All other capital assets are recorded at cost. Amortization for furniture, fixtures and equipment is provided over 5 to 10 years on a straight-line basis. Amortization of leasehold improvements related to the North Building are provided on a straight-line basis over 5 to 20 years.

Deferred revenue

Deferred revenue represents customer deposits received for future use of the Corporation's facilities. Customer deposits meeting specific criteria are deposited into a separate bank account and earn interest to the date of the event. Deposits and interest are applied against the customer's billing.

Financial instruments

The Corporation does not use derivative financial instruments. The carrying value of customer deposits, accounts receivable, accounts payable and accrued liabilities approximate fair value due to their short-term nature. The carrying value of long-term debt approximates fair value as the floating interest rates approximate market interest rates.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to the Financial Statements

March 31, 1999

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension plan

The Corporation maintains a contributory defined benefit pension plan. The plan provides pensions based on length of service and final average earnings.

The cost of pension benefits earned by employees is determined using the projected benefit method prorated on service and is charged to expense as services are rendered. This cost reflects management's best estimates of the pension plan's expected investment yields, salary escalations, mortality of members, terminations and the ages at which members will retire. Adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees.

Income taxes

The Corporation is a Crown agency incorporated under Bill 141, the Metropolitan Toronto Convention Centre Corporation Act, 1988 and is exempt from income taxes.

Use of estimates

The preparation of the Corporation's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

2. CAPITAL ASSETS

| | 1999 | | | 1998 |
|--------------------------------------|-----------------------|-------------------------------------|---------------------------|---------------------------|
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | <u>Net Book Value</u> |
| Building | \$ 224,667,787 | \$ 4,505,726 | \$ 220,162,061 | \$ 221,256,420 |
| Leasehold improvements | 23,769,773 | 16,815,659 | 6,954,114 | 8,423,390 |
| Furniture, fixtures and equipment | 10,338,687 | 7,158,853 | 3,179,834 | 3,725,523 |
| | 258,776,247 | 28,480,238 | 230,296,009 | 233,405,333 |
| Less: Government grants | 85,914,604 | 9,765,221 | 76,149,383 | 78,195,113 |
| | <u>\$ 172,861,643</u> | <u>\$ 18,715,017</u> | <u>\$ 154,146,626</u> | <u>\$ 155,210,220</u> |

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to the Financial Statements

March 31, 1999

3. LONG-TERM DEBT

| | <u>1999</u> | <u>1998</u> |
|---------------------------------|----------------|-------------------|
| CLC | \$ 484,466 | \$ 1,012,970 |
| Ontario Development Corporation | - | 16,807 |
| | <u>484,466</u> | <u>1,029,777</u> |
| Less: current portion | 484,466 | 545,311 |
| | <u>\$ -</u> | <u>\$ 484,466</u> |

Canada Lands Corporation (CLC)

The amount due to CLC matures on February 1, 2000, bears interest at prime plus 2% per annum and is repayable in equal monthly instalments of \$44,042 plus accrued interest. Payments commenced on March 1, 1995. The Corporation has the right to prepay the whole (but not part of) the balance plus applicable accrued interest on the first day of any month without notice.

4. TEMPORARY EXPANSION FINANCING

| | <u>1999</u> | <u>1998</u> |
|-----------------------------|----------------|----------------|
| Ontario Financing Authority | \$ 151,338,841 | \$ 146,708,991 |

The expansion project is being financed by the Ontario Financing Authority through a series of short-term discount promissory notes. The promissory notes outstanding as at March 31, 1999 have effective annual interest rates between 4.79% and 5.25% and maturity dates between April 13, 1999 and June 14, 1999. The expansion was completed in June 1997. The Ontario Financing Authority and the Corporation are in the process of reviewing the options of replacing some or all of this temporary financing facility with term debt at which time principal repayment terms will be finalized. Prior to the 1999 fiscal year, interest was capitalized to the expansion. Interest will continue to be accrued until repayment terms have been finalized. A repayment of \$6,000,000 was made on March 31, 1999 due to a surplus of cash.

The Corporation also has an obligation to fulfill certain commitments relating to the expansion project, and accordingly has issued letters of credit approximating \$4,803,000 (1998 - \$4,878,000) in support of these obligations.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to the Financial Statements

March 31, 1999

5. COMMITMENTS

The Corporation has entered into operating leases of varying terms. Future annual lease payments are as follows:

| | <u>Equipment</u> |
|------------|------------------|
| 2000 | \$ 954,200 |
| 2001 | 648,804 |
| 2002 | 334,207 |
| 2003 | 195,277 |
| Thereafter | 653 |
| | <hr/> |
| | \$ 2,133,141 |

The Corporation is committed to make annual rental payments of \$135,900 for the original Convention Centre premises until the lease expires in March 2083. Due to the expansion, the Corporation has also committed to make annual rental payments of \$63,857 for the use of ancillary lands and facilities.

6. PENSION PLAN

The present value of the accrued pension benefits and the market related value of the net assets available to provide for those benefits, as of March 31, 1999 are as follows:

| | |
|--------------------------|--------------|
| Accrued pension benefits | \$ 3,677,511 |
| Pension fund assets | \$ 5,007,405 |

The pension cost of \$236,365 (1998 - \$170,763) includes the amortization of net pension assets as at January 1, 1998, over the expected average remaining service life of the employee group. The last actuarial valuation was prepared at December 31, 1996.

7. CONTINGENCIES

There are several claims in respect of the expansion project which, if successful, could result in the net recovery of a portion of the costs related to the project. The outcome of these lawsuits cannot be determined at this time and no estimate of the net amounts recoverable by the Corporation have been accrued.

**METROPOLITAN TORONTO
CONVENTION CENTRE CORPORATION****Notes to the Financial Statements****March 31, 1999**

8. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|---------------------------------|------------|---------------|-----------------------|----------------|---------------------|
| Metro Toronto Convention Centre | FERNANDES | ANGELO J. | Executive Chef | \$146,950.00 | \$855.00 |
| Metro Toronto Convention Centre | KWOK | ANNIE | Director of Catering | \$179,206.00 | \$794.00 |
| Metro Toronto Convention Centre | DOCOUTO | CHARLES | Director of Banquets | \$115,798.00 | \$756.00 |
| Metro Toronto Convention Centre | LILLEYMAN | TIM | Director of F & B | \$148,918.00 | \$752.00 |
| Metro Toronto Convention Centre | HOUGHTON | JOHN | VP, Sales & Marketing | \$152,900.00 | \$7,990.00 |
| Metro Toronto Convention Centre | GOLDENBERG | MARK | VP, Human Resources | \$112,251.00 | \$7,156.00 |

Auditors' Report

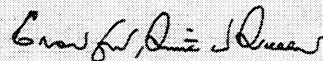
To The Niagara Parks Commission, the Minister of Economic Development, Trade and Tourism and the Provincial Auditor

Pursuant to the Niagara Parks Act which provides that The Niagara Parks Commission, an agency of the Crown, shall be audited by the Provincial Auditor or an auditor designated by the Lieutenant Governor in Council, we have audited the balance sheet of The Niagara Parks Commission as at October 31, 1998, and the statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at October 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



Crawford, Smith and Swallow
Chartered Accountants LLP
Niagara Falls, Ontario
January 15, 1999

balance sheet

statement 1

OCTOBER 31, 1998

Assets

| | 1998 \$ | 1997 \$ |
|--|-------------|-------------|
| Current Assets | | |
| Cash | 18,746,408 | 4,428,079 |
| Temporary investments - -at cost which approximates market value | | 8,945,640 |
| Accounts Receivable | | |
| Land rent | 1,460,410 | 1,462,006 |
| Sundry | 944,379 | 722,271 |
| Inventories | | |
| Saleable merchandise | 3,636,986 | 3,369,142 |
| Maintenance and other supplies | 614,563 | 598,489 |
| Prepaid expenses | 119,297 | 93,533 |
| | 25,522,043 | 19,619,160 |
| Fixed Assets - note 2 | 93,961,788 | 92,005,733 |
| | 119,483,831 | 111,624,893 |

Liabilities and Equity

| | | |
|-----------------------------------|-------------|-------------|
| Current Liabilities | | |
| Accounts payable | 3,691,512 | 4,097,920 |
| Accrued payroll | 545,647 | 445,750 |
| Current portion of long-term debt | | 700,000 |
| | 4,237,159 | 5,243,670 |
| Long-Term Debt | | 1,100,000 |
| Commitments - note 3 | | |
| Contingencies - note 4 | | |
| Equity - Statement 2 | 115,246,672 | 105,281,223 |
| | 119,483,831 | 111,624,893 |

See accompanying notes

Signed on behalf of the Commission:



Chairman



Vice-chairman

statement of equity

s t a t e m e n t 2

FOR THE YEAR ENDED OCTOBER 31, 1998

| | 1998 \$ | 1997 \$ |
|---------------------------------------|-------------|-------------|
| Equity, Beginning of Year | 105,281,223 | 96,597,118 |
| Net Income for the Year (Statement 3) | 9,965,449 | 8,684,105 |
| Equity, End of Year | 115,246,672 | 105,281,223 |

See accompanying notes

statement of operations

statement 3

FOR THE YEAR ENDED OCTOBER 31, 1998

| | 1998 \$ | 1997 \$ |
|--|-------------------|-------------------|
| Income | | |
| Gift shops, restaurants and attractions - Schedule 1 | 60,454,897 | 57,289,986 |
| Land rent | 4,951,844 | 4,888,350 |
| Commissions, rentals and fees | 2,504,436 | 2,229,051 |
| Premium on United States funds - net | 582,712 | 558,875 |
| Interest | 474,054 | 175,470 |
| Gain on disposal of fixed assets - net | 44,541 | 15,870 |
| Sundry income | 13,370 | 9,785 |
| | 69,025,854 | 65,167,387 |
| Expenses | | |
| Gift shops, restaurants and attractions - Schedule 1 | | |
| Cost of goods sold | 14,864,217 | 13,965,610 |
| Operating expenses | 21,202,086 | 20,147,734 |
| Depreciation | 2,360,781 | 2,269,243 |
| Maintenance | 14,009,726 | 13,763,930 |
| Administrative and general | 3,792,286 | 3,527,985 |
| Advertising and public relations | 1,043,378 | 696,636 |
| Bank charges and interest | 6,958 | 6,690 |
| Loan interest (including interest on long-term debt of \$ 25,727 (1997 - \$ 28,792)) | 25,727 | 70,987 |
| | 57,305,159 | 54,448,815 |
| Net Income for the Year before Depreciation of Non-income Producing Assets and Unusual Item | 11,720,695 | 10,718,572 |
| Depreciation of Non-Income Producing Assets | 2,170,246 | 2,034,467 |
| Net Income before Unusual Item | 9,550,449 | 8,684,105 |
| Unusual Item - note 5 | 415,000 | |
| Net Income for the Year | 9,965,449 | 8,684,105 |

See accompanying notes

statement of cash flows

statement 4

FOR THE YEAR ENDED OCTOBER 31, 1998

| | 1998 \$ | 1997 \$ |
|---|-------------------|-------------------|
| Operating Activities | | |
| Net income for the year | 9,965,449 | 8,684,105 |
| Charges against income not requiring an outlay of funds | | |
| - depreciation | 4,621,611 | 4,399,184 |
| - gain on disposal of fixed assets - net | (44,541) | (15,870) |
| | 14,542,519 | 13,067,419 |
| Net change in non-cash working capital balances related to operations | (836,705) | (592,523) |
| Funds provided by operating activities | 13,705,814 | 12,474,896 |
| Investing Activities | | |
| Fixed asset acquisitions | (6,614,498) | (7,433,356) |
| Proceeds on sale of fixed assets | 81,373 | 56,134 |
| Funds used by investing activities | (6,533,125) | (7,377,222) |
| Financing Activities | | |
| Repayment of long-term debt | (1,800,000) | (1,600,000) |
| Increase in Cash Position | 5,372,689 | 3,497,674 |
| Cash Position, Beginning of Year | 13,373,719 | 9,876,045 |
| Cash Position, End of Year | 18,746,408 | 13,373,719 |
| Cash Position | | |
| Cash | 18,746,408 | 4,428,079 |
| Temporary investments | | 8,945,640 |
| | 18,746,408 | 13,373,719 |

See accompanying notes

schedule of operations

s c h e d u l e 1

FOR THE YEAR ENDED OCTOBER 31, 1998

Gift Shops, Restaurants, and Attractions

| | 1998 \$ | 1997 \$ |
|---|-------------------|-------------------|
| Income | | |
| Souvenirs, china and post cards | 22,188,940 | 21,213,010 |
| Food and refreshments | 14,315,344 | 13,987,744 |
| Beer, liquor and wine | 1,676,606 | 1,571,456 |
| Confectionery | 2,761,248 | 2,232,903 |
| Fares and admission | 18,318,348 | 17,328,852 |
| Rentals | 397,927 | 345,604 |
| Sundry | 796,484 | 610,417 |
| | 60,454,897 | 57,289,986 |
| Cost of Goods Sold | | |
| Souvenirs, china and post cards | 9,299,502 | 8,859,030 |
| Food and refreshments | 3,692,932 | 3,535,101 |
| Beer, liquor and wine | 450,747 | 421,954 |
| Confectionery | 1,186,221 | 950,825 |
| Sundry | 234,815 | 198,700 |
| | 14,864,217 | 13,965,610 |
| Gross Profit | 45,590,680 | 43,324,376 |
| Operating Expenses | | |
| Salaries and wages | 10,345,906 | 9,846,051 |
| Employee benefits | 2,047,414 | 1,852,216 |
| Advertising | 732,401 | 810,885 |
| Fuel, power, water and laundry | 947,037 | 930,163 |
| General | 2,910,920 | 2,694,213 |
| Maintenance of buildings, equipment and vehicles | 1,912,749 | 1,955,885 |
| Maintenance of grounds | 553,243 | 515,818 |
| Grants in lieu of municipal taxes | 894,179 | 615,305 |
| Distribution Centre expense | 858,237 | 927,198 |
| | 21,202,086 | 20,147,734 |
| Net Income before Depreciation | 24,388,594 | 23,176,642 |
| Depreciation of Income Producing Assets | 2,360,781 | 2,269,243 |
| Net Income Exclusive of any Portion of the Administrative Overhead of the Commission | 22,027,813 | 20,907,399 |

See accompanying notes

notes to financial statements

FOR THE YEAR ENDED OCTOBER 31, 1998

I. SIGNIFICANT ACCOUNT POLICIES

Basis of accounting

The financial statements of the Commission are the representations of management prepared in accordance with generally accepted accounting principles in Canada, consistently applied. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgement in the light of available information. The financial statements have, in management's opinion been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Inventories

Inventories of saleable merchandise are valued at lower of cost (first-in, first-out) and net realizable value.

Fixed assets

All fixed assets are recorded at cost. Depreciation has been recorded using the straight-line method, with rates from 2.5 to 20 per cent for buildings, roadways and structures, 10 to 25 per cent for equipment and furnishing and from 8 to 40 per cent for vehicles.

Financial instruments

The Commission's financial instruments consist of cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

2. FIXED ASSETS

| | Cost \$ | Accumulated Depreciation \$ | 1998 \$ | 1997 \$ |
|--|-------------|--------------------------------|------------|------------|
| Land | 12,017,533 | | 12,017,533 | 11,574,961 |
| Buildings, roadways and structures | 110,736,626 | 36,071,518 | 74,665,108 | 73,898,694 |
| Equipment and furnishings | 14,443,506 | 9,120,394 | 5,323,112 | 4,439,123 |
| Vehicles | 7,439,527 | 6,532,174 | 907,353 | 1,040,999 |
| | 144,637,192 | 51,724,086 | 92,913,106 | 90,953,777 |
| Capital works in progress | 1,048,682 | | 1,048,682 | 1,051,956 |
| | 145,685,874 | 51,724,086 | 93,961,788 | 92,005,733 |

notes to financial statements

FOR THE YEAR ENDED OCTOBER 31, 1998

3. COMMITMENTS

The Commission is committed to spending approximately \$2,586,000 on capital projects in the next year.

The Commission has entered into agreements to acquire certain lands in the amount of \$1,400,000.

4. CONTINGENCIES

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

5. UNUSUAL ITEM

The Commission was the recipient of a property known as the Laura Secord Homestead donated for preservation as part of a historical site. This donation is reflected at the fair market value of the parcel received.

6. PENSION PLAN

The Commission provides benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario.

The Commission's obligations related to the PSPF, OPSEU Pension Fund and related obligation to the Province of

Ontario Consolidated Revenue Fund for the year was \$1,378,896 (1997 - \$1,350,370) and is included in the administrative and general expenses in the Statement of Operations and employee benefits in the Schedule of Operations - Gift Shops, Restaurants and Attractions.

7. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

8. SURPLUS FUNDS

Pursuant to Section 16 (2) of the Niagara Parks Act any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the Consolidated Revenue Fund.

EMPLOYEES PAID \$100,000, OR MORE IN 1997

| Name | Position | Salary Paid | Taxable Benefits |
|---------------|-----------------|--------------|------------------|
| R. W. Tytanek | General Manager | \$120,329.40 | \$2,566.92 |

Prepared in accordance with the *Public Sector Salary Disclosure Act, 1996*.

AUDITORS' REPORT

To the Board of Directors of Ontario Casino Corporation
and the Chair of Management Board of Cabinet

We have audited the consolidated balance sheet of Ontario Casino Corporation as at March 31, 1999 and the consolidated statements of operations, retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Canada

June 16, 1999

ONTARIO CASINO CORPORATION

Consolidated Balance Sheet
(In thousands of dollars)

March 31, 1999, with comparative figures for 1998

| | 1999 | 1998 |
|---|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and short-term investments (note 2) | \$ 245,243 | \$ 307,151 |
| Accounts receivable | 11,702 | 10,503 |
| Inventories | 4,725 | 4,042 |
| Prepaid expenditures and other | 10,762 | 8,155 |
| | <u>272,432</u> | <u>329,851</u> |
| Capital assets (note 3) | 733,393 | 675,341 |
| Pre-opening expenditures, net of accumulated amortization of \$50,031 (1998 - \$45,160) | 10,626 | 23,877 |
| Deferred charges (note 4) | 21,555 | 23,152 |
| Cash and short-term investments held in First Nations investment account (note 5) | 254,543 | 84,197 |
| | <u>\$ 1,292,549</u> | <u>\$ 1,136,418</u> |

Liabilities and Provincial Equity

| | | |
|--|---------------------|---------------------|
| Current Liabilities: | | |
| Accounts payable and accrued liabilities | \$ 128,946 | \$ 148,276 |
| Due to Windsor Casino Limited (note 6) | 21,922 | 94,924 |
| Due to Operators (note 6) | 48,698 | 33,876 |
| Current portion of long-term debt (note 7) | 9,428 | 50,572 |
| | <u>208,994</u> | <u>327,648</u> |
| Long-term debt (note 7) | 16,028 | 24,013 |
| Due to First Nations (note 5) | 254,543 | 84,197 |
| Provincial equity: | | |
| Retained earnings | 746,323 | 645,906 |
| Reserves (note 2) | 66,661 | 54,654 |
| | <u>812,984</u> | <u>700,560</u> |
| | <u>\$ 1,292,549</u> | <u>\$ 1,136,418</u> |

Commitments and contingencies (notes 6, 11 and 12)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

 Director  Director

ONTARIO CASINO CORPORATION

Consolidated Statement of Operations
(In thousands of dollars)

Year ended March 31, 1999, with comparative figures for 1998

| | 1999 | 1998 |
|-----------------------------|------------------|------------------|
| Revenues: | | |
| Gaming | \$ 1,979,433 | \$ 1,645,001 |
| Non-gaming | 191,675 | 140,115 |
| Investment income | 8,481 | 5,556 |
| | <u>2,179,589</u> | <u>1,790,672</u> |
| Less promotional allowances | 84,302 | 62,540 |
| | <u>2,095,287</u> | <u>1,728,132</u> |
| Costs and expenses: | | |
| Gaming: | | |
| Win tax (note 8) | 395,865 | 328,946 |
| Operations | <u>352,371</u> | <u>287,895</u> |
| | 748,236 | 616,841 |
| Non-gaming | 108,739 | 81,393 |
| Operators' fees (note 6) | 98,274 | 67,541 |
| General and administrative | 161,597 | 141,421 |
| Amortization | 94,151 | 119,973 |
| Lease and rental | 17,365 | 21,141 |
| Interest | 7,602 | 10,604 |
| Other | <u>103,342</u> | <u>40,619</u> |
| | <u>1,339,306</u> | <u>1,099,533</u> |
| Net income | \$ 755,981 | \$ 628,599 |

See accompanying notes to consolidated financial statements.

ONTARIO CASINO CORPORATION

Consolidated Statement of Retained Earnings
(In thousands of dollars)

Year ended March 31, 1999, with comparative figures for 1998

| | 1999 | 1998 |
|--|------------|------------|
| Retained earnings, beginning of year | \$ 645,906 | \$ 222,995 |
| Net income | 755,981 | 628,599 |
| Distributions to the Province of Ontario | (475,524) | (106,988) |
| Distributions to First Nations investment account (note 5) | (168,033) | (82,525) |
| Transfers to reserves, net: | | |
| Capital renewals reserve | (6,094) | (5,188) |
| Operating reserve | (3,441) | (8,732) |
| Severance reserve | (2,472) | (2,255) |
| | (12,007) | (16,175) |
| Retained earnings, end of year | \$ 746,323 | \$ 645,906 |

See accompanying notes to consolidated financial statements.

ONTARIO CASINO CORPORATION

Consolidated Statement of Changes in Financial Position (In thousands of dollars)

Year ended March 31, 1999, with comparative figures for 1998

| | 1999 | 1998 |
|--|------------|------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Net income | \$ 755,981 | \$ 628,599 |
| Amortization which does not involve cash | 94,151 | 119,973 |
| Changes in non-cash operating working capital | 7,800 | 73,287 |
| | 857,932 | 821,859 |
| Financing: | | |
| Obligations under capital leases | - | (9,918) |
| Repayments to Windsor Casino Limited | (73,002) | - |
| Repayments to Ontario Finance Authority | - | (146,990) |
| Deferred lease costs | - | 3,520 |
| Repayments of long-term debt | (50,965) | (85,911) |
| Unrealized foreign exchange loss | 1,836 | 1,009 |
| | (122,131) | (238,290) |
| Investing: | | |
| Acquisition of capital assets | (151,149) | (289,504) |
| Pre-opening expenditures | (7,622) | - |
| Deferred charges | (2,337) | (876) |
| Proceeds on return of Northern Belle Riverboat | 6,713 | - |
| Proceeds on disposal | 243 | 204 |
| | (154,152) | (290,176) |
| Other: | | |
| Distributions to Province of Ontario | (475,524) | (106,988) |
| Distribution to First Nations investment account | (168,033) | (82,525) |
| | (643,557) | (189,513) |
| Increase (decrease) in cash | (61,908) | 103,880 |
| Cash, beginning of year | 307,151 | 203,271 |
| Cash, end of year | \$ 245,243 | \$ 307,151 |

Cash is defined as cash and short-term investments.

See accompanying notes to consolidated financial statements.

ONTARIO CASINO CORPORATION

Notes to Consolidated Financial Statements
(Tabular amounts in thousands of dollars)

Year ended March 31, 1999

Ontario Casino Corporation (the "Corporation") is a Crown agency of the Ontario government and is responsible for conducting and managing Ontario's three commercial casinos. The Corporation commenced active operations on April 1, 1994 and presently operates the following casinos:

| Casinos | Commencement of operations |
|----------------------------|----------------------------|
| Casino Rama | July 31, 1996 |
| Casino Niagara | December 9, 1996 |
| Casino Windsor - permanent | July 29, 1998 |

These financial statements combine the assets, liabilities and results of operations of the Corporation and each of the casinos, and consolidate the assets, liabilities and results of operations of Ontario Gaming Assets Corporation ("OGAC"), a wholly-owned subsidiary of the Corporation incorporated on July 9, 1998.

The Interim Casino Windsor and Northern Belle Riverboat Casino, which commenced operations on May 17, 1994 and December 13, 1995, respectively, closed on July 22, 1998 and July 12, 1998, respectively.

1. Significant accounting policies:

(a) Gaming revenue and promotional allowances:

Gaming revenue represents the net win from gaming activities, which is the difference between amounts earned through winnings and payouts by the casino. The retail value of accommodation, food, beverage and other items provided on a complimentary basis to customers has been included in non-gaming revenues and a corresponding amount has been deducted as promotional allowances. Costs of providing promotional allowances have been included in non-gaming costs and expenses.

(b) Inventories:

Inventories are stated at the lower of cost and net realizable value.

ONTARIO CASINO CORPORATION

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended March 31, 1999

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are stated at cost. Amortization is provided using the following methods and annual rates:

| Assets | Rate |
|--|---------------------------------------|
| Building, improvements and other development costs | Straight-line over ten to fifty years |
| Furniture, fixtures and equipment | Straight-line over three to ten years |

Capital assets are amortized upon the commencement of operations.

Interest on debt to finance major additions to capital assets is capitalized until the commencement of operations. The interest cost is determined using the interest rate on incremental debt incurred by the Corporation to finance these capital assets. Interest capitalized is amortized over the same period as the related asset.

(d) Pre-opening expenditures:

Certain expenditures, consisting of compensation, consulting and other costs incurred in connection with the development and opening of casinos are deferred and amortized over periods ranging from one to three years.

(e) Deferred charges:

Deferred charges consist primarily of financing fees and assets contributed to Chippewas of Mnjikaning (Rama) First Nation ("Chippewas of Mnjikaning") in accordance with the development and operating agreement relating to this property. Deferred financing fees are amortized over a period of three years. Assets contributed to Chippewas of Mnjikaning consisting primarily of funding for the construction of a community centre, senior centre and certain infrastructure facilities are amortized over the term of the related development and operating agreement.

ONTARIO CASINO CORPORATION

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended March 31, 1999

1. Significant accounting policies (continued):

(f) Foreign currency translation:

Monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary assets and liabilities are translated at the historical exchange rates. Statement of income items are translated at the rate of exchange in effect at the transaction date. Translation gains and losses are included in income in the period which they arise, except for translation gains and losses relating to long-term debt which are deferred and amortized over the estimated term of repayment.

(g) Use of estimates:

In conformity with generally accepted accounting principles, management of the Corporation has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period to prepare these financial statements. Actual results could differ from those estimates.

2. Cash and short-term investments:

(a) Cash and short-term investments include the below noted amounts which are held in separate bank accounts:

| | 1999 | 1998 |
|--------------------------|------------------|------------------|
| Capital renewals reserve | \$ 32,397 | \$ 26,303 |
| Operating reserve | 22,935 | 19,494 |
| Severance reserve | 11,329 | 8,857 |
| | <u>\$ 66,661</u> | <u>\$ 54,654</u> |

ONTARIO CASINO CORPORATION

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended March 31, 1999

2. Cash and short-term investments (continued):

(b) Cash reserves:

The Corporation has established cash reserves in accordance with various operating agreements for the following purposes:

- Capital renewals reserve - for capital asset additions other than normal repairs or major improvements.
- Operating reserve - to satisfy specified obligations in the event that revenue will be insufficient to meet such obligations.
- Severance reserve - to satisfy certain obligations of the Corporation arising from termination or layoff of employees of an operator in connection with the termination of the operator.

In addition, there is restricted cash of \$1,044,000 (1998 - \$3,374,000) to be held for construction related expenditures at Casino Rama.

3. Capital assets:

| | | | 1999 | 1998 |
|--|------------|--------------------------|---------------------|---------------------|
| | Cost | Accumulated amortization | Net carrying amount | Net carrying amount |
| Land | \$ 59,863 | \$ - | \$ 59,863 | \$ 59,863 |
| Building, improvements and other development costs | 542,353 | 31,244 | 511,109 | 140,936 |
| Furniture, fixtures and equipment | 208,962 | 48,120 | 160,842 | 96,214 |
| Asset under capital lease | - | - | - | 8,463 |
| Construction in progress | 1,579 | - | 1,579 | 369,865 |
| | \$ 812,757 | \$ 79,364 | \$ 733,393 | \$ 675,341 |

During the year, the Corporation capitalized interest amounting to approximately \$1,530,000 (1998 - \$4,510,000).

ONTARIO CASINO CORPORATION

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended March 31, 1999

4. Deferred charges:

| | | | 1999 | 1998 |
|---|-----------|--------------------------|---------------------|---------------------|
| | Cost | Accumulated amortization | Net carrying amount | Net carrying amount |
| Assets contributed to Chippewas of Mnjikaning | \$ 26,878 | \$ 6,915 | \$ 19,963 | \$ 21,391 |
| Deferred financing fees | 8,391 | 6,799 | 1,592 | 1,761 |
| | \$ 35,269 | \$ 13,714 | \$ 21,555 | \$ 23,152 |

5. First Nations investment account:

In early 1996, formal negotiations commenced between the First Nations of Ontario and the Province of Ontario to establish and administer a First Nations Fund into which all excess cash flow from Casino Rama will be distributed. Pending the establishment of a fund and an agreement between the Corporation and fund administrators agreed to by the Minister of Finance, the Corporation will hold these funds in a non-commingled investment account. These funds are invested in three month guaranteed investment certificates with the Province of Ontario Savings Office.

| | 1999 | 1998 |
|--|------------|-----------|
| The investment account balance consists of: | | |
| Balance, beginning of year | \$ 84,197 | \$ - |
| Distribution to First Nations investment account | 168,033 | 82,525 |
| Interest earned | 7,229 | 1,672 |
| Atherley Narrows Bridge expense (note 12(c)) | (4,500) | - |
| Distribution during year | (316) | - |
| Other expenses | (100) | - |
| Balance, end of year | \$ 254,543 | \$ 84,197 |

6. Related party transactions:

- (a) Under the terms of the development and operating agreements for each of the casinos, the operator is entitled to receive an operator's fee calculated as a percentage of gross revenues and a percentage of net operating margin, both as defined in each of the related development and operating agreements.

ONTARIO CASINO CORPORATION

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended March 31, 1999

6. Related party transactions (continued):

- (b) Under the terms of the development and operating agreement for Casino Rama, Chippewas of Mnjikaning receive an annual fee of \$4,500,000, adjusted for inflation each year, relating to development and ongoing operating services. Additional charges from Chippewas of Mnjikaning amounting to \$3,800,000 (1998 - \$2,100,000) in connection with land and building rental, snow removal, water and sewer and law enforcement charges were received during the year. In addition, the lands used for the Casino Rama complex are leased from Her Majesty the Queen in Right of Canada by Casino Rama Inc. under a 25-year ground lease. Rent payable under this ground lease is \$3,500,000 annually adjusted for inflation and is paid out of gross revenues of the Casino Rama complex to Chippewas of Mnjikaning in accordance with instructions from Indian and Northern Affairs Canada as representative for Her Majesty the Queen.
- (c) Under the terms of the development and cost-sharing agreement between the Corporation and Windsor Casino Limited, the total project costs in connection with the construction of the permanent casino complex in Windsor were financed up to 25% by the operator and the remainder by the Corporation. The amount financed by the operator is repayable by the Corporation over the term of the operating agreement of the casino or earlier, depending on certain conditions contained in the operating agreement. Interest is calculated at 4.5% per annum compounded monthly until the opening date of the permanent casino and 10% per annum compounded monthly thereafter.

7. Long-term debt:

| | 1999 | 1998 |
|---|-----------|-----------|
| Bank loan | \$ - | \$ 44,346 |
| Advance from CHC Casinos Canada Limited | 25,456 | 30,239 |
| | 25,456 | 74,585 |
| Less current portion | 9,428 | 50,572 |
| | \$ 16,028 | \$ 24,013 |

ONTARIO CASINO CORPORATION

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended March 31, 1999

7. Long-term debt (continued):

(a) Bank loan:

A bank loan of \$155,000,000 under a \$160,000,000 non-revolving credit facility in favour of Casino Rama Inc. was obtained to finance the development of Casino Rama. The bank was fully repaid in August 1998. Interest for the year on the bank loan amounted to \$646,000 (1998 - \$5,464,000).

(b) Advance from CHC Casinos Canada Limited:

CHC Casinos Canada Limited, the operator of Casino Rama, advanced U.S. \$25,000,000 toward the development of the casino. The advance bears interest at bank prime plus 1% per annum. The outstanding balance as of March 31, 1999 amounted to U.S. \$16,875,000 (1998 - U.S. \$21,250,000). The operator is entitled to quarterly repayments based on a formula contained in the development and operating agreement for this casino. Interest for the year amounted to \$2,282,000 (1998 - \$2,017,000).

The advance from the operator is repayable in U.S. dollars and is, therefore, exposed to foreign currency fluctuations. Casino Rama has not entered into any foreign exchange contracts to minimize the exposure to foreign currency fluctuations.

(c) The principal repayments of the long-term debt expected to be made over the next three years are approximately as follows:

Year ending March 31:

| | |
|------|----------|
| 2000 | \$ 9,428 |
| 2001 | 9,428 |
| 2002 | 6,600 |

8. Win tax:

The Corporation remits win tax to the Province of Ontario weekly. This tax amounts to 20% of gaming revenue.

ONTARIO CASINO CORPORATION

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended March 31, 1999

9. Corporate head office expenses:

Included in costs and expenses are the expenses of the Corporation's head office as follows:

| | 1999 | 1998 |
|---|-----------|----------|
| Salaries, wages and benefits | \$ 1,661 | \$ 1,012 |
| Transportation and communication | 603 | 535 |
| Purchased services | 3,961 | 3,853 |
| Amortization | 346 | 277 |
| Windsor Art Gallery (note 12(b)) | 25,000 | — |
| Atherly Narrows Bridge expense (note 12(c)) | 13,500 | — |
| Other | (847) | 964 |
| | 44,224 | 6,641 |
| Less amounts recoverable from Casino Rama | 900 | 900 |
| | \$ 43,324 | \$ 5,741 |

10. Pension plans:

The operators of the casinos have created defined contribution pension plans for their salaried, hourly and executive employees. The casinos are required to contribute 2% of an employee's base earnings under the salaried and hourly pension plans and 3% of an employee's base earnings under the executive pension plans. Employee basic contributions of up to 2% of base earnings under the hourly pension plans and up to 3% of base earnings for the salaried and executive pension plans are permitted. Employee basic contributions are matched by the casinos. Employee voluntary contributions of up to 12% of base earnings under the hourly pension plans, up to 10% of base earnings under the salaried pension plans and up to 9% of base earnings under the executive pension plans are permitted. The pension expense for the year amounted to \$10,935,000 (1998 - \$9,196,640).

11. Contingencies:

- (a) The Corporation is from time to time involved in various legal proceedings of a character normally incident to its business. The Corporation believes that the outcome of these outstanding claims will not have a material impact on these financial statements. Settlements, if any, concerning these contingencies will be accounted for as a charge to the statement of operations in the period in which the settlement occurs.

ONTARIO CASINO CORPORATION

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended March 31, 1999

11. Contingencies (continued):

- (b) The lease agreement between the Corporation and Maple Leaf Entertainment Inc. for the interim casino complex in Niagara Falls, Ontario, provides for the restoration of the building to its original state to be paid for by the Corporation. The nature and expected costs of this restoration are not determinable at this time. Accordingly, no accrual for these costs has been provided for in the financial statements.
- (c) The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. The Corporation has developed and is implementing a process involving a phased approach designed to mitigate the expected effects of the Year 2000 Issue on the Company. The phases of the plan, which address Year 2000 readiness of the Corporation's computer systems, and of third parties, such as suppliers and others, include planning and awareness, inventory, testing, resolution and contingency planning. As at March 31, 1999, the Corporation has commenced all phases of the plan, which are intended to modify, retire or replace any computer systems identified to date which are not Year 2000 ready. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of suppliers, or other third parties, will be fully resolved.

12. Commitments:

- (a) In connection with the acquisition of the land site for the permanent casino complex in Windsor, Ontario, the Corporation has agreed to provide the City of Windsor (the "City") with a fixed return over 20 years with payments commencing May 1, 1998, in the amount of \$2,600,000 per annum for the first ten years and \$3,000,000 per annum for the last ten years. Approximately \$2,383,000 was expensed in the year. In addition, the Corporation is obligated to cause Riverfront and City Market improvements to be constructed for approximately \$4,000,000 and to reimburse the City for the Corporation's share of certain infrastructure costs. These infrastructure costs, which amounted to approximately \$14,200,000, have been expensed in these financial statements.

ONTARIO CASINO CORPORATION

Notes to Consolidated Financial Statements (continued)
(Tabular amounts in thousands of dollars)

Year ended March 31, 1999

12. Commitments (continued):

The lease agreement between the Corporation and the Art Gallery of Windsor for the former interim casino complex located in Windsor, Ontario, provides for the restoration of the building to an art gallery upon vacating of the premises by the Corporation. The interim casino complex closed during the year and the Corporation has agreed to contribute a maximum of \$25,000,000 towards the restoration costs. This amount has been accrued for in these financial statements.

- (b) The Corporation and the Ministry of Transportation for the Province of Ontario have entered into a Highway Infrastructure Improvements Agreement. Under the terms of this agreement, the Corporation has agreed to contribute a maximum of \$18,000,000 towards the construction of certain infrastructure improvements relating to the Atherley Narrows Bridge located in Rama, Ontario, of which \$4,500,000 will be contributed by the First Nations Fund.
- (c) The Corporation is committed to rental payments for its leased premises and equipment under leases, expiring up to 2006. Future minimum annual lease payments are as follows:

| | Operating leases |
|-------------------------------------|------------------|
| Year ending March 31: | |
| 2000 | \$ 4,532 |
| 2001 | 2,068 |
| 2002 | 1,292 |
| 2003 | 461 |
| 2004 | 438 |
| Thereafter | 100 |
| Total minimum lease payments | \$ 8,891 |

- (d) On May 24, 1999, the Corporation signed a Master Development Agreement with Falls Management Company for the construction and development of a permanent casino complex in Niagara Falls, Ontario and continues to negotiate specific elements related to the permanent complex.

13. Reclassification:

Certain of the 1998 figures presented for comparative purposes have been reclassified to conform with the current year's presentation.

**PUBLIC SECTOR SALARY DISCLOSURE
FISCAL YEAR ENDING MARCH 31, 1999****EMPLOYEE INFORMATION**

| NAME | POSITION | SALARY | TAXABLE BENEFIT |
|--------------|------------------------------------|---------------|----------------------------|
| Ron Barbaro | Chair & Chief Executive Officer | \$131,236.51 | \$244.22 |
| Atam Uppal | Director of Operations | \$109,013.06 | \$314.56 |
| Paul Micucci | Chief Financial Officer | \$100,287.98 | \$288.08 |

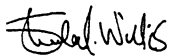
Management's Responsibility For Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by Management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgements.

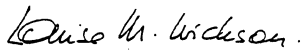
The Ontario Clean Water Agency is dedicated to the highest standards of integrity in its business. To safeguard Agency assets, the Agency has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the bylaws of the Agency. Internal audits are conducted to assess management systems and practices, and reports are issued to the Senior Management Committee.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets quarterly to oversee the financial activities of the Agency and at least annually to review the financial statements and the external auditors' report thereon, and recommend them to the Minister of the Environment for approval.

The financial statements have been examined by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.



Sheila N. Willis
President and CEO



Louise Morrow Wickson
Vice President,
Finance and Administration

March 23, 1999

Auditor's Report

To the Ontario Clean Water Agency,
the Minister of Environment
and to the Minister of Finance

I have audited the balance sheet of the Ontario Clean Water Agency as at December 31, 1998 and the statements of income and retained earnings and of changes in financial position for the year then ended. These financial statements are the responsibility of the Agency's management. 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 management, 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 Agency as at December 31, 1998 and the results of its operations and changes in its financial position for the year then ended, in accordance with generally accepted accounting principles.



Erik Peters, FCA
Provincial Auditor

February 24, 1999

The Ontario Clean Water Agency

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BALANCE SHEET

AS AT DECEMBER 31

(IN THOUSANDS OF DOLLARS)

| | 1998 | 1997 |
|---|-----------|-----------|
| ASSETS | | |
| Current assets: | | |
| Cash and short-term investments | \$124,700 | \$ 63,097 |
| Accounts receivable, net | | |
| Municipalities and other customers | 6,877 | 9,170 |
| Ministry of the Environment | 115 | 333 |
| Goods and services tax receivable | 655 | 740 |
| Current portion of investments receivable: | | |
| Water and wastewater facilities (note 2) | 2,378 | 6,040 |
| Facilities under construction (note 3) | 9,096 | 12,843 |
| | 143,821 | 92,223 |
| Financial assets: | | |
| Investments receivable for water and wastewater facilities (note 2) | 67,576 | 171,693 |
| Investments receivable for facilities under construction (note 3) | 13,225 | 14,710 |
| Loans receivable - Top-up loan (note 4) | 850 | 4,509 |
| Provincial assistance advances (note 5) | 467 | 1,580 |
| Fixed assets, net (note 6) | 3,134 | 1,866 |
| | 85,252 | 194,358 |
| Total Assets | \$229,073 | \$286,581 |

The Ontario Clean Water Agency

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BALANCE SHEET

AS AT DECEMBER 31

(IN THOUSANDS OF DOLLARS)

| | 1998 | 1997 |
|--|-----------|-----------|
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 21,208 | \$ 28,778 |
| Current portion of long-term liabilities (note 11) | 1,000 | 3,098 |
| Provision for restructuring costs (note 9) | — | 453 |
| | 22,208 | 32,329 |
| Long-term liabilities: | | |
| Long-term debt (note 8) | — | 54,284 |
| Municipal contributions payable (note 10) | 3,702 | 6,978 |
| Employee benefits and pension plan (note 11) | 6,037 | 8,791 |
| | 9,739 | 70,053 |
| Equity of Ontario: | | |
| Contributed surplus (note 13) | 106,731 | 108,981 |
| Retained earnings | 90,395 | 75,218 |
| | 197,126 | 184,199 |
| Contingencies (note 14) | | |
| Total Liabilities and Equity | \$229,073 | \$286,581 |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

ON BEHALF OF THE BOARD



DIRECTOR



DIRECTOR

The Ontario Clean Water Agency

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STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31

(IN THOUSANDS OF DOLLARS)

| | 1998 | 1997 |
|---|-----------|-----------|
| UTILITY OPERATING REVENUES: | | |
| Utility Operations | \$100,660 | \$105,921 |
| Fees | 1,940 | 2,451 |
| Total Operating Revenues | 102,600 | 108,372 |
| OPERATING EXPENSES: | | |
| Salaries and benefits (note 17) | 36,194 | 39,880 |
| Other operating expenses | 62,223 | 63,373 |
| Depreciation and amortization of fixed assets | 1,063 | 771 |
| Total Operating Expenses | 99,480 | 104,024 |
| Net Income – Utility Operations | 3,120 | 4,348 |
| FINANCING REVENUES: | | |
| Revenues from investments | 17,368 | 30,886 |
| Interest on facilities under construction | 621 | 1,192 |
| Total Financing Revenues | 17,989 | 32,078 |
| FINANCING EXPENSES: | | |
| Property Transfer Initiative (note 15) | 2,016 | 466 |
| Interest | 2,365 | 12,864 |
| Financing administration expenses | 991 | 1,160 |
| Provision for losses | 500 | 513 |
| Depreciation and amortization of fixed assets | 60 | 60 |
| Total Financing Expenses | 5,932 | 15,063 |
| Net Income – Financing | 12,057 | 17,015 |
| Net Income for the Period | 15,177 | 21,363 |
| Retained Earnings, Opening Balance | 75,218 | 53,855 |
| Retained Earnings, Ending Balance | \$ 90,395 | \$ 75,218 |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

The Ontario Clean Water Agency

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STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31

(IN THOUSANDS OF DOLLARS)

| | 1998 | 1997 |
|---|------------------|------------------|
| CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES: | | |
| OPERATING ACTIVITIES: | | |
| Net Income | \$ 15,177 | \$ 21,363 |
| Changes in non-cash working capital balances | | |
| — Accounts receivable | 2,378 | 16,875 |
| — Accounts payable and accrued liabilities | (7,570) | (8,614) |
| — Ministry of the Environment | 218 | (274) |
| — Provision for restructuring costs (note 9) | (453) | (579) |
| Depreciation and amortization of fixed assets | 1,123 | 831 |
| Net Cash Provided by Operating Activities | 10,873 | 29,602 |
| CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES: | | |
| Net decrease in investments receivable for water and wastewater facilities (note 2) | 107,779 | 213,628 |
| Net decrease in investments receivable for facilities under construction (note 3) | 5,232 | 10,483 |
| Net (decrease) in municipal contributions payable (note 10) | (3,276) | (356) |
| (Decrease) in long-term employee benefits payable (note 11) | (2,754) | (2,710) |
| Long-term debt repayment (note 8) | (56,382) | (235,354) |
| Increase (decrease) in provincial assistance advances (note 5) | 1,113 | (1,826) |
| Decrease in Top-up loans (note 4) | 3,659 | 331 |
| Changes in contributed surplus (note 13) | (2,250) | (783) |
| Net Cash Provided by Financing Activities | 53,121 | (16,587) |
| Fixed Assets — acquired | (2,391) | (683) |
| Increase in Cash Position | 61,603 | 12,332 |
| Cash and Short-Term Investments, Opening Balance | 63,097 | 50,765 |
| Cash and Short-Term Investments, Ending Balance | \$124,700 | \$ 63,097 |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

NOTES TO FINANCIAL STATEMENTS**GENERAL:**

The Ontario Clean Water Agency (The "Agency") was established on November 15, 1993, under the authority of The Capital Investment Plan Act (the "Act").

In accordance with the Act, the Agency's objectives include:

- assisting municipalities to provide water and wastewater services on a cost-recovery basis by financing, planning, developing, building and operating such works and services;
- financing, building and operating water and wastewater facilities on behalf of Ontario on a cost-recovery basis; and
- providing these services so as to protect human health and the environment, encourage conservation of water resources and support Provincial policies for land use and settlement.

In accordance with the provisions of the Act, the Agency is incorporated under the laws of Ontario. The Agency is exempt from Federal and Provincial income taxes.

1. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants. Included below are those accounting policies which are of significance to the Agency.

(a) Cash and short-term investments:

Short-term investments are stated at the lower of cost or market.

(b) Fixed assets:

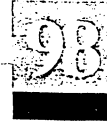
Equipment and leasehold improvements are stated at cost. Leasehold improvements are being amortized over the life of the leases. Depreciation is provided using the declining balance method with a half-year provision in the year of purchase if the asset is available for use. Equipment is being depreciated at rates calculated to amortize the cost of the assets over the estimated lives as follows:

| | |
|------------------------------|----------|
| Automotive equipment | 4 years |
| Furniture and fixtures | 5 years |
| Computer hardware | 3 years |
| Computer software | 2 years |
| Machinery and equipment | 5 years |
| Electronic operating systems | 10 years |

(c) Investments receivable for facilities under construction:

Interest on borrowings and other incremental expenditures relating to facilities are capitalized during the construction period.

The Ontario Clean Water Agency

**1. SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)****(d) Utility operations:**

A portion of the contractual arrangements with clients for the operation of water and wastewater treatment facilities provides for the recovery of all costs incurred in their operations plus a management fee. Revenue is recognized at the time such costs are incurred even though agreements may provide for the collection of a portion of those costs in future years. Accordingly, costs incurred in excess of amounts billed and to be recovered in future years are classified as "Investments receivable in water and wastewater facilities."

2. INVESTMENTS RECEIVABLE FOR WATER AND WASTEWATER FACILITIES:

- (a) These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed. In addition, it includes capitalized deficits on certain facilities that will be collected from clients during future years. Investments receivable for water and wastewater facilities are recorded at the lesser of both the outstanding principal and other capitalized amounts, and net realizable value.
- (b) The investments receivable are supported by agreements which bear interest at rates between 5.07% and 13.69%. Scheduled principal repayments of the investments are as follows:

(IN THOUSANDS OF DOLLARS)

| | |
|-----------------------|-----------|
| 1999 | \$ 2,378 |
| 2000 | 2,559 |
| 2001 | 2,755 |
| 2002 | 2,965 |
| 2003 | 3,192 |
| Thereafter | 56,105 |
| | 69,954 |
| Less: Current portion | 2,378 |
| | \$ 67,576 |

3. INVESTMENTS RECEIVABLE FOR FACILITIES UNDER CONSTRUCTION:

- (a) "Investments receivable for facilities under construction" represent new water and wastewater facilities or major capital improvements to existing facilities that have been undertaken by the Agency on behalf of its clients. Annually, the net recoverable amount from the customer is transferred to "Investments receivable for water and wastewater facilities." Certain clients pay the entire balance of their amount, accumulated as facilities under construction, within one year.
- (b) In the current period, the Agency capitalized interest amounting to \$0.7 million (1997 - \$1.8 million) to investments receivable for facilities under construction. In addition, provincial assistance amounting to \$12.3 million (1997 - \$34.9 million) was recorded as a reduction of investments receivable for facilities under construction.

The Ontario Clean Water Agency

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4. LOANS RECEIVABLE — TOP-UP LOANS:

The Agency made loans to municipalities to finance water and wastewater facilities that have received provincial assistance under the Municipal Assistance Program. The loans were made for terms of up to 20 years based on rates set by the Province at the time the loan was granted.

5. PROVINCIAL ASSISTANCE ADVANCES:

The Agency finances the construction of certain facilities on behalf of municipalities. A portion of the construction costs are eligible for provincial assistance grants provided by the Ministry of the Environment.

6. FIXED ASSETS:

| (IN THOUSANDS OF DOLLARS) | COST | ACCUMULATED DEPRECIATION | NET DEC. 31, 1998 | NET DEC. 31, 1997 |
|------------------------------|----------|-----------------------------|----------------------|----------------------|
| Furniture and fixtures | \$ 574 | \$ (357) | \$ 217 | \$ 272 |
| Automotive equipment | 16 | (16) | — | 5 |
| Computer hardware | 2,838 | (1,931) | 907 | 1,182 |
| Computer software | 1,724 | (1,003) | 721 | 231 |
| Leasehold improvements | 157 | (105) | 52 | 55 |
| Machinery and equipment | 301 | (104) | 197 | 121 |
| Electronic operating systems | 1,040 | — | 1,040 | — |
| | \$ 6,650 | \$ (3,516) | \$ 3,134 | \$ 1,866 |

7. LEASE COMMITMENTS:

Annual lease payments under operating leases for rental of premises and vehicles in aggregate are as follows:

(IN THOUSANDS OF DOLLARS)

| | |
|------------|----------|
| 1999 | \$ 1,050 |
| 2000 | 872 |
| 2001 | 876 |
| 2002 | 799 |
| 2003 | 647 |
| Thereafter | 3,251 |
| | \$ 7,495 |

8. LONG-TERM DEBT:

During the year, the Agency utilized client repayment proceeds to pay off the long-term debt owed to the Province of Ontario.

9. RESTRUCTURING AND REORGANIZATION:

In 1996 the Agency implemented a restructuring plan. Restructuring costs for employee severance, relocation, office closures and other administrative costs were recognized in 1996. A provision for restructuring costs was set up at December 31, 1996 for the restructuring costs that were recognized in 1996 but would not be paid until 1997 or thereafter. As at December 31, 1998, none (1997 — \$0.4 million) of those costs remained outstanding.

The Ontario Clean Water Agency

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10. MUNICIPAL CONTRIBUTIONS PAYABLE:

| (IN THOUSANDS OF DOLLARS) | DEC. 31, 1998 | DEC. 31, 1997 |
|---|---------------|---------------|
| Municipal contributions held for future repairs | \$ 3,049 | \$ 5,416 |
| Municipal operating expense prepayments | 653 | 1,562 |
| | \$ 3,702 | \$ 6,978 |

At December 31, 1998, the Agency held funds that will be used for future repairs amounting to \$3.0 million (1997 – \$5.4 million). The \$3.0 million and the \$0.6 million for municipal operating expense prepayments is included in cash and short-term investments.

11. EMPLOYEE BENEFITS:

At inception, the Agency assumed the responsibility to fund the accrued employee benefits related to the employees of the Agency. These costs have been estimated to amount to \$7.0 million (1997 – \$9.8 million) of which \$1.0 million (1997 – \$1.0 million) has been classified as a current liability.

12. PENSION PLAN:

The Agency provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario. The Agency's contributions related to the pension plans for the period was \$2.0 million (1997 – \$2.3 million) and is included in salaries and benefits in the Statement of Income and Retained Earnings.

13. CONTRIBUTED SURPLUS:

The opening contributed surplus was received from the Province of Ontario in the form of the book value of net assets in excess of obligations assumed and is accounted for as the Agency's equity. Included in the closing balance are the following:

| (IN THOUSANDS OF DOLLARS) | DEC. 31, 1998 |
|--------------------------------|---------------|
| Opening balance, January 1 | \$ 108,981 |
| Adjustments to opening balance | (2,250) |
| | \$ 106,731 |

The adjustment to the opening balance, relates to repair and maintenance costs that were agreed to prior to the establishment of the Agency.

14. CONTINGENCIES:**Litigation**

The Agency is a defendant in a number of lawsuits. In most instances, these actions relate to the period prior to the establishment of the Agency on November 15, 1993. The outcome of the lawsuits cannot be determined at this time. Losses, if any, will be accounted for in the period of settlement.

**14. CONTINGENCIES: (CONT'D)****The Year 2000 issue**

The year 2000 issue arises from the fact that many computer systems express years by using two digits rather than four, with the assumption that the first two digits are always "19." Such systems, if not modified or replaced, could misinterpret the year before and after January 1, 2000 (e.g. read "00" as the year 1900 rather than the year 2000). The results could range from miscalculations to system failure causing a temporary inability to process transactions or engage in normal business activities.

The Agency is reviewing its corporate systems in order to assess these potential risks however, due to the general uncertainty inherent in the Year 2000 issue, resulting in part from the uncertainty of the Year 2000 readiness of other parties, the Agency is unable to determine at this time whether the Year 2000 issue will have a material and adverse impact on the Agency's results of operations, liquidity and financial condition.

15. PROPERTY TRANSFER INITIATIVE:

In 1997, the Province passed legislation requiring the transfer of ownership of water and wastewater facilities from the Agency to municipalities. The Property Transfer Initiative captures all real estate conveyance costs associated with the title transfers. To date, \$2.5 million has been spent and an additional \$1.5 million is expected to be spent and will be recorded in the period of the transfer. The transfers must be completed by the year 2004.

16. RELATED PARTY TRANSACTIONS:

As a result of the relationship of the Agency with the Province and the classification as a Province of Ontario Schedule IV Agency, the following related party transactions exist and have been disclosed in the notes to the financial statements:

- (a) Transactions with the Province of Ontario
- (b) Transactions with the Ministry of the Environment
- (c) Transactions with the Ontario Financing Authority

17. SALARIES:

Provincial legislation requires disclosure of Ontario public sector employees paid an annual salary in excess of \$100,000. For OCWA, this disclosure is as follows:

| | | |
|---------------|---------------------------------------|-----------|
| Sheila Willis | President and Chief Executive Officer | \$127,690 |
| Michael Brady | General Counsel | \$113,070 |
| Ronald Gagnon | Area Vice President | \$106,930 |
| Sharon Gray | Area Vice President | \$100,570 |

18. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The carrying amount of cash and short-term investments, accounts receivable, accounts payable and accrued liability approximates fair value due to the short-term maturities of these instruments. Due to prepayment options, the carrying value of the balance of the financial assets and long-term liabilities approximates their fair value.

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To Ontario Development Corporation
and to the Minister of Economic Development and Trade

I have audited the balance sheet of Ontario Development Corporation as at March 31, 1999 and the statements of operations, investment by the Province of Ontario and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. 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 management, 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 corporation as at March 31, 1999 and the results of its operations and the changes in its cash flows for the year then ended in accordance with the accounting policies described in note 2 to the financial statements.

A handwritten signature in cursive script that reads "K.W. Leishman".

Toronto, Ontario
June 25, 1999

K.W. Leishman, CA
Assistant Provincial Auditor

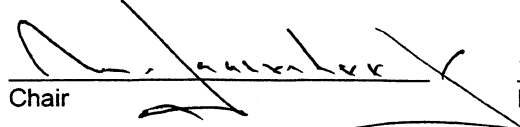

ONTARIO DEVELOPMENT CORPORATION

Balance Sheet
as at March 31, 1999

| | | [note 1] 1999 \$ | [note 2 a] 1998 \$ |
|--|----------|------------------------|--------------------------|
| | | [thousands] | |
| ASSETS | | | |
| Loans receivable | [note 3] | 27,592 | 44,625 |
| Equity investments | [note 3] | 4,153 | 5,176 |
| | | 31,745 | 49,801 |
| Cash and short-term deposits | | 47,452 | 30,068 |
| Account receivable - current | | 5,373 | 920 |
| Account receivable - long term | | 329 | 529 |
| Investment in non-consolidated subsidiaries | [note 5] | - | 4,219 |
| Capital assets-industrial parks | [note 6] | 11,545 | 14,851 |
| Total assets | | 96,444 | 100,388 |
| LIABILITIES | | | |
| Accounts payable - current | | 2,812 | 1,398 |
| Accounts payable - long term | | 758 | - |
| Provision for guarantee losses | [note 3] | 6,358 | 10,000 |
| | | 9,928 | 11,398 |
| Guarantees | [note 7] | | |
| INVESTMENT BY THE PROVINCE OF ONTARIO | | | |
| Share capital and other net investment | | 86,516 | 88,990 |
| Total liabilities and investment by the Province | | 96,444 | 100,388 |

See accompanying notes to financial statements

On behalf of the Board:

| | |
|--|--|
|  Chair |  Director |
|--|--|

ONTARIO DEVELOPMENT CORPORATION

Statement of Operations
for the year ended March 31, 1999

| | [note 1] 1999 \$ | [note 2 a] 1998 \$ |
|---|------------------------|--------------------------|
| | [thousands] | |
| INTEREST & INVESTMENT INCOME | | |
| Interest on loans | 3,845 | 10,348 |
| Gains on equity investments | 6,383 | 1,529 |
| Royalties and dividends | 31 | 243 |
| Interest on short-term deposits | 2,331 | 2,123 |
| | 12,590 | 14,243 |
| INTEREST & INVESTMENT EXPENSE | | |
| Interest on Provincial advances [note 10] | - | 4,597 |
| Interest subsidy payments | 5 | 246 |
| | 5 | 4,843 |
| Net interest & investment income | 12,585 | 9,400 |
| OTHER INCOME | | |
| Industrial parks (net) [note 6] | 1,114 | 406 |
| Gain from non-consolidated subsidiaries | - | 424 |
| | 1,114 | 830 |
| Gross operating income | 13,699 | 10,230 |
| RECOVERY OF CREDIT & INVESTMENT LOSSES | | |
| [note 3 and 4] | 11,449 | 29,460 |
| ADMINISTRATION | | |
| [note 8] | (7,903) | (4,690) |
| Net operating income | 17,245 | 35,000 |

See accompanying notes to financial statements

ONTARIO DEVELOPMENT CORPORATION

Statement of Investment by the Province of Ontario
as at March 31, 1999

| | [note 1] 1999 \$ | [note 2 a] 1998 \$ |
|---|------------------------|--------------------------|
| | [thousands] | |
| Investment by the Province, beginning of year: | | |
| Share capital | 7,000 | 7,000 |
| Net investment other than share capital | 81,990 | 156,852 |
| | 88,990 | 163,852 |
| Net investment by (returned to) the Province: | | |
| Operating income for the year | 17,245 | 35,000 |
| Contribution for administration costs | 6,910 | 5,665 |
| Prior year costs recovered, net of contributions for guarantee and program costs | (4,711) | (5,305) |
| Repayments/proceeds from loans and investments | (21,918) | (70,222) |
| Other repayments | - | (40,000) |
| | (2,474) | (74,862) |
| Investment by the Province, end of year: | | |
| Share capital | 7,000 | 7,000 |
| Net investment other than share capital | 79,516 | 81,990 |
| Investment by the Province of Ontario | 86,516 | 88,990 |

See accompanying notes to financial statements

ONTARIO DEVELOPMENT CORPORATION

Statement of Cash Flows
for the year ended March 31, 1999

| | [note 1] 1999 \$ | [note 2 a] 1998 \$ |
|--|------------------------|--------------------------|
| | [thousands] | |
| LENDING, INVESTING AND FINANCIAL ASSISTANCE ACTIVITIES | | |
| Loan collections | 17,033 | 21,698 |
| Loan disbursements | - | - |
| Proceeds from sale of equity investments | 6,797 | 3,011 |
| Recoveries net of disbursements for guarantees honoured and guarantee interest subsidies | 3,091 | 9,688 |
| Cash transferred from non-consolidated subsidiaries | 4,828 | - |
| Net cash inflow for lending, investing and financial assistance activities | 31,749 | 34,397 |
| FINANCING ACTIVITIES | | |
| Repayments to the Province | (21,918) | (110,222) |
| Contribution from the Province | 6,910 | 5,665 |
| Interest on Provincial advances [note 10] | - | (4,597) |
| Proceeds from sale of building [note 6] | 2,401 | - |
| Net cash (outflow) inflow from financing activities | (12,607) | (109,154) |
| OPERATING ACTIVITIES | | |
| Operating cash flow from industrial parks | 1,108 | 2,707 |
| Interest received on short-term deposits | (2,506) | 2,210 |
| Interest collected from borrowers | 3,876 | 10,591 |
| Administration costs | (6,910) | (5,665) |
| Capital asset additions | 706 | (382) |
| Other | 1,968 | 547 |
| Net cash inflow for operating activities | (1,758) | 10,008 |
| Increase (decrease) in cash and short-term deposits | 17,384 | (64,749) |
| Cash and short-term deposits, beginning of year | 30,068 | 94,817 |
| Cash and short-term deposits, end of year | 47,452 | 30,068 |

See accompanying notes to financial statements

ONTARIO DEVELOPMENT CORPORATION**Notes to the Financial Statements
March 31, 1999****1. GENERAL****(a) The Development Corporations**

In 1996, the Province decided to terminate the loan, equity investment and guarantee programs of the Development Corporations and to wind down their activities over a period of years. The Development Corporations consisted of Ontario Development Corporation, Northern Ontario Development Corporation, Eastern Ontario Development Corporation and Innovation Ontario Corporation. Their primary objective was to encourage and assist the development and diversification of industry in Ontario by providing financial assistance in the form of loans, guarantees and direct ownership.

The portfolios and responsibilities of the Development Corporations were transferred to Ontario Development Corporation during the year. The transfer of assets and liabilities was effective on April 1, 1998 for Northern Ontario Development Corporation and Eastern Ontario Development Corporation and was effective on June 29, 1998 for Innovation Ontario Corporation.

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 (book value of \$34 million at March 31, 1999) and its commercial guarantee portfolios (\$22 million at March 31, 1999).

(b) Ontario Development Corporation

Ontario Development Corporation was incorporated with share capital under the *Development Corporations Act*. As an Ontario Crown Corporation, the Corporation is exempt from income taxes under the *Canadian Income Tax Act*.

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Accounting**

These financial statements have been prepared on the historical cost basis, except for estimated future losses on loan portfolios in liquidation.

All assets and liabilities transferred from the Development Corporations were recorded by the Ontario Development Corporation at their book values. In these notes and the comparative figures presented in the financial statements, "the Company", "management", "directors", and financial statement items of prior years refer to those of the former Development Corporations combined.

The industrial parks will be transferred to Management Board Secretariat. The timing and financial consideration for this transfer have not yet been determined [note 6].

As the loan portfolio is in liquidation and the industrial parks are to be transferred, no attempt has been made to estimate fair values of these assets.

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
March 31, 1999**(b) Loans receivable**

Loans receivable are shown net of the related provisions for loan losses. They include loans made by the Corporation and loans administered for ministries and other agencies of the Province where the Corporation has signed the loan agreement.

(c) Equity investments

Equity investments are shown at cost, less the related provisions for investment losses.

Certain technology investments were made through royalty arrangements rather than the purchase of equity. Commencing in the year ended March 31, 1995, investments of this nature with a defined and reasonable expectation of realising a positive return are capitalised and amortised on the cost recovery method.

(d) Provisions for losses

Provisions were established in prior years to absorb anticipated losses on the wind-down of the Development Corporations. These general provisions included anticipated losses not attributed to specific loans, investments or guarantees issued, in addition to specific losses that had been identified. The various specific and general provisions are periodically reviewed and revised by management based on available information.

The general provisions against loans receivable and equity investments are reduced for write downs recorded. The general provision for guarantee losses is shown as a liability and is reduced as guarantee losses are incurred. The general provision for the expected net costs of operations related to the wind down is being amortised on a straight-line basis over the current and next two years.

(e) Revenue recognition

Interest income is recognised on the accrual basis, except for certain loans that permit the borrower to defer interest payments. For these loans, interest income that accrues during the deferred payment period is recognised at the end of the deferral period.

(f) Capital assets - industrial parks

Capital assets in the industrial parks owned by the corporation are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets. A depreciation rate of from five percent to twenty percent is used for buildings and improvements and a rate of twenty percent is used for equipment.

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)

March 31, 1999

(g) Activities managed and administered

The balance sheet reflects loans and investments made by the Corporation and loans administered by the Corporation for ministries and other agencies where the Corporation has signed the loan agreement. The statement of operations reflects administration expenses for all portfolios administered by the Corporation.

All activities managed and administered by the Corporation are summarised in note 11.

(h) Use of estimates in financial statements

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. STATUS OF THE CORPORATION AND RELATED PROVISIONS FOR LOSSES

In 1996, the Province decided to terminate the loan, equity investment and guarantee programs of the Development Corporations and to wind down their activities over a period of seven to eight years. The primary objective of the Ontario Development Corporation during the wind down is to provide for the orderly realisation of assets and settlement of debts while minimising any adverse impact on clients.

Management and directors gave careful consideration to the various factors that could impact each of: the collection of loans receivable; the value of equity investments; the extent that guarantees must be honoured; and the net costs required to wind down operations. In this regard, the best estimates at that time of the losses that would be realised were included with any provisions already recorded as general provisions.

The balances of the various provisions as at March 31 are as follows:

| | 1999 | 1998 |
|--------------------------------|---------------|---------------|
| | \$ | \$ |
| | [thousands] | |
| Loans receivable | 7,318 | 11,897 |
| Equity investments | 3,811 | 4,871 |
| Provision for guarantee losses | 6,358 | 10,000 |
| Net cost of operations | 217 | 325 |
| Total | 17,704 | 27,093 |

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)

March 31, 1999

4. CREDIT AND INVESTMENT LOSSES

Credit and investment losses for the year ended March 31 comprise the following:

| | Loans \$ | Investments \$ | Venture Guarantees \$ [thousands] | Commercial Guarantees \$ | Total \$ |
|--|-----------------|-------------------|--|--------------------------------|-----------------|
| Write-downs and expenses/ Guarantees honoured | 1,241 | 1,118 | 1,775 | 3,060 | 7,194 |
| Less recoveries | (5,142) | - | (2,760) | (1,460) | (9,362) |
| Less decrease in general provision | (4,579) | (1,060) | (3,464) | (178) | (9,281) |
| Net expense (income) – 1999 | (8,480) | 58 | (4,449) | 1,422 | (11,449) |
| Net expense (income) – 1998 | (19,940) | (20) | (1,038) | (8,462) | (29,460) |

5. INVESTMENT IN NON-CONSOLIDATED SUBSIDIARIES

The assets of IDEA Innovation Fund Inc., IDEA Research Investment Fund Inc. and IDEA Information Technology Fund Inc. were transferred to Ontario Development Corporation effective on April 1, 1998. The assets transferred were recorded at their book values.

IDEA Innovation Fund Inc., IDEA Research Investment Fund Inc. and IDEA Information Technology Fund Inc., were previously wholly-owned subsidiaries of the Ontario Development Corporation and were accounted for by the equity method in the prior year.

6. INDUSTRIAL PARKS

The Corporation owns several industrial parks located in the Province of Ontario. The combined results of operations of the parks for the year ended March 31 are as follows:

| | 1999 \$ | 1998 \$ |
|---------------------------|--------------|------------|
| | [thousands] | |
| Rental revenue | 6,603 | 6,781 |
| Interest income and other | 1,977 | 902 |
| Depreciation | (2,600) | (2,750) |
| Other operating expenses | (4,866) | (4,527) |
| Net income | 1,114 | 406 |

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
March 31, 1999

6. INDUSTRIAL PARKS (Contd.)

The combined capital assets of the parks as at March 31 are as follows:

| | Cost \$ | Accumulated Depreciation \$ | 1999 Net \$ | 1998 Net \$ |
|----------------------------|---------------|-----------------------------------|-------------------|-------------------|
| | [thousands] | | | |
| Land | 349 | - | 349 | 2,349 |
| Buildings and improvements | 42,257 | 31,107 | 11,150 | 12,413 |
| Equipment | 1,689 | 1,643 | 46 | 89 |
| | 44,295 | 32,750 | 11,545 | 14,851 |

During the year, the Corporation sold one of its properties for net proceeds of \$2,401,000. At the time of its sale, the net book value of this property was \$2,407,000 resulting in a gain of \$6,000.

7. CONTINGENT LIABILITIES FOR GUARANTEES

The Corporation has guaranteed the repayment of certain loans made by private sector financial institutions to qualifying Ontario businesses. Under the guarantee programs administered for ministries and other agencies of the Province, the funding for guarantees honoured is provided by those ministries and agencies. Normally, no guarantee fees were charged by the Corporation.

Contingent liabilities for loan guarantees as at March 31 are as follows:

| | 1999 \$ | 1998 \$ |
|-----------------------|---------------|---------------|
| | -[thousands] | |
| Ventures program | 4,746 | 15,449 |
| Commercial guarantees | 22,024 | 23,023 |
| | 26,770 | 38,472 |

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
March 31, 1999

8. ADMINISTRATION EXPENSES

Administration expenses for the year ended March 31 are as follows:

| | 1999 | 1998 |
|--|--------------|--------------|
| | \$ | \$ |
| | [thousands] | |
| Salaries, benefits and severance costs | 2,440 | 3,751 |
| Transportation and communication | 81 | 308 |
| Asset management services [note 1a] | 4,875 | - |
| Other services | 604 | 1,583 |
| Supplies | 11 | 23 |
| | 8,011 | 5,665 |
| Net cost of operations for wind down | (108) | (975) |
| | 7,903 | 4,690 |

The Corporation provides pension benefits for its employees through participation in the Public Service Pension Fund and The Ontario Public Service Employees' Union Pension Fund. The Corporation's share of contributions to the pension plans for the year was \$154,000 [1998 - \$187,000] and is included above as benefits.

The Province funds administration expenses paid by the Corporation.

9. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerised systems use two digits rather than four to identify a year. Date-sensitive systems may recognise the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure that could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting this entity, including those related to the efforts of customers, suppliers, service providers and other third parties, will be fully resolved.

The Corporation relies on the Ministry of Economic Development, Trade and Tourism for maintenance and development of internal systems. Also, the Corporation could be affected by the system used by the private-sector asset management company in managing and administering the Corporation's term-loan and commercial guarantee portfolios described in Note 1a.

ONTARIO DEVELOPMENT CORPORATION

Notes to the Financial Statements (Contd.)
March 31, 1999**10. ADVANCES FROM THE PROVINCE OF ONTARIO**

Many of the Corporation's loan programs have been financed by advances from the Province. The accumulated advances net of repayments are part of the investment by the Province as shown on the balance sheet and statement of investment.

In prior years, the statement of operations reflected an interest expense calculated on the accumulated net advances. Now that the corporation is being wound down and the proceeds from the liquidation of its assets being used to repay the Province's total investment, an interest expense is no longer reflected in the statement of operations.

11. ACTIVITIES MANAGED AND ADMINISTERED BY THE CORPORATION

In addition to managing its own affairs, the Corporation administers loans, debentures, equity investments and grants on behalf of other ministries and agencies of the Province. The activities of the Corporation are summarised in the following schedule.

| | 1999 \$ | 1998 \$ |
|--|-------------|------------|
| | [thousands] | |
| Loans and investments as reported on balance sheet: | | |
| Loans receivable (net of provisions) | 27,592 | 44,625 |
| Equity investments | 4,153 | 5,176 |
| Industrial Parks | 11,545 | 14,851 |
| Investment held by non-consolidated subsidiaries | - | 301 |
| | 43,290 | 64,953 |
| Loans guaranteed | 26,770 | 38,472 |
| Total loans, investments and guarantees of the Corporation | 70,060 | 103,425 |
| Portfolios administered for ministries and other agencies: | | |
| Loans receivable where the Corporation has not signed the loan agreement (no provisions are recorded by the Corporation) | 78,788 | 127,241 |
| Loans guaranteed | 19,975 | 19,874 |
| Repayable grants/conditional loans | 101,981 | 117,734 |
| Total portfolios administered for ministries and other agencies | 200,744 | 264,849 |
| Total portfolios managed and administered | 270,804 | 368,274 |

Office of the
Provincial Auditor
of Ontario



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Auditor's Report

To the Board of Directors of the Ontario Lottery Corporation
and to the Chair of Management Board of Cabinet

I have audited the consolidated balance sheet of the Ontario Lottery Corporation as at March 31, 1999 and the consolidated statements of operations, cash flows, changes in due (to) from Province of Ontario and equity in capital assets for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
May 21, 1999

A handwritten signature in black ink, reading "K.W. Leishman".

K.W. Leishman, CA
Assistant Provincial Auditor


ONTARIO LOTTERY CORPORATION
CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 1999
(in thousands of dollars)

| | 1999 | 1998 |
|---|----------------|----------------|
| Assets | | |
| Cash | 108,531 | 3,582 |
| Prize funds on deposit | 49,137 | 68,410 |
| Due from Interprovincial Lottery Corporation | - | 2,439 |
| Accrued interest | 495 | 251 |
| Accounts receivable | 42,998 | 21,367 |
| Due from Province of Ontario | - | 44,835 |
| Prepaid expenses | 14,000 | 13,327 |
| Pre-opening expenditures (Note 3) | 8,074 | - |
| Loans receivable (Note 7) | 1,763 | - |
| Capital assets (Note 4) | 73,663 | 49,449 |
| | 298,661 | 203,660 |
| Liabilities and Equity | | |
| Accounts payable and accrued liabilities (Note 5) | 74,543 | 71,712 |
| Prize funds unclaimed (Note 6) | 49,137 | 68,410 |
| Due to Interprovincial Lottery Corporation | 4,103 | - |
| Due to Province of Ontario | 78,315 | - |
| Due to Government of Canada | 9,428 | 2,217 |
| Deferred income | 9,472 | 11,872 |
| Equity in capital assets | 73,663 | 49,449 |
| | 298,661 | 203,660 |

Commitments (Note 7)
The Year 2000 (Note 12)

On behalf of the Board:


Director


Director

See accompanying notes to financial statements.

ONTARIO LOTTERY CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

| | 1999 | 1998 |
|---|------------------|------------------|
| Sales | 2,194,390 | 2,177,198 |
| Direct expenses | | |
| Prizes | 1,073,605 | 1,074,950 |
| Commissions | 162,328 | 158,829 |
| Brand marketing | 31,523 | 27,781 |
| Ticket printing and terminal operation | 46,568 | 50,050 |
| Amortization of capital assets - direct | 10,412 | 10,029 |
| | 1,324,436 | 1,321,639 |
| Sales less direct expenses | 869,954 | 855,559 |
| Operating expenses | | |
| Administration and other | 76,114 | 76,883 |
| Amortization of capital assets - indirect | 11,798 | 12,611 |
| Amortization of pre-opening expenditures | 347 | - |
| | 88,259 | 89,494 |
| Income from operations | 781,695 | 766,065 |
| Other income (expense): | | |
| Interest income | 4,945 | 3,268 |
| Payments to charitable organizations (Note 9) | (14,639) | (17,320) |
| Payments to Government of Canada (Note 10) | (38,949) | (37,989) |
| | (48,643) | (52,041) |
| Net income before the undernoted | 733,052 | 714,024 |
| Unusual items (Note 11) | (51,193) | - |
| Net income | 681,859 | 714,024 |

See accompanying notes to financial statements.

ONTARIO LOTTERY CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

| | 1999 | 1998 |
|--|------------------|------------------|
| Cash derived from (applied to): | | |
| Operating activities: | | |
| Net income | 681,859 | 714,024 |
| Amortization of capital assets | 22,210 | 22,640 |
| Amortization of pre-opening expenditures | 347 | - |
| | 704,416 | 736,664 |
| Change in non-cash operating items: | | |
| Due from Interprovincial Lottery Corporation | 6,542 | 4,628 |
| Accrued interest | (244) | 687 |
| Accounts receivable | (21,631) | 9,321 |
| Prepaid expenses | (673) | (4,225) |
| Pre-opening expenditures | (8,421) | - |
| Accounts payable and accrued liabilities | 2,831 | (2,536) |
| Due to Government of Canada | 7,211 | (4,888) |
| Deferred income | (2,400) | 2,323 |
| | (16,785) | 5,310 |
| | 687,631 | 741,974 |
| Financing and investing activities: | | |
| Payments to Province of Ontario | (534,495) | (737,000) |
| Loans receivable issued | (1,763) | - |
| Capital expenditures | (46,424) | (1,056) |
| | (582,682) | (738,056) |
| Net increase in cash | 104,949 | 3,918 |
| Cash (Bank overdraft), beginning of year | 3,582 | (336) |
| Cash, end of year | 108,531 | 3,582 |

See accompanying notes to financial statements.

ONTARIO LOTTERY CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN DUE
(TO) FROM PROVINCE OF ONTARIO
FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

| | 1999 | 1998 |
|---|-----------|---------|
| Net income | 681,859 | 714,024 |
| Add (deduct): | | |
| Amortization of capital assets | 22,210 | 22,640 |
| Capital expenditures | (46,424) | (1,056) |
| | (24,214) | 21,584 |
| Current year amount due | 657,645 | 735,608 |
| Payments to Province of Ontario | 534,495 | 737,000 |
| Amount due less payments | (123,150) | 1,392 |
| Due from Province of Ontario, beginning of year | 44,835 | 43,443 |
| Due (to) from Province of Ontario, end of year | (78,315) | 44,835 |

See accompanying notes to financial statements.

ONTARIO LOTTERY CORPORATION
CONSOLIDATED STATEMENT OF EQUITY IN CAPITAL ASSETS
FOR THE YEAR ENDED MARCH 31, 1999
(in thousands of dollars)

| | 1999 | 1998 |
|--|---------------|---------------|
| Balance, beginning of year | 49,449 | 71,033 |
| Add: Capital expenditures | 46,424 | 1,056 |
| Deduct: Amortization of capital assets | 22,210 | 22,640 |
| Balance, end of year | 73,663 | 49,449 |

See accompanying notes to financial statements.

ONTARIO LOTTERY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1999
(tabular amounts in thousands of dollars)

1. Nature of the Corporation

The Ontario Lottery Corporation was incorporated without share capital on February 6, 1975 pursuant to the Ontario Lottery Corporation Act (OLCA).

The Corporation is responsible for the conduct and management of lottery games in Ontario. The LOTTARIO, INSTANT, ENCORE, PICK-3, DAILY KENO, ONTARIO 49, PROLINE, OVER/UNDER and POINT SPREAD lotteries are conducted solely by the Corporation, whereas, the LOTTO SUPER 7 and LOTTO 6/49 lotteries are joint undertakings by all Provinces acting through the Interprovincial Lottery Corporation. The SUPERSTAR BINGO game is conducted and managed by the Corporation in conjunction with private and charitable organizations in Ontario.

The Corporation is also responsible for the conduct and management of charity casinos and slot machine programs at racetracks in Ontario.

2. Significant accounting policies

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Ontario Lottery Corporation and its 100% owned subsidiary, OLC Services Limited which was incorporated September 4, 1998. OLC Services Limited was established to purchase capital assets which are leased to the parent corporation.

(b) Capital assets

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and are amortized on a straight-line basis according to their estimated useful lives, as follows:

| | |
|--|---------------|
| Buildings | 25 years |
| Furniture and fixtures | 10 years |
| Leasehold improvements | 5 years |
| Lottery game assets | 3 to 10 years |
| Charity casino and racetrack slot machine gaming assets | 5 years |

Capital assets are amortized when brought into operations.

ONTARIO LOTTERY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1999
(tabular amounts in thousands of dollars)

2. Significant accounting policies (continued)

(c) Revenue recognition

Revenues for LOTTARIO, ENCORE, PICK-3, DAILY KENO, ONTARIO 49, LOTTO SUPER 7 and LOTTO 6/49 are deferred on ticket sales and recognized when the draw takes place. For PROLINE, OVER/UNDER, POINT SPREAD and SUPERSTAR BINGO, revenues are recognized when the ticket is sold to the consumer. Revenues for INSTANT games are recognized when the ticket is distributed to the retailer. Tickets issued as a result of the redemption of free ticket prizes are not recorded as sales.

Gaming revenue from slot operations, represents the net win from gaming activities, which is the difference between amounts earned through gaming wagers less any payouts from those wagers.

(d) Pre-opening expenditures

Certain expenditures, consisting of compensation, consulting and other costs incurred in connection with the development and opening of racetrack slot operations and charity casinos, are deferred and amortized over a three year period.

(e) Foreign currency transactions

Monetary assets and liabilities are translated at the year-end exchange rates except for amounts covered by forward and spot contracts, where the amount of the contract is used. Statement of operations items are translated at the rate of exchange in effect at the transaction date. Transaction gains and losses are included in income in the period in which they arise.

(f) Use of estimates

In conformity with generally accepted accounting principles, Management of the Corporation has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reported period to prepare these financial statements. Actual results could differ from those estimates.

ONTARIO LOTTERY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1999
(tabular amounts in thousands of dollars)

3. Pre-opening expenditures

Pre-opening expenditures consist of:

1999

| | Cost | Accumulated Amortization | Net Book Value |
|--------------------------------|--------------|-----------------------------|-------------------|
| Charity casino program | 1,074 | - | 1,074 |
| Racetrack slot machine program | 7,347 | 347 | 7,000 |
| | 8,421 | 347 | 8,074 |

The Corporation is committed to the establishment of four charity casinos and seventeen slot machine programs at racetracks, all of which are scheduled to be in operation by December 31, 2000. The anticipated cost of completing these facilities is estimated at approximately \$644.4 million.

ONTARIO LOTTERY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1999
(tabular amounts in thousands of dollars)

4. Capital assets

| In operation: | 1999 | | | 1998 |
|--|---------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Land | 260 | - | 260 | 260 |
| Building | 1,289 | 633 | 656 | 707 |
| Furniture and fixtures | 10,216 | 7,031 | 3,185 | 3,702 |
| Leasehold improvements | 4,578 | 2,584 | 1,994 | 318 |
| Lottery game assets | 154,971 | 124,895 | 30,076 | 44,462 |
| Charity casino and racetrack slot machine gaming assets | 5,900 | 291 | 5,609 | - |
| | 177,214 | 135,434 | 41,780 | 49,449 |
| Not in operation: | 1999 | | | 1998 |
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Land | 6,802 | - | 6,802 | - |
| Building | 7,031 | - | 7,031 | - |
| Furniture and fixtures | 6 | - | 6 | - |
| Charity casino and racetrack slot machine gaming assets | 18,044 | - | 18,044 | - |
| | 31,883 | - | 31,883 | - |
| | 209,097 | 135,434 | 73,663 | 49,449 |

5. Provision for restructuring costs

The Corporation has provided for restructuring costs as required by the Role and Mandate Review conducted by the Ministry of Economic Development, Trade and Tourism. The estimated cost of the restructuring program consists primarily of employee severance, consulting costs, contract termination costs and costs associated with the restructuring initiatives.

At March 31, 1999, \$17,312,000 (1998 - \$26,346,000) is included in Accounts payable and accrued liabilities in the Balance Sheet.

ONTARIO LOTTERY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1999
(tabular amounts in thousands of dollars)

6. Prize funds unclaimed

Prize funds unclaimed is represented by:

- i) Unclaimed prize funds (net) represents the net prizes anticipated to be claimed in the next year for draws and instant games launched on or after April 1, 1998. This amount includes the gross estimate for prizes outstanding less an estimate for prizes not expected to be claimed by players.

Effective April 1, 1998, unclaimed and expired funds will benefit the people of Ontario in a broader variety of ways, including possible prizes and bonus draws for players.
- ii) Unclaimed prize funds represents total prizes available to be claimed in the next year for draws and instant games launched prior to March 31, 1998.
- iii) Unclaimed expired prize funds represents expired prize funds for draws and instant games launched prior to March 31, 1998 reserved for redistribution to the players through prizes and bonus draws.

The prize funds unclaimed consist of:

| | 1999 | 1998 |
|-------------------------------|---------------|---------------|
| Unclaimed prize funds (net) | 37,233 | - |
| Unclaimed prize funds | - | 50,450 |
| Unclaimed expired prize funds | 11,904 | 17,960 |
| | <u>49,137</u> | <u>68,410</u> |

7. Commitments

- i) Obligations under operating leases

The Corporation has entered into several office space leases in various locations in Ontario. The future minimum lease payments are approximately as follows:

| | |
|------------|---------------|
| 2000 | 4,613 |
| 2001 | 4,100 |
| 2002 | 3,834 |
| 2003 | 3,263 |
| 2004 | 3,263 |
| | <u>19,073</u> |
| Thereafter | 23,248 |
| | <u>42,321</u> |

ONTARIO LOTTERY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1999

(tabular amounts in thousands of dollars)

7. Commitments (continued)

ii) Suppliers

The Corporation has computer hardware and maintenance agreements with annual payments for each of the next two years approximately as follows:

| | |
|------|-------|
| 2000 | 1,800 |
| 2001 | 290 |

iii) Loans receivable

During the year the Corporation committed to loan funds to two racetracks for the purposes of renovating their buildings to accommodate the Corporation's slot operations. The loans bear interest at the bank's prime rate and are repayable over five to six years. The amounts will be recovered from withholding of the net win from slot operations which would otherwise be payable to the racetrack under an agreed upon commission structure. Total loans committed to at year end are as follows, of which \$1,763,000 was distributed prior to year end:

| | |
|---|---------------|
| Hiawatha Horse Park | 5,000 |
| Rideau Carlton Raceway Holdings Limited | 17,000 |
| | <u>22,000</u> |

Subsequent to year end, the Corporation committed to loan funds to three additional racetracks for the purposes of renovating their buildings to accommodate the Corporation's slot operations. The total of amounts committed are as follows:

| | |
|--------------------------|---------------|
| Western Fair Association | 5,000 |
| Fort Erie Raceway | 22,000 |
| Kawartha Downs Limited | 7,000 |
| | <u>34,000</u> |

In addition, the Corporation has committed to lease one property with respect to a charity casino.

iv) Foreign exchange contracts

The Corporation has entered into certain foreign exchange contracts, with maturities of less than one year, to manage risks associated with foreign currency exchange rates. As at March 31, 1999 the Corporation held US\$4,717,000 in forward and spot contracts at rates ranging between 1.511 and 1.546 which represents an estimated future cost to the Corporation of \$7,258,000 on execution. These contracts expire at various dates to June 15, 1999.

ONTARIO LOTTERY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1999
(tabular amounts in thousands of dollars)

8. Pension plan

The Corporation provides pension benefits for its permanent employees through participation in the Public Service Pension Fund established by the Province of Ontario. The Corporation's share of contributions to the Fund during the year was \$2,047,000 (1998 - \$3,388,000) and is included in Administration and other in the Statement of Operations. The 1998 amount includes current contributions and additional payments required to cover the Corporation's share of the Fund's estimated unfunded liabilities.

9. Payments to charitable organizations

Payments to charitable organizations are made under an agreement dated November 8, 1996 between the Corporation, the Provincial Bingo Charitable Activities Association and the Registered Gaming Suppliers of Ontario. The agreement stipulates that a distribution of sales be made to the charitable organizations participating in the SUPERSTAR BINGO game.

10. Payments to Government of Canada

The Corporation made the following payments to the Government of Canada:

| | 1999 | 1998 |
|--|---------------|---------------|
| Payment on behalf of the Province of Ontario | 20,142 | 19,956 |
| Goods and Services Tax | 18,807 | 18,033 |
| | 38,949 | 37,989 |

(a) Payment on behalf of the Province of Ontario

The provincial lottery corporations make remittances to the Government of Canada under an agreement dated August 1979 between the Provincial Governments and the Government of Canada. The agreement stipulates that the Government of Canada will not participate in the sale of lottery tickets.

(b) Goods and Services Tax

Goods and Services Tax (GST) payments are made under a specific formula on all expenditures, including retailer commissions and excluding payroll costs, payments to charitable organizations and payments to municipalities. This tax is in lieu of the collection of GST on lottery ticket and gaming sales from the consumer.

In addition, the Corporation also pays GST on its expenditures, excluding payroll costs, retailer commissions and certain capital expenditures, at point of purchase. These payments are not recoverable and are included in the respective accounts.

ONTARIO LOTTERY CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 1999
(tabular amounts in thousands of dollars)

11. Unusual items

On April 9, 1998, the Province of Ontario assigned the conduct and management of charity casinos and a slot machine program at racetracks to the Corporation. Prior to this, certain operators incurred costs with respect to the establishment of charity casinos in Ontario. The Province of Ontario cancelled the charity casino program on June 26, 1998, and the Corporation undertook to make payment to the selected operators for certain costs. Consequently, the Corporation, on behalf of the Province of Ontario, entered into discussions with the operators to discuss compensation which, to date, has totalled approximately forty million dollars, exclusive of applicable taxes and expenses.

In addition, the Corporation incurred approximately two and one-half million dollars related to the video lottery program that was cancelled on April 9, 1998. These costs, because of their nature, have no ongoing tangible value to the Corporation and as a result have been charged to the income statement.

12. The Year 2000

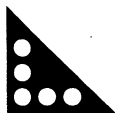
The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. The Corporation has developed and is implementing a process involving a phased approach designed to mitigate the expected effects of the Year 2000 issue on the Corporation. The phases of the plan, which address Year 2000 readiness of the Corporation's computer systems, and of third parties such as suppliers and others, include planning and awareness, inventory, testing, resolution and contingency planning. As at March 31, 1999, the Corporation has commenced all phases of the plan, which are intended to modify, retire or replace any computer systems identified to date which are not Year 2000 ready. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Corporation, including those related to the efforts of suppliers, or other third parties, will be fully resolved.

Ontario Lottery Corporation
Société des loteries de l'Ontario

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 Suite 800
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 P6A 6V2

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 P6A 6V2

Tel. 705 946-6464
 Fax. 705 946-6600



EMPLOYEES PAID \$100,000 OR MORE IN 1998

| NAME | POSITION | SALARY PAID | TAXABLE BENEFIT |
|---------------------|--|--------------|-----------------|
| Barnett, Ken | Relationship Manager Finance | \$106,396.53 | \$242.04 |
| Dalton, Earl T. | Vice President Finance & Administration | \$122,431.84 | \$7,694.29 |
| DiAngelo, Michael | Director, Human Resources | \$110,814.12 | \$268.20 |
| Fioravanti, Walter | Vice President Corporate Services | \$120,675.70 | \$9,506.30 |
| Kassam, Nola | Relationship Manager Information Technology | \$103,613.89 | \$244.42 |
| Longman, Robert | Transition Team Leader, Sales & Distribution | \$100,292.80 | \$8,148.98 |
| Manness, Garth | President | \$133,968.80 | \$27,379.82 |
| Marinelli, Thomas | Transition Team Leader | \$111,983.77 | \$268.20 |
| Palmer, Brian | Benefit Team Leader | \$109,099.34 | \$268.20 |
| St. Amour, Joseph R | Vice President Information Systems & Technology | \$122,431.84 | \$6,355.75 |
| Stewart, Josephine | Vice President, Corporate Communications | \$108,358.10 | \$8,288.13 |
| Sweny, George | Vice President Sales & Business Units | \$119,373.54 | \$8,036.74 |

Prepared under the Public Sector Salary Disclosure Act, 1996

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To the Ontario Northland Transportation Commission
and to the Minister of Northern Development and Mines

I have audited the consolidated balance sheet of the Ontario Northland Transportation Commission as at December 31, 1998 and the consolidated statements of operations and retained earnings, contributed surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Commission's management. 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 management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
April 2, 1999

A handwritten signature in cursive script, reading 'K.W. Leishman'.

K.W. Leishman, CA
Assistant Provincial Auditor

Ontario Northland Transportation Commission
Consolidated Balance Sheet
(dollars in thousands)

| December 31 | 1998 | (Note 19) 1997 |
|--|-------------------|-------------------|
| Assets | | |
| Current Assets | | |
| Accounts receivable | \$ 18,558 | \$ 15,386 |
| Inventory | 11,017 | 8,855 |
| Prepaid expenses | 526 | 288 |
| | <u>30,101</u> | 24,529 |
| Self-Insurance Fund (Note 1) | | |
| - Market value \$4,557; (1997 - \$4,350) | 4,333 | 4,052 |
| Long-term receivables (Note 17) | 2,864 | 3,514 |
| Investment in Capital Assets (Schedule 1) (Note 13) | 217,048 | 228,473 |
| Deferred Pension Charge (Note 3) | 13,252 | 8,100 |
| | <u>\$ 267,598</u> | <u>\$ 268,668</u> |
| Liabilities and Equity | | |
| Current Liabilities | | |
| Bank loans and overdrafts (Note 2) | \$ 5,574 | \$ 1,609 |
| Accounts payable and accrued charges | 13,503 | 11,331 |
| Deferred revenue | 164 | 342 |
| Current portion of long-term debt (Note 4) | 315 | - |
| | <u>19,556</u> | 13,282 |
| Provision for Self-Insurance (Note 1) | 4,333 | 4,052 |
| Long-Term Debt (Note 4) | 48,537 | 35,208 |
| | <u>52,870</u> | 39,260 |
| Contingencies (Note 12) | | |
| Province of Ontario Equity | | |
| Contributed surplus | 24,000 | 24,614 |
| Retained earnings | 171,172 | 191,512 |
| | <u>195,172</u> | 216,126 |
| | <u>\$ 267,598</u> | <u>\$ 268,668</u> |

Approved on behalf of the Commission:



R. Grant, Chair



K. J. Wallace, President and CEO

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ontario Northland Transportation Commission
Consolidated Statement of Operations and Retained Earnings
(dollars in thousands)

| For the year ended December 31 | 1998 | (Note 19) 1997 |
|---|-------------------|-------------------|
| Operating Revenues (Schedule 2) | \$ 129,499 | \$ 136,132 |
| Operating Expenses (Schedule 2) | <u>118,897</u> | <u>127,863</u> |
| Operating Income | <u>10,602</u> | <u>8,269</u> |
| Other Expenses | | |
| Amortization (Schedule 2) | 12,081 | 10,731 |
| Retirement incentive (Note 5) | - | 225 |
| Unusual items (Note 8) | 19,706 | - |
| Regulatory approval (Note 9) | - | 403 |
| Investment and other income | (77) | (443) |
| Interest expense (Schedule 2) | 372 | 36 |
| Gain on sale of capital assets (Schedule 2) | <u>(1,140)</u> | <u>(872)</u> |
| | <u>30,942</u> | <u>10,080</u> |
| Net Loss for the year | (20,340) | (1,811) |
| Retained Earnings, beginning of year | <u>191,512</u> | <u>193,323</u> |
| Retained Earnings, end of year | \$ 171,172 | \$ 191,512 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ontario Northland Transportation Commission
Consolidated Statement of Contributed Surplus
(dollars in thousands)

| For the year ended December 31 | (Note 19) | |
|--|------------------|------------------|
| | 1998 | 1997 |
| Balance, beginning of year | \$ 24,614 | \$ 13,058 |
| Add: Contributions from the Province of Ontario (Note 11) | - | 12,347 |
| Less: Amortization | 614 | 655 |
| Retirements | - | <u>136</u> |
| Balance, end of year | \$ 24,000 | \$ 24,614 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ontario Northland Transportation Commission
Consolidated Statement of Changes in Financial Position
(dollars in thousands)

| For the year ended December 31 | 1998 | (Note 19) 1997 |
|--|-----------------------|-----------------------|
| Operating Activities | | |
| Net loss for the year | \$ (20,340) | \$ (1,811) |
| Items not affecting cash | | |
| - amortization (Schedule 2) | 12,081 | 10,731 |
| - gain on sale of capital assets | (1,140) | (872) |
| - unusual item (Note 8) | <u>19,706</u> | <u>-</u> |
| | 10,307 | 8,048 |
| Changes in non-cash working capital balances | | |
| (Increase) decrease in accounts receivable | (2,522) | 1,265 |
| Increase in inventory | (2,162) | (120) |
| Increase in prepaid expenses | (238) | (46) |
| Increase (decrease) in accounts payable and accrued charges | 2,172 | (3,421) |
| (Decrease) increase in deferred revenue | <u>(178)</u> | <u>219</u> |
| | <u>7,379</u> | <u>5,945</u> |
| Financing Activities | | |
| Proceeds from long term debt (Note 4) | 13,845 | - |
| Reduction of long term debt (Note 4) | (200) | - |
| Proceeds from Province of Ontario (Note 11) | <u>-</u> | <u>12,347</u> |
| | <u>13,645</u> | <u>12,347</u> |
| Investing Activities | | |
| Investment in capital assets | (21,486) | (15,021) |
| Proceeds from sale of capital assets | 1,649 | 2,472 |
| Increase in other assets | <u>(5,152)</u> | <u>(1,740)</u> |
| | <u>(24,989)</u> | <u>(14,289)</u> |
| (Increase) decrease in Bank Loans and Overdraft during the year | (3,965) | 4,003 |
| Bank Loans and Overdraft , beginning of year | <u>(1,609)</u> | <u>(5,612)</u> |
| Bank Loans and Overdraft, end of year | \$ (5,574) | \$ (1,609) |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ontario Northland Transportation Commission
Consolidated Schedule of Investment in Capital Assets
Schedule 1
(dollars in thousands)

| December 31 | | | 1998 | (Note 19) 1997 |
|---|------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Rail Services | | | | |
| Roadway | \$ 149,240 | \$ 60,997 | \$ 88,243 | \$ 93,269 |
| Buildings | 35,447 | 10,360 | 25,087 | 25,842 |
| Equipment | 62,014 | 32,115 | 29,899 | 47,566 |
| Under construction | 15,292 | - | 15,292 | 1,071 |
| Telecommunications | | | | |
| Equipment | 99,588 | 61,407 | 38,181 | 39,086 |
| Buildings | 3,458 | 1,350 | 2,108 | 2,160 |
| Under construction | 4,333 | - | 4,333 | 2,151 |
| Marine Services (Owen Sound) | | | | |
| Vessels | 12,959 | 10,578 | 2,381 | 6,381 |
| Land and buildings | 126 | 44 | 82 | 84 |
| Equipment | 244 | 241 | 3 | 3 |
| Bus Services | | | | |
| Coaches | 9,088 | 3,914 | 5,174 | 4,263 |
| Under construction | 151 | - | 151 | 151 |
| Marine Services (North Bay and Moosonee) | | | | |
| Vessels | 385 | 253 | 132 | 142 |
| Buildings | 1 | 1 | - | 57 |
| Development | | | | |
| Land and buildings | 8,017 | 2,035 | 5,982 | 6,247 |
| | \$ 400,343 | \$ 183,295 | \$ 217,048 | \$ 228,473 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ontario Northland Transportation Commission
Consolidated Schedule of Operating Revenues and Expenses
Schedule 2
(dollars in thousands)

| For the year ended December 31 | 1998 | (Note 19) 1997 |
|---|----------------|-------------------|
| Rail Services | | |
| Sales revenue | \$ 54,277 | \$ 57,510 |
| Government reimbursement (Note 6) | <u>5,731</u> | <u>7,720</u> |
| Operating revenue | 60,008 | 65,230 |
| Operating expense | <u>60,576</u> | <u>67,488</u> |
| Operating loss | (568) | (2,258) |
| Amortization | 6,032 | 5,424 |
| Gain on sale of capital assets | (218) | (286) |
| Interest expense | <u>323</u> | <u>36</u> |
| Net loss from operations | <u>(6,705)</u> | <u>(7,432)</u> |
| Telecommunications | | |
| Sales revenue (Note 7) | 50,015 | 52,414 |
| Operating expense | <u>33,618</u> | <u>35,187</u> |
| Operating income | 16,397 | 17,227 |
| Amortization | 4,376 | 3,927 |
| Loss on sale of capital assets | <u>173</u> | <u>13</u> |
| Net income from operations | <u>11,848</u> | <u>13,287</u> |
| Bus Services | | |
| Sales revenue | 8,923 | 9,010 |
| Operating expense | <u>8,429</u> | <u>8,451</u> |
| Operating income | 494 | 559 |
| Amortization | 555 | 590 |
| Gain on sale of capital assets | - | (328) |
| Net (loss) income from operations | <u>(61)</u> | <u>297</u> |
| Marine Services (Owen Sound) | | |
| Sales revenue | 5,421 | 4,556 |
| Government reimbursement (Note 6) | <u>890</u> | <u>890</u> |
| Operating revenue | 6,311 | 5,446 |
| Operating expense | <u>5,725</u> | <u>5,421</u> |
| Operating income | 586 | 25 |
| Amortization | <u>378</u> | <u>366</u> |
| Net income (loss) from operations | <u>208</u> | <u>(341)</u> |
| Marine Services (Pelee Island) (Note 18) | | |
| Sales revenue | 3,701 | 3,444 |
| Operating expense | <u>3,401</u> | <u>3,144</u> |
| Net income from operations | <u>300</u> | <u>300</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ontario Northland Transportation Commission
Consolidated Schedule of Operating Revenues and Expenses
Schedule 2 (continued)
(dollars in thousands)

| For the year ended December 31 | 1998 | 1997 |
|------------------------------------|---------|-----------|
| | | (Note 19) |
| Marine Services (North Bay) | | |
| Sales revenue | \$ - | \$ - |
| Operating expense | - | 3 |
| Operating loss | - | (3) |
| Loss on sale of capital assets | - | 132 |
| Amortization | - | 19 |
| Net loss from operations | - | (154) |
| Marine Services (Moosonee) | | |
| Sales revenue | 101 | 118 |
| Government reimbursement (Note 6) | 50 | 50 |
| Operating revenue | 151 | 168 |
| Operating expense | 143 | 184 |
| Net income (loss) from operations | 8 | (16) |
| Air Service Contracts | | |
| Sales revenue | - | - |
| Operating expense | 702 | 999 |
| Net loss from operations | (702) | (999) |
| Rental Properties | | |
| Sales revenue | 390 | 420 |
| Operating expense | 215 | 266 |
| Operating income | 175 | 154 |
| Amortization | 203 | 127 |
| Gain on sale of capital assets | (1,095) | (403) |
| Net income from operations | 1,067 | 430 |
| Administration | | |
| Sales revenue | - | - |
| Operating expense | 6,088 | 6,720 |
| Operating loss | (6,088) | (6,720) |
| Amortization | 537 | 278 |
| Interest expense | 49 | - |
| Net loss from operations | (6,674) | (6,998) |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ontario Northland Transportation Commission
Consolidated Schedule of Operating Revenues and Expenses
Schedule 2 (continued)
(dollars in thousands)

| For the year ended December 31 | 1998 | (Note 19) 1997 |
|-----------------------------------|-----------------|-------------------|
| Total Operations | | |
| Sales revenue | 122,828 | 127,472 |
| Government reimbursement (Note 6) | <u>6,671</u> | <u>8,660</u> |
| Operating revenues | 129,499 | 136,132 |
| Operating expenses | <u>118,897</u> | <u>127,863</u> |
| Operating income | 10,602 | 8,269 |
| Amortization | 12,081 | 10,731 |
| Interest expense | 372 | 36 |
| Gain on sale of capital assets | <u>(1,140)</u> | <u>(872)</u> |
| Net Loss from Operations | \$ (711) | \$ (1,626) |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Ontario Northland Transportation Commission Summary of Significant Accounting Policies

December 31, 1998

Basis of Accounting

These consolidated financial statements are prepared by management in accordance with generally accepted accounting principles. They include the accounts of the Commission and its wholly-owned subsidiaries, Ontario Northland International Consulting Services Inc, O.N. Tel Inc., Star Transfer Limited, The Owen Sound Transportation Company, Limited, Air-Dale Limited and Nipissing Central Railway Company.

Revenue Recognition

Transportation revenues are generally recognized on completion of movements, with interline movements being treated as complete when the shipment is turned over to the connecting carrier. Revenues from other sources are recognized when earned, with the exception of federal government reimbursements. Reimbursements, upon audit verification of yearly losses are recorded on a cash basis. Advance payments made prior to final determination of losses are recorded on an accrual basis. Telecommunications toll revenue adjustments are recognized when measurement is reasonable.

Inventory

With the exception of used rail, all materials and supplies are valued at average cost. Used rail is shown at unamortized book value determined at the time of retirement.

Investment in Capital Assets and Amortization

Capital assets are stated at acquisition cost. Amortization is calculated using the straight-line method over the estimated service lives of the assets.

The estimated service lives for principal categories of assets are as follows:

| | |
|----------------------------------|----------------|
| Roadway - main line and branches | 20 to 50 years |
| Railway diesel locomotives | 25 years |
| Railway cars | 33 years |
| Marine vessels | 20 to 30 years |
| Buildings | 50 years |
| Telecommunications equipment | 15 years |
| Vehicles | 3 years |
| Coaches | 12 years |

Ontario Northland Transportation Commission Summary of Significant Accounting Policies (continued)

December 31, 1998

**Investment in Capital Assets
and Amortization (continued)**

The Province of Ontario reimburses the Commission for the cost of certain capital assets purchased for use in operations designated as non-commercial by the Province. The Commission records these assets at their original cost together with an offsetting credit to contributed surplus. Annual amortization on these capital assets is recorded as a reduction of contributed surplus.

Self-Insurance Fund

The self-insurance fund assets are stated at acquisition cost.

Income Taxes

As an agency of the Province of Ontario, the Commission is exempt from income taxes. This exemption extends to its wholly-owned subsidiaries, and accordingly no tax provision is recorded in these financial statements.

Accounting Estimates

Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

December 31, 1998

1. Self-Insurance Fund

The Commission follows the policy of self-insuring for damages from rolling stock derailments and for cargo damage. Annual contributions to the self-insurance fund consist of a \$100 premium paid by the Commission in addition to investment income earned on fund assets. Due to larger than anticipated disbursements from the fund in 1996 resulting from several rail derailments, the Commission approved an increase in the premium paid in 1997 to \$500. Fund assets are comprised of investments in federal and provincial government bonds.

Interest rates on the above mentioned bonds vary from 5.10% to 14.25% per annum. Maturity dates on these investments are staggered ranging from June 9, 1999 to October 16, 2006.

2. Operating Line of Credit

The Commission has a demand operating line of credit bearing interest at prime less 0.5%. The maximum draws that can be advanced on this operating line are \$8,000. Included in bank loans and overdrafts at year end are draws on the operating line of \$2,000 (1997 - \$Nil).

3. Deferred Pension Charge

The Commission is the trustee for its contributory pension plan which covers all permanent staff.

The net cost of pension benefits is actuarially determined on the basis of management's best estimates using the projected benefit method pro-rated over the service lives of the employees. The net cost of pension benefits includes the amortization over the remaining service lives of the plan members of the initial net pension surplus and the 1997 experience gain. Pension plan assets were valued at a market related value based on recognizing the difference between book and market values at each year end over a five year period.

The Commission's share of the net (recovery) cost of pension benefits earned by employees during the year was (\$3,097) (1997 - \$1,120). In 1998 the Commission funded the amount of \$2,123 (1997 - \$2,108). The accumulated excess of the funded amount over the net cost of benefits earned is recorded as a deferred pension charge on the balance sheet.

The actuarial valuation prepared for accounting purposes as at December 31, 1998 disclosed market value of plan assets of \$378,778 (1997 - \$365,456) and present value of accrued pension benefits of \$304,745 (1997 - \$298,910). This valuation assumed an expected rate of return on plan assets of 6-1/2 percent and projected pay increases of 4-1/2 percent.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

December 31, 1998

4. Long-Term Debt

Long-term debt is comprised of the following:

| | <u>1998</u> | <u>1997</u> |
|--|-------------|-------------|
| Loan from Province of Ontario, non-interest bearing with no specific terms of repayment. | \$ 35,208 | \$ 35,208 |
| Loan from Ontario Financing Authority, bearing interest at 5.64% per annum, blended monthly payments of \$43 for 10 years. | 3,744 | - |
| Loan from Ontario Financing Authority, bearing interest at 5.6% per annum, blended monthly payments of \$156 for 15 years beginning January 1, 2000. | (a) 9,900 | - |
| | 48,852 | 35,208 |
| Less current portion | 315 | - |
| | \$ 48,537 | \$ 35,208 |

- (a) The total approved amount of this loan is \$19,014 under the terms mentioned above. Construction advances of \$5,300 and \$4,600 were made on December 15, 1998 and December 31, 1998, respectively. Interest at a rate of 5.05% on the \$5,300 advance and 5.15% on the \$4,600 advance is due and payable prior to commencement of payments on the \$19,014 loan. Further advances will be made during construction up to the total amount of the loan. Interest on construction advances will be the Ontario Financing Authority's short term cost of borrowing plus .25%.

Payments required in the next five years are as follows:

| | |
|------|--------|
| 1999 | \$ 315 |
| 2000 | 1,169 |
| 2001 | 1,237 |
| 2002 | 1,308 |
| 2003 | 1,381 |

Ontario Northland Transportation Commission Notes to Consolidated Financial Statements

(dollars in thousands)

December 31, 1998

5. Retirement Incentive

In connection with changes to government reimbursement and as a response to the general economic climate, incentives to retire were extended to a number of the Commission's employees in 1996. A total of 167 employees accepted the offer at a cost of \$5,664. Total expense reflected at December 31, 1997 is \$225, this represents the underaccrual for settlement of the 1996 retirements and an additional four employees retired in 1997.

6. Government Reimbursement

In accordance with a Memorandum of Understanding between the Commission and the Ministry of Northern Development and Mines, certain operations of the Commission have been designated as non-commercial. The Commission and the Ministry entered into a fixed price contract which defined the amount of compensation which the Province of Ontario provided for the year 1998. In 1995, the provincial government announced a plan to reduce reimbursements to the Commission. Reductions amounted to \$7,000 in 1996 and \$4,000 in 1997.

A portion of the operating loss of the weekday passenger train service between North Bay and Toronto is reimbursed by the National Transportation Agency of Canada under Section 270 of the Railway Act. The federal government revoked the Railway Act during 1996 and replaced it with the Canada Transportation Act. Negotiations between the Commission and Transport Canada concluded in 1996. The amount of annual reimbursement has been fixed at \$2,500 for a five year period.

Details of Government Reimbursement are as follows:

| | <u>1998</u> | <u>1997</u> |
|--|-----------------|-----------------|
| From Province of Ontario: | | |
| Rail - Passenger Service and Moosonee Branch | \$ 3,231 | \$ 3,231 |
| Marine Services (Moosonee) | 50 | 50 |
| Marine Services (Owen Sound) | <u>890</u> | <u>890</u> |
| | <u>4,171</u> | <u>4,171</u> |
| From National Transportation Agency: | | |
| Adjustments from prior years | - | <u>1,989</u> |
| From Transport Canada: | | |
| Current years operations | <u>2,500</u> | <u>2,500</u> |
| | <u>\$ 6,671</u> | <u>\$ 8,660</u> |

Ontario Northland Transportation Commission

Notes to Consolidated Financial Statements

(dollars in thousands)

December 31, 1998

7. Telecommunications Revenue Agreements

The Commission has a traffic agreement with Bell Canada that covers all long distance services that either originate within and terminate outside or originate outside and terminate within the Commission's service area. This agreement may be terminated by either party after giving 180 days notice. Bell Canada gave notice that they wished to terminate this agreement in 1997. Pending final negotiation of a new agreement, the terms and conditions of the old agreement are being continued on a monthly basis. During 1997 the Commission received and recognized \$3,417 from Bell Canada in revenue settlement adjustments for prior periods dating back to 1987.

8. Unusual Items

| | |
|---|------------------|
| Write-down of ferry vessel Nindawayma | \$ 3,311 |
| Write-down of deferred land development costs | 1,300 |
| Write-down of railway passenger rolling stock | <u>15,095</u> |
| | \$ 19,706 |

Steps taken to dispose of the ferry vessel Nindawayma in 1996 continued into 1998. It has become apparent that the net realizable value of this asset has fallen below carrying value. Accordingly in 1998, the remaining residual net book value of the asset has been written off.

The process of selling land held by the Commission in Timmins, Ontario began in 1998. It has become evident that the net realizable value of development costs associated with the land has fallen below its carrying value. The development costs are accordingly being written down by \$1,300.

In connection with the transfer of responsibility for reimbursement of the operating loss of the weekday passenger train service between North Bay and Toronto from the National Transportation Agency to Transport Canada, the carrying value of the passenger rolling stock (converted unilevel commuter cars) was examined. Management has determined that the net realizable value of these assets has fallen below their carrying value and accordingly, they have been written down. In determining the amount of the writedown, management considered both an independent valuation of these cars conducted during the year as well as negative cash flows produced by the passenger train service. (see Note 12)

9. Regulatory Approval

In order to secure new rail freight traffic, the Commission is participating in the funding of the regulatory approval process required to obtain a license to use the former Adams Mine as a solid waste disposal site. The costs are being shared between the Commission and two other companies. The amounts are being charged to operations in the year of payment. In 1997 the Commission's final commitment was paid.

Ontario Northland Transportation Commission Notes to Consolidated Financial Statements

(dollars in thousands)

December 31, 1998

10. Air Service Contracts

The Commission contracted for the provision of alternate transportation for some communities affected by the closure of the Air Services division (norOntair) until other arrangements could be made. This contractual arrangement extended into the second quarter of 1997. Upon completion of this contract, the Commission began the provision of funds directly to some of the affected communities in order that they may arrange alternate modes of transport. These payments may be found in Schedule 2 under the caption Air Service Contracts, and the payments which originally were expected to end in 1999 will now continue into 2000.

11. Contributions from the Province of Ontario

Proceeds on disposition of \$12,347 from the sale of capital assets as a result of the closure of the Air Services division (norOntair) are being treated as an injection of surplus from the Province of Ontario. This approach has been taken because the Commission was reimbursed the cost of the assets by the Province of Ontario on their original purchase. The net book value of the assets was essentially Nil when offset by unamortized contributed surplus. The funds received upon sale of these capital assets are to be earmarked for the restructuring of operations, pursuit of new viable business opportunities and the recapitalization of equipment.

12. Contingencies

Various statements of claim have been issued against the Commission claiming damages. Damages, if any, cannot be estimated at this time and in any event the Commission is of the opinion that these claims would be unfounded or covered by insurance. Should any loss result, it would be charged to operations when the amount is ascertained.

A claim for \$3,000 has been submitted to the National Transportation Agency as partial reimbursement of the write-down of railway passenger rolling stock under the Railway Act. Management is of the opinion that the Commission has a valid claim and is entitled to payment. The likelihood of the success of the claim is not determinable at this time and as a result is not reflected in these financial statements.

13. Government Assistance

Under an agreement dated February 24, 1992 the Commission became eligible to receive \$4,250 in loan proceeds from the Northern Ontario Heritage Fund Corporation (the Heritage Fund), to assist with the purchases of certain specified capital assets. In accordance with the terms of the agreement the Commission must lease the assets to Algoma Central Railway for a nominal fee of \$1 per year. The loan is non interest bearing and may be repaid at a mutually agreed date between the Commission and the Heritage Fund by conveyance of the title of the assets to the Heritage Fund. As at December 31, 1998 a total of \$4,179 (1997 - \$4,151) has been received and has been recorded as a reduction of the cost of the capital assets.

Ontario Northland Transportation Commission
Notes to Consolidated Financial Statements
(dollars in thousands)

December 31, 1998

14. Financial Instruments

The Commission's financial instruments consist of cash and term investments of the self insurance fund, accounts receivable, bank loans and overdrafts, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

A portion of the Commission's accounts payable will be settled in US dollars within two months of the end of the fiscal year.

15. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000.

If the Year 2000 Issue is not addressed by the Commission and its major customers, suppliers and other third party business associates, the impact on the Commission's operations and financial reporting may range from minor errors to significant systems failure which could affect the Commission's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Commission, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

16. Related Party Transactions

During the year, the Commission charged the ONTC Contributory Pension Fund \$185 (1997 - \$283) for financial and administrative support.

Ontario Northland Transportation Commission Notes to Consolidated Financial Statements

(dollars in thousands)

December 31, 1998

16. Related Party Transactions (continued)

During 1998, the Rail Services division (of the Commission) charged the Telecommunications division (of the Commission) \$985 (1997 - \$985) for the use right-of-way over Rail Services land. This amount is disclosed as revenue to the Rail Services division and an expense to the Telecommunications division. Management believes that this transaction was consummated on terms no more or less favourable than those that could have been obtained from other third parties.

17. Long-Term Receivables

| | <u>1998</u> | <u>1997</u> |
|--|-----------------|-----------------|
| Mortgage receivable, 7%, due April 1999, payments of interest only, due semi annually, secured by land. | \$ - | \$ 650 |
| Long-term receivables - Amounts recoverable from parties as the result of operational events which will be resolved beyond the next fiscal period. | <u>2,864</u> | <u>2,864</u> |
| | <u>\$ 2,864</u> | <u>\$ 3,514</u> |

18. Marine Services Revenue - Pelee Island

The contract for the provision of marine services to Pelee Island was subject to renewal December 31, 1998. The contract was renewed for a one year period from January 1, 1999 to December 31, 1999.

19. Comparative Figures

Prior year's figures have been reclassified where necessary to conform to the current year's presentation.

**Ontario Northland Transportation Commission
Statement of Employees Paid in Excess of \$100,000**

December 31, 1998

| Name | Position | Salary | Taxable Benefits |
|----------------|---|---------------|-----------------------------|
| K J Wallace | President and C.E.O. | \$ 145,475 | \$ 8,801 |
| R G Leach | Vice President Rail Services | 115,844 | 1,149 |
| R S Hutton | Vice President Telecommunications | 113,672 | 1,171 |
| S G Carmichael | Vice President Finance and Administration | 113,672 | 1,171 |

Prepared under the Public Sector Salary Disclosure Act, 1996

Office of the
Provincial Auditor
of Ontario



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Auditor's Report

To the Ontario Transportation Capital Corporation,
the Minister of Transportation
and to the Minister of Finance

I have audited the balance sheet of the Ontario Transportation Capital Corporation as at March 31, 1999 and the statements of operations and accumulated deficit, and of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 management, 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 Corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink that reads 'Erik Peters'.

Toronto, Ontario
May 4, 1999

Erik Peters, FCA
Provincial Auditor

ONTARIO TRANSPORTATION CAPITAL CORPORATION **BALANCE SHEET**

As at March 31
(thousands of dollars)
1999
1998
Assets

| | | |
|-----------------------------------|--------|--------|
| Cash | \$ 851 | \$ 123 |
| Accounts receivable (note 3) | 26,871 | 14,367 |
| Net investment in leases (note 4) | 9,533 | 6,692 |
| Due from Province (note 5a) | 17,949 | 16,893 |
| Deferred financing costs | 12,854 | 13,327 |
| Other Assets | 2,816 | - |

Capital Assets:

| | | |
|-------------------------------------|------------------|------------------|
| Equipment held for leasing purposes | 5,791 | 4,237 |
| Conditional mobilization advance | - | 6,933 |
| Toll highway (note 2) | 1,558,394 | 1,522,870 |
| Land for toll highway | 362,016 | 334,509 |
| | <u>1,926,201</u> | <u>1,868,549</u> |

\$ 1,997,075 **\$ 1,919,951**
Liabilities

| | | |
|--|------------------|------------------|
| Accounts payable and accrued liabilities | \$ 16,707 | \$ 26,295 |
| Due to Province (note 5a) | 52,230 | 16,321 |
| Notes payable (note 5b) | 508,978 | 921,709 |
| | <u>577,915</u> | <u>964,325</u> |
| Long term debentures (note 5b) | 1,000,000 | 500,000 |
| Other long term debt (note 6) | 2,892 | - |
| Deferred liability | 3,389 | - |
| | <u>1,584,196</u> | <u>1,464,325</u> |

Contributed Surplus (note 5a)

455,626 455,626

Accumulated Deficit

- (42,747) -

Commitments and Contingencies (note 7)
\$ 1,997,075 **\$ 1,919,951**

See accompanying notes to Financial Statements

On behalf of the Board of Directors:

Director



Director



ONTARIO TRANSPORTATION CAPITAL CORPORATION **STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT**

For the year ended March 31
(thousands of dollars)

| | 1999 | 1998 (Note 9) |
|---|---------------------------|---------------|
| Operating revenues | | |
| Tolling | \$ 100,942 | |
| Fees | 11,367 | |
| Other | 921 | |
| Total operating revenues | <u>113,230</u> | |
| Operating expenses | | |
| Highway tolling | \$ 26,730 | |
| Highway maintenance | 12,055 | |
| Administration | 8,670 | |
| Total operating expenses | <u>47,455</u> | |
| Operating surplus | \$ 65,775 | |
| Amortization of Capital assets | \$ 9,472 | |
| Provision for future highway rehabilitation | 3,389 | |
| Interest on capital investment | 95,661 | |
| Net deficit | <u>\$ (42,747)</u> | |
| Opening balance | - | |
| Accumulated deficit - End of Year | <u><u>\$ (42,747)</u></u> | |

ONTARIO TRANSPORTATION CAPITAL CORPORATION **STATEMENT OF CHANGES IN FINANCIAL POSITION**

For the year ended March 31
(thousands of dollars)
1999
1998
Operations

| | | |
|---|-------------|-------------|
| Net deficit for the year | \$ (42,747) | - |
| Amortization of capital assets | 9,472 | - |
| Provision for future highway rehabilitation | 3,389 | - |
| Cash used in operations before working capital | (29,886) | - |
| Changes in working capital | | |
| Increase in accounts receivable | (12,504) | (13,934) |
| (Decrease) Increase in accounts payable and accrued liabilities | (9,588) | 3,886 |
| Change in working capital | (22,092) | (10,048) |
| Cash used in operations | \$ (51,978) | \$ (10,048) |

Financing activities

| | | |
|--|------------|------------|
| Increase in net investment in leases | \$ (2,841) | \$ (6,692) |
| Decrease in deferred financing costs | 473 | 473 |
| Net Increase (Decrease) in due to Province | 34,853 | (780) |
| (Decrease) Increase in notes payable | (412,731) | 322,880 |
| Increase in long term debt | 502,892 | - |
| Increase in contributed surplus | - | 184 |
| Cash provided from financing activities | \$ 122,646 | \$ 316,065 |

Investing activities

| | | |
|------------------------------------|-------------|--------------|
| Purchase of other assets | \$ (2,816) | - |
| Additions to capital assets | (67,124) | (306,012) |
| Cash used for investing activities | \$ (69,940) | \$ (306,012) |

| | | |
|---------------------------------|--------|--------|
| Net increase in cash | \$ 728 | \$ 5 |
| Cash beginning of period | 123 | 118 |
| Cash end of period | \$ 851 | \$ 123 |

ONTARIO TRANSPORTATION CAPITAL CORPORATION

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 1999**GENERAL**

The Ontario Transportation Capital Corporation (the "Corporation") was established on November 15, 1993 under the authority of the **Capital Investment Plan Act** (the "Act"). In accordance with the Act, the Corporation's objects are:

- i) to provide financing for transportation programs and projects;
- ii) to facilitate the development and implementation of these programs and projects as well as facilities and resources related to them; and
- iii) any additional objects as directed by the Lieutenant Governor in Council.

In accordance with the provisions of the Act, the Corporation is incorporated under the laws of Ontario. The Corporation is exempt from Federal and Provincial incomes taxes under the Income Tax Act of Canada.

As of April 1, 1998, the highway was determined to be substantially complete. As this is the first full year of operations, a Statement of Operations and Accumulated Deficit has been provided for the first time.

Effective April 6, 1999, a number of events and transactions occurred to facilitate the Province's sale of the toll highway, which was completed on May 5, 1999. Additional details on the subsequent events are outlined in Note 8.

1 SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants. Included below are those accounting policies which are of significance to the Corporation including those selected from acceptable alternatives.

a) Toll Highway

The toll highway is stated at cost and includes the highway, operations centre and tolling equipment.

The cost of the toll highway includes direct construction or development costs (such as material and labour), interest and administration costs directly attributable to the construction or development activity, net of toll revenues, during the construction phase.

b) Amortization of Toll Highway

i) Operations Centre and Tolling Equipment

The Operations Centre building and tolling equipment are amortized over their estimated useful lives on a straight line basis over thirty and ten years respectively, commencing the year following capital additions.

ii) Toll Highway – Roadways and Related Structures

The Corporation follows a policy of establishing a provision for major rehabilitation and maintenance costs for the highway in lieu of amortizing the cost of the roadways and related structures. The provision is built up annually on a straight line basis by the estimated amount of rehabilitation and maintenance required over the next 30 years to maintain the roadways and related structures in accordance with safety and operations standards currently in place. Professional engineering assessments will periodically be performed to ensure the rehabilitation and maintenance estimates are sufficient to maintain the highway at the defined level of service. If these assessments indicate the maintenance is not sufficient, then an accelerated provision rate will be taken.

This provision is reflected as a deferred liability on the balance sheet, with actual expenditures being charged against this account as incurred.

c) Contributed Surplus

Contributed structures (bridges and interchange work in progress) and capitalized administration costs of \$201,909 contributed by the Province of Ontario are recorded at the Province's cost as contributed surplus. These structures will follow the amortization policy outlined in 1b)ii).

Contributed lands of \$253,717 are recorded as contributed surplus and will not be amortized. These lands are recorded at their estimated fair value at the date of transfer.

d) Deferred Financing Costs

Deferred financing costs are being amortized on a straight-line basis over the term of the related debt. The amount of the amortization is included in interest on capital investment.

2 TOLL HIGHWAY

| (thousands of dollars) | | 1999 | | 1998 |
|------------------------|--------------|-----------------------------|----------------|----------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Toll Highway | \$ 1,454,419 | - | \$ 1,454,419 | \$ 1,420,821 |
| Tolling Equipment | 102,448 | (9,105) | 93,343 | 91,050 |
| Operations Centre | 10,999 | (367) | 10,632 | 10,999 |
| | \$ 1,567,866 | \$ (9,472) | \$ 1,558,394 | \$ 1,522,870 |

3 ACCOUNTS RECEIVABLE

| (thousands of dollars) | 1999 | 1998 |
|-------------------------------|----------|----------|
| Toll receivables | \$24,396 | \$11,325 |
| Advances to Facility Operator | 997 | - |
| Due from other governments | - | 2,864 |
| Other | 1,478 | 178 |
| | \$26,871 | \$14,367 |

4 NET INVESTMENT IN LEASES

The Corporation has entered into various customer agreements that enable the customers to retain a transponder. The agreements are such that substantially all of the benefits and risks of ownership of a transponder are transferred to the customer. As a result, these agreements have been reflected as direct financing leases.

Finance income related to direct financing leases is recognized in a manner that produces a constant rate of return on the investment in leases. The investment in leases for purposes of income recognition is composed of net minimum lease payments and accrued finance income.

5 RELATED PARTY TRANSACTIONS

a) Province of Ontario

i) Intercompany Accounts

On March 31, 1999, the Corporation had accounts receivable and accounts payable with the Province of Ontario, and agencies of the Crown, as follows:

| | Due from the Province | | Due to the Province | |
|-----------------------------|-----------------------|----------|---------------------|----------|
| (thousands of dollars) | 1999 | 1998 | 1999 | 1998 |
| Ministry of Transportation | \$17,544 | \$16,488 | \$ 571 | \$ 445 |
| Ontario Financing Authority | - | - | 28,518 | 15,865 |
| Ontario Realty Corporation | - | - | 22,619 | - |
| Ministry of Finance | 405 | 405 | 522 | 11 |
| | \$17,949 | \$16,893 | \$52,230 | \$16,321 |

Amounts due from and due to the Ministry of Transportation relate to the toll highway. If subsequent phases of the highway are tolled, \$18 million due from the Ministry of Transportation will be capitalized against Toll Highway.

Amounts payable to the Ontario Financing Authority relate to accrued interest costs associated with the long term debentures and promissory notes payable.

Amounts payable to the Ontario Realty Corporation relate to amounts owing for toll highway lands acquired by the Ontario Realty Corporation on behalf of the Corporation.

Amounts due from and payable to the Ministry of Finance relate to provincial sales tax.

These transactions are considered to be in the normal course of business and at fair market value.

ii) Contributed surplus

Contributed surplus relates to the contribution of lands and highway structures (bridge and interchange work in process) from the Province of Ontario used for the purpose of the toll highway.

b) Ontario Financing Authority**Notes Payable**

The Corporation has entered into interim financing arrangements with the Ontario Financing Authority. On March 31, 1999, interim financing consisted of a number of promissory notes totalling \$509 million (1998 - \$922 million) at interest rates ranging from 5.15% to 5.65% per annum (1999 - 4.90% to 4.97% per annum) for terms not exceeding one year.

Long term debentures

Long term debt is comprised of two debentures to the Ontario Financing Authority as follows:

| (thousands of dollars) | | | |
|------------------------|----------------------|-----------------|---|
| Amount | Interest Rate | Maturity | Interest Paid |
| \$500,000 | 8.25% | June 2, 2026 | Semi-annually on June 2, and December 2 of each year to maturity. |
| \$500,000 | 6.66% | August 28, 2013 | Semi-annually on August 28, and February 28 of each year to maturity. |

The principal sum of each debenture is payable in full on June 2, 2026 and August 28, 2013 respectively.

6 OTHER LONG TERM DEBT

Other Long Term Debt of \$2,892 million represents amounts owing to a municipality for the acquisition of lands for the purpose of the toll highway. The repayment of this obligation is related to toll revenues generated from the relevant interchange. Interest at the prime rate plus 3% is due on amounts outstanding, once the obligation to pay in accordance with the revenue formula, arises.

7 COMMITMENTS AND CONTINGENCIES**a) Operating Agreements**

On April 1, 1997 the Corporation entered into an operating, maintenance, management and rehabilitation agreement with the facility operator for 30 years ending March 31, 2027 on a cost plus basis. Under this agreement, the facility operator entered into various subcontracts in order to fulfil operating requirements. Of these, a major subcontract for operating, maintaining managing and rehabilitating the toll system was entered into on April 1, 1997 for a term of 7 years on a cost plus basis, expiring on March 31, 2004.

b) Possible Claims

As of March 31, 1999 there are various possible claims against the Corporation for which a provision has been made in these financial statements. It is not possible to determine the amounts that may ultimately be assessed against the Corporation with respect to these possible claims. Management believes that any such amount would not have a material impact on the business or financial position of the Corporation.

Any settlements which may arise from those claims that have not been provided for, would be recorded against income in the periods in which they occur.

8 SUBSEQUENT EVENTS**a) Sale of Toll Highway**

Pursuant to the Highway 407 Act, 1998, to facilitate the sale of the toll highway by the Province of Ontario, the following events and transactions took place effective April 6, 1999:

- i. The Corporation was continued as a share capital corporation under the Ontario Business Corporations Act, wholly owned by the Province, and renamed '407 ETR Concession Company Limited';
- ii. The Ontario Financing Authority assigned and transferred all of its right, title and interest in debt owed to it by the Corporation, including long term debt, promissory notes and accrued interest, to the Province;
- iii. The Corporation transferred all of its land to the Province at a value of \$362 million;
- iv. The Corporation leased back the Highway 407 lands, the operations centre lands and the patrol yard from the Province for 99 years, and has prepaid the ground rent of \$99.00. The Province transferred title to all improvements on Highway 407 West to the Corporation, valued at \$38 million;

- v. To facilitate the sale of the Corporation on a debt-free basis, the debt of the Corporation, adjusted for various transactions between the Corporation and the Province, (including (iii) and (iv) above) was converted into contributed surplus of the Corporation. The balance of contributed surplus on April 6, 1999 is made up of the following items:

| | (\$000's) |
|---|----------------------------|
| Long term debentures and notes payable | \$1,508,978 |
| Due to Province | 54,645 |
| Due from Province | (17,992) |
| Deferred financing costs | (12,847) |
| Highway structures | 38,000 |
| Land for Toll Highway | <u>(362,016)</u> |
| Total Contributed Surplus Adjustments | <u>\$1,208,768</u> |
| Add Existing Contributed Surplus Balance Before Adjustments | <u>\$ 455,626</u> |
| Total Contributed Surplus Converted Into Share Capital effective April 6, 1999 | <u>\$1,664,394</u> |

As a result of these transactions, effective April 6, 1999, contributed surplus of the Corporation was converted into common share capital of the Corporation at a value of \$1,664,394.

On May 5, 1999, the Province completed the sale of 100% of the issued and outstanding shares of 407 ETR Concession Company for proceeds of approximately \$3.1 billion.

b) April 1, 1999-April 5, 1999 Financial Results

For the period April 1, 1999-April 5, 1999, all transactions were in the normal course of business except for the above-noted events and a provision for severance pay related to employees terminated from the Corporation upon its sale. An audit of the Corporation's financial statements for the period April 1, 1999 to May 4, 1999 will be undertaken.

9 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

No comparative figures have been presented on the Statement of Operations and Accumulated Deficit, as this is the first year of operations.

10 SALARIES

Provincial legislation requires disclosure of Ontario public sector employees paid an annual salary in excess of \$100,000 in calendar year 1998. Accordingly, the following salary is disclosed:

| | Salary | Benefits |
|--|-----------|----------|
| Garner, David President & Chief Executive Officer | \$120,627 | \$ 328 |

11 UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using a year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

SERVICE ORGANIZATIONS

Office of the
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of Ontario



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Auditor's Report

To the Board of Directors, AgriCorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the balance sheet of AgriCorp as at March 31, 1999 and the statements of operations and fund balances and changes in financial position for the year ended March 31, 1999. These financial statements are the responsibility of the Corporation's management. 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 management, 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 Corporation as at March 31, 1999 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
May 28, 1999

A handwritten signature in cursive script, reading 'K.W. Leishman'.

K.W. Leishman, CA
Assistant Provincial Auditor

AGRICORP

Balance Sheet
As at March 31, 1999

| | March 31 1999 (\$000's) | March 31 1998 (\$000's) (Note 3) |
|--|-------------------------------|---|
| ASSETS | | |
| Cash | 274 | 2,665 |
| Accounts receivable (Note 5) | 7,657 | 6,573 |
| Investments (Note 6) | 296,136 | 228,517 |
| Due from the Minister of Finance (Note 7) | 348,502 | 325,002 |
| Capital assets (Note 8) | 987 | 956 |
| | <u>653,556</u> | <u>563,713</u> |
| LIABILITIES AND FUND BALANCES | | |
| Liabilities | | |
| Unearned premiums and revenue (Note 9) | 12,876 | 10,290 |
| Provision for unsettled indemnities (Note 2) | 61,376 | 10,900 |
| Accounts payable and accrued liabilities (Note 19) | <u>14,963</u> | <u>2,662</u> |
| | <u>89,215</u> | <u>23,852</u> |
| Fund Balances (Note 1) | | |
| General Fund | 1,527 | 1,527 |
| Ontario Crop Insurance Fund | 274,752 | 222,886 |
| Market Revenue Program | <u>288,062</u> | <u>315,448</u> |
| | <u>564,341</u> | <u>539,861</u> |
| | <u>653,556</u> | <u>563,713</u> |

See accompanying notes to financial statements.

On behalf of the Board:



Chair



Member

AGRICORP

Statement of Operations and Fund Balance – General Fund
For the Year Ended March 31, 1999

| | To March 31 1999 (\$000's) | To March 31 1998 (\$000's) (Note 3) |
|--|----------------------------------|--|
| Revenue | | |
| Sales, consulting and other services | 1,022 | 872 |
| Interest income | 108 | 146 |
| Operating funding (Note 12) | <u>13,958</u> | <u>13,442</u> |
| | <u>15,088</u> | <u>14,460</u> |
| Expenses | | |
| Selling, general and administrative | 14,470 | 14,077 |
| Depreciation | <u>618</u> | <u>176</u> |
| | <u>15,088</u> | <u>14,253</u> |
| Excess of revenue over expenses | — | 207 |
| Balance, beginning of period | 1,527 | — |
| Start-up funding (Note 16) | <u>—</u> | <u>1,320</u> |
| Balance, end of period | <u>1,527</u> | <u>1,527</u> |

See accompanying notes to financial statements.

AGRICORP**Statement of Operations and Fund Balance – Ontario Crop Insurance Fund
For the Year Ended March 31, 1999**

| | To March 31 1999 (\$000's) | To March 31 1998 (\$000's) (Note 3) |
|--|----------------------------------|--|
| Revenue | | |
| Premiums from insured producers | 40,429 | 36,418 |
| Premium funding (Note 4) | 40,429 | 36,418 |
| Interest and investment income | <u>14,569</u> | <u>10,058</u> |
| | <u>95,427</u> | <u>82,894</u> |
| Expenses | | |
| Indemnities (Note 10) | 35,415 | 40,589 |
| Reinsurance (Note 17) | 8,050 | — |
| Bad debt expense | <u>96</u> | <u>323</u> |
| | <u>43,561</u> | <u>40,912</u> |
| Excess of revenue over expenses | 51,866 | 41,982 |
| Balance, beginning of period | <u>222,886</u> | <u>180,904</u> |
| Balance, end of period | <u>274,752</u> | <u>222,886</u> |

See accompanying notes to financial statements.

AGRICORP**Statement of Operations and Fund Balance – Market Revenue Program
For the Year Ended March 31, 1999**

| | To March 31 1999 (\$000's) | To March 31 1998 (\$000's) (Note 3) |
|---|----------------------------------|--|
| Revenue | | |
| Premium funding (Note 4) | 18,606 | 31,516 |
| Interest income | <u>15,879</u> | <u>12,488</u> |
| | <u>34,485</u> | <u>44,004</u> |
| Expenses | | |
| Indemnities (Note 10) | 61,927 | 11,785 |
| Bad debt expense (recoveries) | <u>(56)</u> | <u>(45)</u> |
| | <u>61,871</u> | <u>11,740</u> |
| Excess/(Deficiency) of revenue over expenses | (27,386) | 32,264 |
| Balance, beginning of period | <u>315,448</u> | <u>283,184</u> |
| Balance, end of period | <u><u>288,062</u></u> | <u><u>315,448</u></u> |

See accompanying notes to financial statements.

AGRICORP

Statement of Changes in Financial Position
For the Year Ended March 31, 1999

| | To March 31 1999 (\$000's) | To March 31 1998 (\$000's) (Note 3) |
|---|----------------------------------|--|
| Cash derived from (applied to): | | |
| Operating Activities | | |
| Excess of revenue over expenditures - Crop Insurance Fund | 51,866 | 41,982 |
| Excess of revenue over expenditures - General Fund | — | 207 |
| Depreciation | <u>618</u> | <u>176</u> |
| | 52,484 | 42,365 |
| Changes in balances related to operations | | |
| (Increase)/Decrease in accounts receivable | (1,084) | 23,115 |
| Increase in accounts payable and accrued liabilities | 12,301 | 2,657 |
| Increase in unearned premiums and revenue | 2,586 | 3,415 |
| Increase/(Decrease) in provisions for unsettled indemnities | 50,476 | (18,959) |
| Capital change due to Market Revenue (Note 7) | <u>(50,886)</u> | <u>(27,241)</u> |
| Total Operating Activities | <u>65,877</u> | <u>25,352</u> |
| Investing Activities | | |
| Purchase of capital assets | (649) | (1,132) |
| Purchase of investments | <u>(67,619)</u> | <u>(21,495)</u> |
| Total Investing Activities | <u>(68,268)</u> | <u>(22,627)</u> |
| Financing Activities | | |
| Start-up funding | <u>—</u> | <u>1,320</u> |
| Total Financing Activities | <u>—</u> | <u>1,320</u> |
| Increase (decrease) in cash position | (2,391) | 4,045 |
| Cash balance, beginning of period | <u>2,665</u> | <u>(1,380)</u> |
| Cash balance, end of period | <u><u>274</u></u> | <u><u>2,665</u></u> |

See accompanying notes to financial statements.

AGRICORP**Notes to Financial Statements
March 31, 1999****1. NATURE OF OPERATIONS**

The *AgriCorp Act, 1996* established AgriCorp as a new Crown agency effective January 1, 1997. The Corporation was established without share capital. Its mandate is to design and deliver agricultural safety net plans and other food products and services to the farm, food and rural sectors of Ontario. Current safety net programs include the Crop Insurance and the Market Revenue Programs.

The Ontario Crop Insurance Fund was established in 1966 and currently operates pursuant to the *Crop Insurance Act (Ontario), 1996*. The program provides growers with protection on all major crops grown in Ontario, against yield reduction caused by natural perils.

The Market Revenue program was established pursuant to the Interim Gross Revenue Insurance Plan (GRIP) agreement established by the Government of Canada with the provinces and commenced operations on April 1, 1991. The Program protects farmers against reduced income caused by low market prices of certain designated crops.

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Accounting**

The Corporation's financial statements are prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

(b) Capital Assets

Capital assets are stated at cost less accumulated depreciation. Depreciation is provided using the straight line method over the estimated useful life of the assets as listed below.

| | |
|-------------------------|-----------------------------|
| Furniture and equipment | 4 years |
| Vehicles | 4 years |
| Computer hardware | 3 years |
| Computer software | 2 years |
| Leasehold improvements | remaining life of the lease |

(c) Pension Plan

Full-time employees participate in a mandatory contributory defined benefit pension plan administered by a third-party administrator. The Corporation matches employees' contributions. Pension plan assets are valued using current fair values and adjustments are amortized on a straight-line basis over the expected average remaining service life of the employee group.

(d) Investments

Interest income, gains and losses on disposal, amortization of premiums and discounts and write-downs to market value are reported in investment income. Market Revenue, Crop Insurance and General Fund cashflows and investments are segregated avoiding the need for allocation of investment income. Short-term investments are acquired primarily for the purpose of liquidity and are intended to be held for less than one year. Short-term investments are carried at cost which approximates market value. Long-term investments are recorded at cost net of accumulated premiums and discounts amortized over the term to maturity.

AGRICORP**Notes to Financial Statements
March 31, 1999**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Provision for Unsettled Indemnities**

Provision for unsettled indemnities represents management's best estimates of amounts to be paid. Market Revenue Program payments are based on a formula which cannot be completed until the end of the 1999 calendar year. Certain Crop Insurance claims remained unsettled at year-end and were either quantified based on settlement amounts after year-end or management estimates were made.

(f) Revenue Recognition

Premiums received in the period are deferred for crops which will be harvested subsequent to the end of the fiscal year.

3. COMPARATIVE FIGURES

The balances noted as the comparative figures are for the 15-month period ended March 31, 1998.

4. CANADA-ONTARIO COST SHARING AGREEMENTS**(a) Crop Insurance**

The current Canada-Ontario Crop Insurance Agreement came into effect April 1, 1997 and has no explicit expiry date. It can be terminated by either party with advance notice of two complete fiscal years. Under the terms of the Agreement, the Province and the Federal government share equally the cost of 50% of the premium with the producers paying the remaining 50%. The two levels of government share equally the selling, general and administrative expenses.

(b) Market Revenue

Effective April 1, 1996 the Government of Canada and Ontario signed a new agreement termed the Canada-Ontario Market Revenue Agreement. This Agreement is in effect for 1999 and unless extended, expires March 31, 2000. Under the terms of the Agreement, the Federal government is required to contribute \$10 million to the Market Revenue Program on November 1st of each year. Subject to the availability of funds, Canada will also contribute an amount not to exceed an additional \$20 million per fiscal year. Ontario's contribution to the program is based on the residual funds available after deducting the contributions made to other programs from the total amount appropriate annually for safety net supports. The Province and the Federal government each share equally in the cost of selling, general and administrative expenses.

AGRICORP**Notes to Financial Statements
March 31, 1999****5. ACCOUNTS RECEIVABLE**

Accounts receivable consist of the following:

| | March 31 1999 (\$000's) | March 31 1998 (\$000's) |
|------------------------|--|--|
| Government funding | 6,211 | 5,253 |
| Accrued interest | 54 | 1,180 |
| Producer premiums, net | 1,125 | 63 |
| Trade | <u>267</u> | <u>77</u> |
| | <u>7,657</u> | <u>6,573</u> |

6. INVESTMENTS

Legislation restricts the Corporation's investments to highly liquid, high grade money market instruments such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

(a) Portfolio Profile

Investments are as follows:

| | 1999 | | | 1998 | | |
|------------------------------|----------------------------|-------------------------------------|-------------------|----------------------------|-------------------------------------|-------------------|
| | Carrying Amount | Fair Value (\$000's) | Excess | Carrying Amount | Fair Value (\$000's) | Excess |
| Short-term | 129,176 | 128,931 | (245) | 115,590 | 115,548 | (42) |
| Long-term | | | | | | |
| Government of Canada | 36,817 | 36,013 | (804) | 11,732 | 11,627 | (105) |
| Province of Ontario | 30,437 | 31,226 | 789 | 30,179 | 30,696 | 517 |
| Other provincial governments | 50,494 | 50,256 | (238) | 24,877 | 24,970 | 93 |
| Provincial Utilities | 33,804 | 34,360 | 556 | 33,092 | 33,124 | 32 |
| Other financial institutions | 15,408 | 15,347 | (61) | 13,047 | 13,148 | 101 |
| Total long-term | <u>166,960</u> | <u>167,202</u> | <u>242</u> | <u>112,927</u> | <u>113,565</u> | <u>638</u> |
| Total investments | <u>296,136</u> | <u>296,133</u> | <u>(3)</u> | <u>228,517</u> | <u>229,113</u> | <u>596</u> |

(b) Impaired Assets and Provisions for Losses

During 1998/99 there were no specific writedowns made against the bond portfolio or bonds in default during the current or the prior period.

AGRICORP

Notes to Financial Statements
March 31, 1999

6. INVESTMENTS (CONTINUED)

(c) Investment Risk

The coupon rates for the long-term bond portfolio ranged from 5% to 11.25% with a weighted average yield of 5.32%. Fluctuations in interest rates could have a significant impact on the market value of the bond portfolio. This could result in realized gains or losses if actual claims levels differed significantly from expected and quick liquidation of assets were required to meet obligations. At March 31, 1999, a 1% move in interest rates could impact the market value by approximately \$12.1 million but bonds are generally held to maturity.

(d) Maturity Profile of the Bond Portfolio

| | 1998/99 (\$000's) | 1997/98 (\$000's) |
|-----------|----------------------|----------------------|
| <1 Year | 129,176 | 115,590 |
| 1-3 Years | 12,572 | 24,234 |
| 3-5 Years | 8,114 | 4,497 |
| >5 Years | <u>146,274</u> | <u>84,196</u> |
| Total | <u>296,136</u> | <u>228,517</u> |

7. DUE FROM THE MINISTER OF FINANCE

Pursuant to Order-in-Council 1546/91, an account has been established in the Ontario Government's Consolidated Revenue Fund to receive Market Revenue Program contributions from Canada, Ontario and prior to the 1995 crop year, insured producers. Interest is paid quarterly on the account's average daily closing value based on the average Bank of Canada treasury bill rate. This account is used to administer the Program and cannot be accessed for the general operating, financing and investing activities of AgriCorp.

8. CAPITAL ASSETS

| | March 31, 1999 (\$000's) | | | March 31, 1998 (\$000's) |
|------------------------|-----------------------------|-----------------------------|----------------------|-----------------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Computer hardware | 905 | 273 | 632 | 319 |
| Computer software | 707 | 464 | 243 | 471 |
| Leasehold improvements | 115 | 37 | 78 | 123 |
| Vehicles | 50 | 19 | 31 | 39 |
| Furniture and fixtures | <u>5</u> | <u>2</u> | <u>3</u> | <u>4</u> |
| | <u>1,782</u> | <u>795</u> | <u>987</u> | <u>956</u> |

Certain physical assets were transferred to the Corporation at the time of its inception for nominal value and have not been reflected in these financial statements.

AGRICORP

Notes to Financial Statements
March 31, 1999

9. UNEARNED PREMIUMS AND REVENUE

Unearned premiums represent premiums paid in advance to the Ontario Crop Insurance Fund for winter wheat (\$6.93 million), forage (\$2.2 million) and other crops (\$1.55 million). These crops are not harvested until after the end of the fiscal year giving rise to the deferral of premium. Unearned revenue includes operating funding related to the unamortized value of capital assets and funds received from Ontario in advance of expenditures for Year 2000 systems compliance.

10. INDEMNITIES

The Ontario Crop Insurance Fund's operating results for the current period include the reversal of a \$437,500 under provision of unsettled indemnities as at March 31, 1998 (December 31, 1996 - \$268,000 under-provision for indemnities).

Under the terms of the Canada-Ontario Market Revenue Agreement, the total indemnity payments for any crop year shall not exceed the Program's account balance. The Market Revenue Program's operating results for the current period include the reversal of a \$1.7 million under provision of unsettled indemnities as at March 31, 1998 (no reversal was required for December 31, 1996). In addition, the Market Revenue Program's operating results for the current period include a provision for unsettled indemnities relating to the 1998 crop year of \$60 million (March 31, 1998 - \$11.8 million).

11. SEGMENTED INFORMATION

| | General Fund | Crop Insurance Fund | Market Revenue Program (\$000's) | Total 1999 | Total 1998 |
|--|-----------------|---------------------------|---|----------------|----------------|
| Assets | | | | | |
| Cash | (752) | 1,026 | — | 274 | 2,665 |
| Accounts receivable | 2,487 | 5,140 | 30 | 7,657 | 6,573 |
| Investments | 16,000 | 280,136 | — | 296,136 | 228,517 |
| Due from the Minister of Finance | — | — | 348,502 | 348,502 | 325,002 |
| Capital Assets | 987 | — | — | 987 | 956 |
| Inter-fund receivable/(payables) | (2,404) | 2,079 | 325 | — | — |
| | <u>16,318</u> | <u>288,381</u> | <u>348,857</u> | <u>653,556</u> | <u>563,713</u> |
| Liabilities | | | | | |
| Accounts payable and accrued liabilities | 12,594 | 2,354 | 15 | 14,963 | 2,662 |
| Unearned premiums and revenue | 2,197 | 10,679 | — | 12,876 | 10,290 |
| Provision for unsettled indemnities | — | 596 | 60,780 | 61,376 | 10,900 |
| | <u>14,791</u> | <u>13,629</u> | <u>60,795</u> | <u>89,215</u> | <u>23,852</u> |
| Fund Balances | <u>1,527</u> | <u>274,752</u> | <u>288,062</u> | <u>564,341</u> | <u>539,861</u> |
| | <u>16,318</u> | <u>288,381</u> | <u>348,857</u> | <u>653,556</u> | <u>563,713</u> |

AGRICORP**Notes to Financial Statements
March 31, 1999****12. OPERATING FUNDING**

Canada and Ontario have agreed to share equally the costs of administering the Ontario Crop Insurance Fund and the Market Revenue Program. The Federal contribution shall not be more than the provincial share even if that amounts to less than 50% of the incurred costs. Based on a reasonable estimate of the administrative workload, these costs are allocated to the Fund and Program 95% and 5%, respectively. The operating funding for the current period was \$14 million plus \$0.65 million for capital assets.

13. PENSION PLAN

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The plan was set up effective January 1, 1997. Based on a financial statement prepared by the plan's actuary, the present value of the accrued pension benefits and the market value of the net assets available to provide for those benefits, are as follows:

| | March 31, 1999 (\$000's) |
|--------------------------|-----------------------------|
| Accrued pension benefits | 967 |
| Pension fund assets | <u>921</u> |
| Pension fund deficit | <u>46</u> |

Over the course of the period the plan generated an experience loss of \$22,450.

14. RELATED PARTY TRANSACTIONS

The Corporation has entered into several agreements to acquire services from the Ontario Ministry of Agriculture, Food and Rural Affairs. Under the terms of the agreements the Corporation paid the Ministry \$366,700 during the year. These services, assessed at fair market value, include the utilization of the mainframe computer, telecommunications, legal and general services. In addition, the Corporation paid the Ontario Realty Corporation \$320,700 to rent their head office location.

15. BOARD REMUNERATION AND SALARY DISCLOSURE

Total remuneration to members of the Board of Directors was \$165,000 during the year ending March 31, 1999 (15-month period ending March 31, 1998 - \$158,000).

The *Public Sector Salary Disclosure Act, 1996*, requires the Corporation to disclose employees paid an annual salary in excess of \$100,000. For the 1998 calendar year, the Corporation's President, Mr. Thomas M. Schmidt, was paid a total of \$133,811 plus taxable benefits of \$6,313.

AGRICORP**Notes to Financial Statements
March 31, 1999**

16. START-UP FUNDING

Pursuant to a Memorandum of Understanding between AgriCorp and the Ministry of Agriculture, Food and Rural Affairs, the Ministry agreed to provide funding required to facilitate the Corporation's start-up. Amounts provided were recorded in the General Fund.

17. REINSURANCE AGREEMENT

In May 1998, a program of reinsurance was subscribed to by 23 insurance carriers. This program provides for the reinsuring companies to assume crop insurance losses from 150% of premium to 300% of premium. This will significantly spread AgriCorp's risk in the event of very adverse experience. The reinsurance costs are 9.95% of crop insurance premiums or \$8.05 million. This program will permit changes to the investment strategy designed to enhance investment yield and recover a portion of the reinsurance premium.

18. LEASE COMMITMENTS

The Corporation is committed under operating leases on leased premises with future minimum rental payments due as follows:

| | (\$000's) |
|------|------------|
| 2000 | 201 |
| 2001 | 196 |
| 2002 | 175 |
| 2003 | <u>170</u> |
| | <u>742</u> |

19. ONTARIO WHOLE FARM RELIEF PROGRAM

The Corporation entered into an agreement with the Ministry of Agriculture, Food and Rural Affairs to provide certain services for the purpose of preparing cheques under the Ontario Whole Farm Relief Program. The Ministry advanced funds to the Corporation and, as at March 31, 1999, accounts payable included \$11.5 million for distribution under this Program.

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To Cancer Care Ontario
and to the Minister of Health

I have audited the statement of financial position of Cancer Care Ontario as at March 31, 1999 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of Cancer Care Ontario's management. 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 management, 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 Cancer Care Ontario as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
June 4, 1999

A handwritten signature in cursive script, reading 'K.W. Leishman'.

K.W. Leishman, CA
Assistant Provincial Auditor

CANCER CARE ONTARIO

Statement of Financial Position
(In thousands of dollars)

March 31, 1999, with comparative figures for 1998


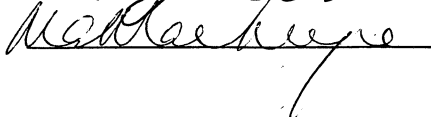
| | 1999 | 1998 (Restated) |
|-------------------------------------|-------------------|--------------------|
| Assets | | |
| Current assets: | | |
| Short-term investments | \$ 33,429 | \$ 25,599 |
| Accounts receivable | 7,065 | 5,438 |
| Due from the Ministry of Health | 8,490 | 6,875 |
| Other | 2,582 | 1,180 |
| | <u>51,566</u> | <u>39,092</u> |
| Long-term investments (note 3) | 60,847 | 56,517 |
| Prepaid pension surplus (note 2(b)) | - 2,168 | - |
| Capital assets (note 4) | 28,207 | 25,953 |
| Other | 798 | - |
| | <u>\$ 143,586</u> | <u>\$ 121,562</u> |

Liabilities, Deferred Contributions and Fund Balances

| | | |
|--|-------------------|-------------------|
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 38,039 | \$ 29,138 |
| Deferred contributions: | | |
| Deferred operating grants (note 5(a)) | 20,550 | 13,613 |
| Deferred contributions related to capital assets (note 5(b)) | 12,445 | 11,048 |
| Deferred contributions related to expansion (note 5(c)) | 4,230 | 1,305 |
| | <u>37,225</u> | <u>25,966</u> |
| Fund balances: | | |
| Endowment | 2,971 | 2,968 |
| Internally and externally restricted | 27,812 | 28,299 |
| Invested in capital assets (note 7) | 15,762 | 14,905 |
| Unrestricted | 21,777 | 20,286 |
| | <u>68,322</u> | <u>66,458</u> |
| Commitments (note 11) | | |
| Contingency (note 12) | | |
| | <u>\$ 143,586</u> | <u>\$ 121,562</u> |

See accompanying notes to financial statements.

On behalf of the Board:

 Director
 Director

CANCER CARE ONTARIO

Statement of Operations
(In thousands of dollars)

Year ended March 31, 1999, with comparative figures for 1998

| | | | 1999 | 1998 |
|--|------------|------------|------------|------------|
| | General | Restricted | Total | Total |
| | | | -- | (Restated) |
| Revenue: | | | | |
| Ministry of Health | \$ 173,064 | \$ -- | \$ 173,064 | \$ 150,679 |
| Investment income | 4,300 | 1,117 | 5,417 | 5,072 |
| Donations, bequests and grants | 1,770 | 14,088 | 15,858 | 13,150 |
| Amortization of deferred contributions related to capital assets (note 5(b)) | 5,751 | 934 | 6,685 | 5,149 |
| Other income | 9,692 | -- | 9,692 | 9,727 |
| | 194,577 | 16,139 | - 210,716 | 183,777 |
| Expenses: | | | | |
| Salaries | 96,076 | 4,595 | 100,671 | 94,539 |
| Benefits | 11,239 | 628 | 11,867 | 13,014 |
| Other operating (note 6) | 41,259 | 10,002 | 51,261 | 42,923 |
| Drugs | 21,429 | 80 | 21,509 | 15,136 |
| Medical and surgical services and supplies | 10,444 | 424 | 10,868 | 7,135 |
| Amortization of capital assets | 11,744 | 932 | 12,676 | 10,264 |
| | 192,191 | 16,661 | 208,852 | 183,011 |
| Excess (deficiency) of revenue over expenses | \$ 2,386 | \$ (522) | \$ 1,864 | \$ 766 |

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Statement of Changes in Fund Balances
(In thousands of dollars)

Year ended March 31, 1999, with comparative figures for 1998

| | | | | | 1999 | 1998 |
|---|-----------|------------|--|--------------|-----------|---------------------|
| | General | | | | | |
| | Endowment | Restricted | Invested in capital assets (note 7) | Unrestricted | Total | Total (Restated) |
| Balance, beginning of year | \$ 2,968 | \$ 28,299 | \$ 14,905 | \$ 20,286 | \$ 66,458 | \$ 65,692 |
| Excess (deficiency) of revenue over expenses | 3 | (525) | (5,991) | 8,377 | 1,864 | 766 |
| Investment in capital assets | — | — | 6,848 | (6,848) | — | — |
| Transfers (note 8) | — | 38 | — | (38) | — | — |
| Balance, end of year | \$ 2,971 | \$ 27,812 | \$ 15,762 | \$ 21,777 | \$ 68,322 | \$ 66,458 |

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Statement of Cash Flows
(In thousands of dollars)

Year ended March 31, 1999, with comparative figures for 1998

| | 1999 | 1998 (Restated) |
|--|-----------|--------------------|
| Cash provided by (used in): | | |
| Operations: | | |
| Excess of revenue over expenses | \$ 1,864 | \$ 766 |
| Amortization of capital assets | 12,676 | 10,264 |
| Amortization of deferred contributions related to capital assets | (6,685) | (5,149) |
| Changes in non-cash operating working capital | 11,951 | 13,517 |
| | 19,806 | 19,398 |
| Investments: | | |
| Long-term investments, net | (4,330) | (4,065) |
| Purchase of capital assets: | | |
| Funded by contributions for capital assets | (8,082) | (1,497) |
| Internally funded | (6,848) | (7,107) |
| Other | (798) | — |
| Deferred contributions related to capital assets | 8,082 | 1,497 |
| | (11,976) | (11,172) |
| Increase in cash | 7,830 | 8,226 |
| Cash position, beginning of year | 25,599 | 17,373 |
| Cash position, end of year | \$ 33,429 | \$ 25,599 |

Cash position is defined as short-term investments.

See accompanying notes to financial statements.

CANCER CARE ONTARIO

Notes to Financial Statements
(In thousands of dollars)

Year ended March 31, 1999

The government of Ontario approved the establishment of Cancer Care Ontario on April 29, 1997. It will facilitate significant improvements for cancer patients, their families and the public in the outcome, quality and efficiency of cancer services. The cancer services will encompass prevention, early detection, diagnosis, treatment, supportive care, research and education. Cancer Care Ontario (the "Organization") was incorporated under the name of The Ontario Cancer Treatment and Research Foundation by an Act of Legislature of the Province of Ontario in 1943 and the name of the Organization was changed on May 28, 1997 to Cancer Care Ontario. The Organization is a registered charity under the Income Tax Act.

1. Significant accounting policies:

The Organization's financial statements are prepared by management using generally accepted accounting principles.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and fund balances at the date of the financial statements and the reported amounts of the statement of operations and changes in fund balances during the year. Actual results could differ from those estimates.

(a) Fund accounting:

The Organization uses the Restricted Fund method of accounting for contributions.

The General Fund accounts for the Organization's Ministry of Health funded programs and administrative activities. This fund reports unrestricted resources and restricted operating grants.

The Restricted Fund reports all externally and internally restricted resources. The main use of these resources is for research and education. These funds include donations and grants which either have specific restrictions placed on their use by the donor or have been received by a centre and are restricted for use by that centre.

The Endowment Fund reports contributions subject to externally imposed stipulations specifying that the resources contributed be maintained permanently.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 1999

1. Significant accounting policies (continued):

(b) Revenue recognition:

Restricted contributions related to Ministry of Health funded programs are recognized as revenue of the General Fund in the year which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate Restricted Fund in the year of receipt.

Contributions for endowment are recognized as revenue of the appropriate Endowment Fund in the year of receipt.

Restricted investment income earned on Endowment Fund resources are recognized as revenue of the Restricted Fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received.

(c) Inventory:

Drug inventory is stated at lower of cost and net realizable value, and is included in other current assets.

(d) Investments:

Short-term investments are stated at cost, which approximates market. Long-term investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

(e) Capital assets:

Capital assets are recorded at cost. Contributions received for the purchase of capital assets are recorded as grants for capital assets and amortized on the same basis as the capital assets. All capital assets are amortized on a straight-line basis at 20% per annum.

Land and buildings for four lodges donated by the Canadian Cancer Society - Ontario Division are recorded at nominal value, as current value is not reasonably determinable.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 1999

1. Significant accounting policies (continued):

(f) Contributed services:

The Organization benefits from services provided by volunteers at the regional cancer centres. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

2. Change in accounting policies:

(a) Vacation pay:

In 1998, the Organization retroactively changed its accounting policy with respect to accruing unused vacation pay. In prior years, no liability was accrued with respect to unused vacation pay. This change has had the effect of recording a liability for unused vacation pay and decreasing net assets at the beginning of 1998 by \$4,003.

| | General | | | | 1998 |
|--|-----------|------------|----------------------------------|--------------|-----------|
| | Endowment | Restricted | Invested in capital assets | Unrestricted | Total |
| Balance, beginning of year, as originally stated | \$ 2,968 | \$ 28,605 | \$ 12,913 | \$ 25,209 | \$ 69,695 |
| Change in accounting policy - vacation pay | — | — | — | (4,003) | (4,003) |
| | 2,968 | 28,605 | 12,913 | 21,206 | 65,692 |
| Excess (deficiency) of revenue over expenses | — | 2,187 | (5,115) | 4,020 | 1,092 |
| Change in accounting policy - vacation pay | — | — | — | (326) | (326) |
| | — | 2,187 | (5,115) | 3,694 | 766 |
| Investment in capital assets | — | — | 7,107 | (7,107) | — |
| Transfers | — | (2,493) | — | 2,493 | — |
| | — | (2,493) | 7,107 | (4,614) | — |
| Balance, end of year, as restated | \$ 2,968 | \$ 28,299 | \$ 14,905 | \$ 20,286 | \$ 66,458 |

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 1999

2. Change in accounting policies (continued):

(b) Pension:

In 1998, the Organization prospectively changed the method of accounting for pension cost. In prior years, the pension cost was based on the funding requirements of the pension plan as recommended by the plan's actuaries, without considering the impact of experience gains and losses which would normally occur over the remaining service life of the employee group. Effective April 1, 1998, the Organization has accounted for the pension cost according to generally accepted accounting principles. The pension cost for the year ended March 31, 1999 is \$1,248 and includes the amortization of experience gains and losses. The excess of funding contribution over the pension cost for the year of \$2,168 is included as a prepaid pension surplus on the balance sheet at March 31, 1999.

3. Long-term investments:

The carrying value and market value of the Organization's long-term investments at March 31, 1999 are as follows:

| 1999 | Carrying value | Market value | Effective yield | Maturity |
|---|-------------------|------------------|--------------------|--------------|
| Treasury bills, guaranteed investment certificates and cash | \$ 3,919 | \$ 3,919 | 4.8% | Under 1 year |
| Bonds | 46,646 | 46,734 | 5.1% - 8.4% | 1 - 7 years |
| Equities | 10,282 | 8,669 | N/A | N/A |
| | \$ 60,847 | \$ 59,322 | | |

| 1998 | Carrying value | Market value | Effective yield | Maturity |
|---|-------------------|------------------|--------------------|--------------|
| Treasury bills, guaranteed investment certificates and cash | \$ 3,415 | \$ 3,522 | 4.6% | Under 1 year |
| Bonds | 39,177 | 39,494 | 5.0% - 5.9% | 1 - 4 years |
| Equities | 13,925 | 14,433 | N/A | N/A |
| | \$ 56,517 | \$ 57,449 | | |

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 1999

3. Long-term investments (continued):

Interest rate sensitivity is the main determinant of changes in the market value of the bonds.

The Organization does not have any significant exposure from investment concentration due to the diversified nature of the portfolio investments.

4. Capital assets:

| | | | 1999 | 1998 |
|--|------------|--------------------------|----------------|----------------|
| | Cost | Accumulated amortization | Net book value | Net book value |
| Office furniture, equipment and leasehold improvements | \$ 26,670 | \$ 20,954 | \$ 5,716 | \$ 5,388 |
| Therapeutic and other technical equipment | 91,233 | 69,882 | 21,351 | 18,198 |
| Radioactive cobalt and radium | 796 | 739 | 57 | 101 |
| Deposits on equipment | 1,083 | — | 1,083 | 2,266 |
| | \$ 119,782 | \$ 91,575 | \$ 28,207 | \$ 25,953 |

5. Deferred contributions:

(a) Deferred operating grants:

Deferred operating grants represent unspent resources related to Ministry of Health funded programs. Unspent amounts are held for use in subsequent periods or settlement by the Ministry. Changes in the deferred operating grants balance are as follows:

| | 1999 | 1998 |
|--|-----------|-----------|
| Balance, beginning of year | \$ 13,613 | \$ 13,187 |
| Amounts related to subsequent periods | 9,555 | 4,627 |
| | 23,168 | 17,814 |
| Less amount recognized as revenue | 1,908 | 3,053 |
| Less amount returned to Ministry of Health | 710 | 1,148 |
| Balance, end of year | \$ 20,550 | \$ 13,613 |

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 1999

5. Deferred contributions (continued):

(b) Deferred contributions related to capital assets:

Deferred contributions for capital assets represent funds received for the purchase of capital assets. The amortization of deferred contributions related to capital assets is recorded in the statement of operations. Contributions are amortized on a straight-line basis at 20% per annum. The changes in the deferred contributions related to capital assets balance for the year are as follows:

| | 1999 | 1998 |
|---|-----------|-----------|
| Balance, beginning of year | \$ 11,048 | \$ 14,700 |
| Contributions related to capital assets | 8,082 | 1,497 |
| | 19,130 | 16,197 |
| Less amount amortized to revenue | 6,685 | 5,149 |
| Balance, end of year | \$ 12,445 | \$ 11,048 |

(c) Deferred contributions related to expansion:

Deferred contributions related to expansion represent unspent resources related to Ministry of Health capital funding. Unspent amounts are held for use in subsequent periods.

6. Other operating expenses:

| | 1999 | 1998 |
|--|-----------|-----------|
| General Fund: | | |
| Equipment | \$ 9,268 | \$ 8,714 |
| Building | 9,379 | 8,238 |
| Patient services | 1,452 | 1,535 |
| Purchased services | 13,404 | 11,427 |
| Education and research programs and publications | 1,007 | 949 |
| Other | 6,749 | 7,648 |
| | 41,259 | 38,511 |
| Restricted Fund: | | |
| Research and other | 10,002 | 4,412 |
| | \$ 51,261 | \$ 42,923 |

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 1999

7. Invested in capital assets:

Invested in capital assets is calculated as follows:

| | 1999 | 1998 |
|--|-----------|-----------|
| Capital assets | \$ 28,207 | \$ 25,953 |
| Deferred contributions related to capital assets | (12,445) | (11,048) |
| | \$ 15,762 | \$ 14,905 |

Change in net assets invested in capital assets is calculated as follows:

| | 1999 | 1998 |
|--|------------|------------|
| Excess of expenses over revenue: | | |
| Amortization of deferred contributions related to capital assets | \$ 6,685 | \$ 5,149 |
| Amortization of capital assets | (12,676) | (10,264) |
| | \$ (5,991) | \$ (5,115) |
| Net change in invested in capital assets: | | |
| Purchase of capital assets | \$ 14,930 | \$ 8,604 |
| Deferred contributions related to capital assets | (8,082) | (1,497) |
| | \$ 6,848 | \$ 7,107 |

8. Transfers between the General Fund and the Restricted Fund are as follows:

| | 1999 | 1998 |
|---|-------|------------|
| Transfer to the General Fund from the Restricted Fund to supplement Ministry of Health funding of Provincial Research | \$ - | \$ (1,584) |
| Transfer to the General Fund from the Restricted Fund to supplement Ministry of Health funding of Clinical Education | - | (450) |
| Transfer to the General Fund from the Restricted Fund at the Regional Cancer Centres for research | - | (459) |
| Transfer to the Restricted Fund from the General Fund at the Regional Cancer Centres for research | 38 | - |
| | \$ 38 | \$ (2,493) |

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 1999

9. Investment income:

The amount of net investment income earned on the Endowment Fund resources in the amount of \$177 (1998 - \$230) is included in the Restricted Fund.

10. Pension plan:

The Organization has a defined contribution pension plan with a minimum defined benefit guarantee. The most recent actuarial valuation as at December 31, 1998 indicated that the actuarial value of pension assets was approximately \$147,708 and the accrued value of the pension liabilities was approximately \$123,518. As at March 31, 1999, there is no unfunded pension obligation.

11. Commitments:

The Organization leases computer and office equipment. Under the terms of the leases, future payments are estimated as follows:

| | |
|------|----------|
| 2000 | \$ 2,124 |
| 2001 | 1,469 |
| 2002 | 730 |
| 2003 | 80 |
| 2004 | 26 |
| | <hr/> |
| | \$ 4,429 |

12. Contingency:

In July 1989, the Organization became a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"), which is established by hospitals and other organizations to self-insure. If the aggregate premiums paid are not sufficient to cover claims, the Organization will be required to provide additional funding on a participatory basis.

13. Comparative figures:

Certain of the 1998 comparative figures have been reclassified to conform with the financial statement presentation adopted in 1999.

CANCER CARE ONTARIO

Notes to Financial Statements (continued)
(In thousands of dollars)

Year ended March 31, 1999

14. Uncertainty due to the Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Organization, including those related to the efforts of its suppliers or other third parties, will be fully resolved.

| Cal. Year | Sector | Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|-----------|---------------|---------------------|-----------------|---------------|---|-------------|------------------|
| 1998 | Health Agency | Cancer Care Ontario | Abu-Zahra | Hakam T. | Head, Systemic Treatment/Medical Oncologist | 118,740.99 | 461.04 |
| 1998 | Health Agency | Cancer Care Ontario | Ackerman | Ida | Radiation Oncologist | 104,312.54 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Agboola | Olusegun | Head, Radiation Oncology | 106,128.81 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Aitken | Susan | Medical Director, OBSP | 159,853.31 | 364.08 |
| 1998 | Health Agency | Cancer Care Ontario | Alam | Zeenat Yasmin | Medical Oncologist/Medical Coordinator, OBSP | 121,604.27 | 468.48 |
| 1998 | Health Agency | Cancer Care Ontario | Aref | Ibrahim | Radiation Oncologist | 105,911.65 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Arnold | Andrew | Head, Medical Oncology | 120,372.63 | 473.04 |
| 1998 | Health Agency | Cancer Care Ontario | Balogh | Judith | Radiation Oncologist | 103,872.86 | 0.00 |
| 1998 | Health Agency | Cancer Care Ontario | Battista | Jerry | Director, Physics Research and Education | 110,608.55 | 293.64 |
| 1998 | Health Agency | Cancer Care Ontario | Benger | Ann | Medical Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Berry | Scott | Medical Oncologist | 100,933.95 | 91.52 |
| 1998 | Health Agency | Cancer Care Ontario | Bissett | Randall | CEO/Radiation Oncologist | 183,429.53 | 882.52 |
| 1998 | Health Agency | Cancer Care Ontario | Bramwell-Wesley | Vivien | Head, Medical Oncology/Medical Oncologist | 120,375.93 | 473.20 |
| 1998 | Health Agency | Cancer Care Ontario | Brisbane | Darlene | Director, Information Systems | 154,770.30 | 438.96 |
| 1998 | Health Agency | Cancer Care Ontario | Browman | George | Director, Evidence-Based Care | 197,010.23 | 530.88 |
| 1998 | Health Agency | Cancer Care Ontario | Brundage | Michael | Radiation Oncologist | 105,908.18 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Cairncross | J. Gregory | CEO/Medical Oncologist | 109,255.55 | 447.78 |
| 1998 | Health Agency | Cancer Care Ontario | Campling | Barbara | Clinician Scientist | 148,273.10 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Cano | Pablo | Radiation Oncologist | 127,279.48 | 741.84 |
| 1998 | Health Agency | Cancer Care Ontario | Chart | Pamela | Director, Preventive Oncology | 102,482.26 | 310.32 |
| 1998 | Health Agency | Cancer Care Ontario | Choo | Richard C. | Radiation Oncologist | 104,312.54 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Chouinard | Edmond | Medical Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Corbett | Thomas | Radiation Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Covens | Allen | Head, Gynecologic Oncology | 113,370.72 | 454.80 |
| 1998 | Health Agency | Cancer Care Ontario | Cowan | Donald | VP, Provincial Programs/Director, Treatment & Supportive Care Svcs. | 221,721.68 | 530.88 |
| 1998 | Health Agency | Cancer Care Ontario | Cripps | Christine | Medical Oncologist | 105,911.64 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Cross | Peter | Radiation Oncologist | 105,911.64 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Danjoux | Cyril | Radiation Oncologist | 104,312.54 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Dar | Abdul | Radiation Oncologist | 105,909.27 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Davey | Phillip | Radiation Oncologist | 106,348.60 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Dent | Susan | Medical Oncologist | 109,874.29 | 345.00 |
| 1998 | Health Agency | Cancer Care Ontario | Dhaliwal | Harbhajan | CEO/Medical Oncologist | 193,700.46 | 483.34 |
| 1998 | Health Agency | Cancer Care Ontario | Dixon | Peter | Acting CEO | 116,179.62 | 450.30 |
| 1998 | Health Agency | Cancer Care Ontario | Doherty | Mary | Radiation Oncologist | 104,312.54 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Dunscombe | Peter | Chief Physician/Education Program Leader | 120,434.04 | 287.52 |
| 1998 | Health Agency | Cancer Care Ontario | Eapen | Libni | Radiation Oncologist | 105,911.64 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Evans | William | CEO/Medical Oncologist | 133,494.95 | 504.96 |
| 1998 | Health Agency | Cancer Care Ontario | Figueredo | Alvaro | Medical Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Fisher | Barbara | Radiation Oncologist | 105,909.27 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Germond | Colin | Systemic Treatment Program Leader | 183,127.34 | 851.04 |
| 1998 | Health Agency | Cancer Care Ontario | Gertler | Stan | Medical Oncologist | 105,911.64 | 439.68 |

| Cal. Year | Sector | Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|-----------|---------------|---------------------|------------|--------------|--|-------------|------------------|
| 1998 | Health Agency | Cancer Care Ontario | Gilchrist | James | Radiation Oncologist | 105,909.27 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Ginsburg | David | Medical Oncologist | 105,908.18 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Girard | Andre | Head, Radiation Oncology | 120,198.30 | 473.04 |
| 1998 | Health Agency | Cancer Care Ontario | Gluck | Stefan | Director, Research | 132,227.02 | 440.52 |
| 1998 | Health Agency | Cancer Care Ontario | Goel | Rakesh | Medical Oncologist | 105,911.64 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Goss | Glenwood | Medical Oncologist | 105,761.64 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Gregg | Richard | Medical Oncologist | 105,908.18 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Grimard | Laval | Radiation Oncologist | 105,911.64 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Grunfeld | Eva | Physician/Career Scientist | 103,636.38 | 0.00 |
| 1998 | Health Agency | Cancer Care Ontario | Gulavita | Sunil | Head, Radiation Oncology | 182,203.95 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Halikowski | Marvin | Clinical Assistant, Medical Oncology | 124,600.53 | 291.20 |
| 1998 | Health Agency | Cancer Care Ontario | Hamilton | Mike | Dentist | 117,076.66 | 334.56 |
| 1998 | Health Agency | Cancer Care Ontario | Hammond | J. Alex | Acting Head, Radiation Oncology/Radiation Oncologist | 113,142.73 | 456.56 |
| 1998 | Health Agency | Cancer Care Ontario | Hayter | Charles | Radiation Oncologist | 105,908.18 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Hirte | Holger (Hal) | Medical Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Hodson | Ian | Radiation Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Hollenberg | Charles | President & CEO | 260,471.73 | 530.88 |
| 1998 | Health Agency | Cancer Care Ontario | Holowaty | Eric J. | Director, Ontario Cancer Registry | 116,731.71 | 348.82 |
| 1998 | Health Agency | Cancer Care Ontario | Iscoe | Neill | Medical Oncologist | 106,348.60 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Johanson | Curtis | Medical Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Jones | Glen | Radiation Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Karsan | Farrok | Radiation Oncologist | 158,596.44 | 829.68 |
| 1998 | Health Agency | Cancer Care Ontario | Khosla | Naresh | VP/COO/Director, Division of Management Services | 170,195.19 | 426.37 |
| 1998 | Health Agency | Cancer Care Ontario | Knight | Andrew | Clinical Assistant | 118,852.85 | 292.99 |
| 1998 | Health Agency | Cancer Care Ontario | Knight | Gregory | Radiation Oncologist | 102,971.86 | 684.24 |
| 1998 | Health Agency | Cancer Care Ontario | Kocha | Walter | Medical Oncologist | 105,909.27 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Kotalik | Jaroslav | Radiation Oncologist | 175,518.36 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Lada | Barbara | Radiation Treatment Program Leader | 168,127.34 | 851.04 |
| 1998 | Health Agency | Cancer Care Ontario | Laidlaw | John C. | Director, Education | 127,515.44 | 0.00 |
| 1998 | Health Agency | Cancer Care Ontario | Laukkanen | Ethan | CEO/Radiation Oncologist | 126,836.70 | 476.16 |
| 1998 | Health Agency | Cancer Care Ontario | Levin | Leslie | VP, Regional Programs | 103,535.00 | 338.20 |
| 1998 | Health Agency | Cancer Care Ontario | Levine | Mark | CEO | 136,115.28 | 0.00 |
| 1998 | Health Agency | Cancer Care Ontario | Lofters | Wycliffe | Head, Medical Oncology | 115,552.10 | 461.04 |
| 1998 | Health Agency | Cancer Care Ontario | Logan | Diane | Medical Oncologist | 105,911.64 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Lohmann | Reinhard | Medical Oncologist | 105,872.00 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Lopez | Pedro | Radiation Oncologist | 143,596.44 | 829.68 |
| 1998 | Health Agency | Cancer Care Ontario | Lukka | Himu | Radiation Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Mackenzie | Robert | Radiation Oncologist | 106,348.60 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Mackillop | William | Head, Radiation Oncology | 115,552.10 | 461.30 |
| 1998 | Health Agency | Cancer Care Ontario | MacLean | Lorraine | Director, Provincial Human Resources | 113,984.73 | 326.21 |
| 1998 | Health Agency | Cancer Care Ontario | Mai | Verna M. | Director, Screening Programs | 116,356.43 | 203.65 |

| Cal. Year | Sector | Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|-----------|---------------|---------------------|-------------|------------|---|-------------|------------------|
| 1998 | Health Agency | Cancer Care Ontario | Major | Pierre | Medical Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Malik | Saleem | Director, Research/Medical Oncologist | 158,730.53 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Maroun | Jean | Head, Medical Oncology | 119,478.30 | 473.04 |
| 1998 | Health Agency | Cancer Care Ontario | Mazurka | John | Gynecologic Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | McCulloch | Peter | Medical Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | McGhee | Peter | Head, Medical Physics | 124,541.53 | 221.88 |
| 1998 | Health Agency | Cancer Care Ontario | McGowan | Thomas | Coordinator, Radiation Oncology | 147,104.50 | 346.50 |
| 1998 | Health Agency | Cancer Care Ontario | Meyer | Ralph | Medical Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Moen | Francois | Gynecologic Oncologist | 105,908.92 | 0.00 |
| 1998 | Health Agency | Cancer Care Ontario | Morton | Gerard | Radiation Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Neville | Alan | Medical Oncologist | 112,507.05 | 292.58 |
| 1998 | Health Agency | Cancer Care Ontario | O'Brien | Peter | Manager, Physics | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Okawara | Gordon | Radiation Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Osborne | Raymond | Gynecologic Oncologist | 106,348.60 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Paszat | Lawrence | Radiation Oncologist | 105,908.18 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Patel | Malti | Radiation Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Patterson | Michael | Head, Medical Physics | 112,208.71 | 290.83 |
| 1998 | Health Agency | Cancer Care Ontario | Perera | Francisco | Radiation Oncologist | 105,909.27 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Pritchard | Hugh | Radiation Oncologist | 158,596.44 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Pritchard | Kathleen | Head, Medical Oncology/Hematology | 121,538.96 | 469.54 |
| 1998 | Health Agency | Cancer Care Ontario | Pross | Diane | Medical Coordinator, OBSP/Clinical Assistant | 108,284.41 | 312.30 |
| 1998 | Health Agency | Cancer Care Ontario | Raaphorst | G.P. | Chief Physicist | 112,069.75 | 293.42 |
| 1998 | Health Agency | Cancer Care Ontario | Radwan | John | Radiation Oncologist | 105,909.27 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Read | Nancy | Radiation Oncologist | 112,984.29 | 735.00 |
| 1998 | Health Agency | Cancer Care Ontario | Reyno | Leonard | Medical Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Sagar | Stephen | Radiation Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Sathya | Jinka | Radiation Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Sawka | Carol | Medical Oncologist | 124,213.99 | 453.72 |
| 1998 | Health Agency | Cancer Care Ontario | Schabas | Richard | Director, Preventive Oncology | 197,550.08 | 397.97 |
| 1998 | Health Agency | Cancer Care Ontario | Schneider | Kenneth M. | Radiation Oncologist | 100,790.23 | 419.38 |
| 1998 | Health Agency | Cancer Care Ontario | Schreiner | John | Chief Physicist | 105,102.41 | 276.03 |
| 1998 | Health Agency | Cancer Care Ontario | Sicheri | Dolores D. | Medical Oncologist | 109,075.45 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Singh | Gurmit | Director, Research | 117,910.69 | 358.08 |
| 1998 | Health Agency | Cancer Care Ontario | Slingerland | Joyce | Clinician Scientist | 128,381.24 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Smith | Anne | Medical Oncologist | 113,601.30 | 457.12 |
| 1998 | Health Agency | Cancer Care Ontario | Spaner | David | Clinician Scientist | 136,859.83 | 407.88 |
| 1998 | Health Agency | Cancer Care Ontario | Springer | Colvin D. | Radiation Oncologist | 111,306.37 | 445.02 |
| 1998 | Health Agency | Cancer Care Ontario | Stewart | David | Head, Medical Oncology | 105,911.64 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Sutherland | Donald | Medical Director, Oncology Patient Service Unit/ Medical Oncologist | 104,312.54 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Taylor | Marianne | Medical Oncologist | 105,909.27 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Tenhunen | Linda | Clinical Assistant | 119,057.39 | 292.99 |

| Cal. Year | Sector | Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|-----------|---------------|---------------------|------------|------------|--|-------------|------------------|
| 1998 | Health Agency | Cancer Care Ontario | Thomas | Gillian | Head, Radiation Oncology | 131,093.58 | 495.84 |
| 1998 | Health Agency | Cancer Care Ontario | Tomak | Eva | Medical Oncologist | 105,911.64 | 0.00 |
| 1998 | Health Agency | Cancer Care Ontario | Van Dyk | Jake | Manager, Treatment Planning & Support Services | 113,448.91 | 273.96 |
| 1998 | Health Agency | Cancer Care Ontario | Vandenberg | Theodore | Medical Oncologist | 105,909.27 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Venkatesan | Varagur | Radiation Oncologist | 105,909.27 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Vergidis | Dimitrios | Head, Systemic Therapy | 169,049.54 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Verma | Shailendra | Medical Oncologist | 105,461.64 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Vincent | Mark | Medical Oncologist | 105,909.27 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Whelan | Timothy | Radiation Oncologist | 105,905.71 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Whitton | Anthony | Head, Radiation Oncology | 120,372.63 | 473.04 |
| 1998 | Health Agency | Cancer Care Ontario | Winquist | Eric | Medical Oncologist | 105,909.27 | 439.92 |
| 1998 | Health Agency | Cancer Care Ontario | Wong | Rebecca | Radiation Oncologist | 104,312.54 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Yau | Jonathan | Medical Oncologist | 105,731.64 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Yoshida | Sam S. | Medical Oncologist | 109,075.45 | 439.68 |
| 1998 | Health Agency | Cancer Care Ontario | Young | Vincent | Medical Oncologist | 105,911.64 | 439.68 |

I certify that the information provided on this Record is correct in accordance with the Public Sector Salary Disclosure Act, 1996.

N. K. K.

NARISH KISHA

Name

VP CFO, Director, DMS

Position Title

(416) 817 1207

Phone Number

March 17, 1999

Date

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To The Ontario Educational Communications Authority
and the Minister of Citizenship, Culture and Recreation

I have audited the balance sheet of The Ontario Educational Communications Authority as at March 31, 1999 as well as the statement of revenue and expenditure and equity, the statement of changes in equity and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 management, 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 Authority as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
May 28, 1999

A handwritten signature in black ink, appearing to read 'Erik Peters'.

Erik Peters, FCA
Provincial Auditor

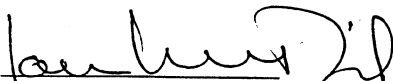
THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY


Balance Sheet
as at March 31, 1999

| Assets | 1999 (\$000's) | 1998 (\$000's) |
|---|-------------------|-------------------|
| Current Assets | | |
| Cash and short-term investments (note 2) | 5,101 | 4,617 |
| Accounts receivable (note 3) | 5,192 | 4,839 |
| Inventories (note 4) | 588 | 545 |
| Prepaid expenses | 1,051 | 1,476 |
| Deferred pension charges (note 5) | <u>2,074</u> | <u>1,199</u> |
| | <u>14,006</u> | <u>12,676</u> |
| Investments held for Capital Renewal (note 7) | 8,685 | 7,799 |
| Net Capital Assets (note 6) | <u>20,361</u> | <u>23,791</u> |
| Total Assets | <u>43,052</u> | <u>44,266</u> |
| Liabilities and Equity | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 6,988 | 6,505 |
| Deferred revenue (note 8) | 311 | 2,237 |
| Lease obligations (note 9) | <u>192</u> | <u>164</u> |
| | <u>7,491</u> | <u>8,906</u> |
| Non Current Liabilities | | |
| Lease obligations (note 9) | 208 | 210 |
| Deferred capital contributions (note 10) | <u>24,279</u> | <u>26,979</u> |
| | <u>24,487</u> | <u>27,189</u> |
| Equity | | |
| Equity invested in capital assets | 4,367 | 4,237 |
| <u>Restricted</u> - Deferred pension charges (note 5) | 2,074 | 1,199 |
| Unrestricted equity | <u>4,633</u> | <u>2,735</u> |
| | <u>11,074</u> | <u>8,171</u> |
| Total Liabilities and Equity | <u>43,052</u> | <u>44,266</u> |

See accompanying notes to financial statements.

On behalf of the Board:


 Chairman


 Director

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY
Statement of Revenue and Expenditure and Equity
for the year ended March 31, 1999

| | 1999 (\$000's) | 1998 (\$000's) |
|--|----------------------|----------------------|
| Revenues | | |
| Government grants and funding (note 11) | 50,632 | 51,780 |
| TVOntario generated gross revenue (note 12) | 17,509 | 16,098 |
| Amortization of deferred capital contributions (note 10) | 3,920 | 3,598 |
| Capital revenue and renewal fund, net | 702 | 709 |
| Deferral of pension charges (note 5) | <u>875</u> | <u>579</u> |
| | <u>73,638</u> | <u>72,764</u> |
| Expenditures | | |
| Network activities (note 13) | 49,579 | 47,701 |
| Cost of generated revenue (note 12) | 7,780 | 7,459 |
| Administrative services | 6,961 | 7,311 |
| Research and planning | 1,172 | 1,069 |
| Amortization of capital assets | 4,799 | 4,695 |
| Lease payments and expensed capital items | <u>444</u> | <u>992</u> |
| | <u>70,735</u> | <u>69,227</u> |
| Excess of revenues over expenditures | 2,903 | 3,537 |
| Equity, beginning of year | <u>8,171</u> | <u>4,634</u> |
| Equity, end of year | <u>11,074</u> | <u>8,171</u> |

See accompanying notes to financial statements.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY
Statement of Changes in Equity
for the year ended March 31, 1999

| | 1999 (\$000's) | | | 1998 (\$000's) | |
|---|---------------------------------------|---------------------|--|-------------------|--------------|
| | <u>Invested in Capital Assets</u> | <u>Unrestricted</u> | <u>Restricted Deferred Pension Charges</u> | <u>Total</u> | <u>Total</u> |
| Balance, beginning of year | 4,237 | 2,735 | 1,199 | 8,171 | 4,634 |
| Excess of revenues over expenditures | (879) | 2,907 | 875 | 2,903 | 3,537 |
| Investment in Capital assets | <u>1,009</u> | <u>(1,009)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Balance, end of year | <u>4,367</u> | <u>4,633</u> | <u>2,074</u> | <u>11,074</u> | <u>8,171</u> |

See accompanying notes to financial statements.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Statement of Cash Flows
for the year ended March 31, 1999

| | 1999 (\$000's) | 1998 (\$000's) |
|--|-----------------------|-----------------------|
| OPERATING ACTIVITIES | | |
| Excess of revenues over expenditures | 2,903 | 3,537 |
| Add (deduct) non-cash items: | | |
| Amortization of capital assets | 4,799 | 4,695 |
| Amortization of deferred capital contributions | (3,920) | (3,598) |
| Deferral of pension charges | (875) | (579) |
| Retirement/disposal of capital assets | 107 | 0 |
| Net change in non-cash working capital: | | |
| Accounts receivable | (353) | (985) |
| Inventories | (43) | 212 |
| Prepaid expenses | 425 | (868) |
| Deferred revenue | (1,926) | (3,385) |
| Accounts payable and accrued liabilities | <u>483</u> | <u>(284)</u> |
| Cash provided by (used in) operating activities | <u>1,600</u> | <u>(1,255)</u> |
| INVESTING AND FINANCING ACTIVITIES | | |
| Capital asset additions | (1,476) | (3,383) |
| Current year's deferred capital contributions | 334 | 1,313 |
| Lease obligations | <u>26</u> | <u>(175)</u> |
| Cash provided by (used in) investing and financing activities | <u>(1,116)</u> | <u>(2,245)</u> |
| Net increase (decrease) in cash position during the year | 484 | (3,500) |
| Cash and short-term investment, beginning of year | <u>4,617</u> | <u>8,117</u> |
| Cash and short-term investment, end of year | <u><u>5,101</u></u> | <u><u>4,617</u></u> |

See accompanying notes to financial statements.

THE ONTARIO EDUCATIONAL COMMUNICATIONS AUTHORITY

Notes to Financial Statements
March 31, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements of The Ontario Educational Communications Authority (the Authority) have been prepared in accordance with generally accepted accounting principles.

(b) Inventories

Program support materials are valued at the lower of cost or net realizable value where cost is determined on a weighted average basis. Stores and supplies are valued at cost, where cost is determined on a first in, first out basis. Video and audio tapes are valued at the lower of cost or net realizable value, where cost is determined on a first in, first out basis.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight line basis over the following terms beginning the year following acquisition:

| | |
|--------------------------------------|----------|
| Building | 30 years |
| Office Furniture & Fixtures | 15 years |
| Office Equipment | 10 years |
| Leasehold Improvements | 5 years |
| In House Technical Equipment | 7 years |
| Transmitter Test & Monitor Equipment | 7 years |
| Transmitters | 17 years |
| Computer Equipment | 5 years |
| Vehicles | 5 years |

(d) Revenue recognition

1. Revenue from the licensing of program material is recognized when the rights to the program material are sold.
2. Membership contributions are recorded on a cash basis.
3. Grants and revenues received in the year for special purposes are deferred until the related expenditure has been incurred.
4. Revenue from contributions restricted for the purchase of capital assets is deferred and amortized over the same period as the related capital asset.

(e) Pension expense

The net cost of the pension benefits, for the defined benefit plans, is actuarially determined on the basis of management's estimates. The cost is determined by using the projected benefit method prorated on services.

2. CASH AND SHORT-TERM INVESTMENTS

The Authority's investment policy restricts short-term investments to securities issued by or guaranteed as to principal and interest by Ontario, any other province of Canada, Canada or the United Kingdom, securities issued by the United States of America or deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued or endorsed by any chartered bank to which the Bank Act (Canada) applies.

Cash and short-term investments include \$4,513,000 (1998 - \$4,316,000) of investments maturing within 60 days, yielding 5.0% on average, with a market value that approximates carrying value.

3. ACCOUNTS RECEIVABLE

| | 1999 (\$000's) | 1998 (\$000's) |
|-----------------|---------------------|---------------------|
| Project funding | 2,490 | 2,456 |
| Trade | 1,890 | 1,627 |
| Other | <u>812</u> | <u>756</u> |
| | <u>5,192</u> | <u>4,839</u> |

4. INVENTORIES

| | 1999 (\$000's) | 1998 (\$000's) |
|---------------------------|-------------------|-------------------|
| Program support materials | 62 | 34 |
| Stores and supplies | 469 | 449 |
| Video and audio tapes | <u>57</u> | <u>62</u> |
| | <u>588</u> | <u>545</u> |

5. PENSION PLANS

The Authority maintains non-contributory defined benefit pension plans, which cover substantially all of its employees. The plans provide pensions based on length of service and final average earnings. The Authority also maintains a defined contribution plan.

Actuarial reports for the defined benefit plans have been prepared, based on projections of employees' compensation levels to time of retirement. The reports indicate the present value of the accrued pension benefits and the net assets available to provide for these benefits as at March 31, 1999.

The defined contribution plan benefits and assets are indicated at market value as at March 31, 1999.

| | Accrued pension <u>benefits</u> (\$000's) | Pension <u>fund assets</u> (\$000's) |
|------------------------------------|--|--|
| Employee defined benefit plan | 41,743 | 54,724 |
| Employee defined contribution plan | 8,274 | 8,274 |
| Executive defined benefit plan | 2,543 | 2,998 |

Pension Expense

The Authority's cash contributions to the plans were \$231,000 (1998 - \$303,000), and are included in operating expenditures.

The deferral of pension charges of \$875,000 (1998-\$579,000) resulted from the accrual method of accounting for pension expense and includes the amortization of the surplus over the average service life of the employees. This amount does not generate funds for use by The Authority.

The deferred pension charges of \$2,074,000 (1998 - \$1,199,000) resulted from the cumulative difference between the surpluses recognized, amounts expensed and the funding contributions.

6. CAPITAL ASSETS

Capital assets consist of the following:

| | <u>1999</u> <u>(\$000's)</u> | | <u>1998</u> <u>(\$000's)</u> |
|---|---------------------------------|-----------------------------|---------------------------------|
| | Cost | Accumulated Amortization | Net Book Value |
| Land | 236 | 0 | 236 |
| Buildings | 4,700 | 2,257 | 2,443 |
| Transmitters | 27,420 | 18,143 | 9,277 |
| Transmitter test and monitor equipment | 791 | 689 | 102 |
| In house technical equipment | 19,104 | 15,069 | 4,035 |
| Leasehold improvements | 2,828 | 1,446 | 1,382 |
| Computer equipment | 3,328 | 2,110 | 1,218 |
| Office furniture and fixtures | 1,922 | 1,276 | 646 |
| Office equipment | 1,037 | 558 | 479 |
| Vehicles | 995 | 452 | 543 |
| | <u>62,361</u> | <u>42,000</u> | <u>20,361</u> |
| | | | <u>23,791</u> |

7. INVESTMENTS HELD FOR CAPITAL RENEWAL

| | 1999 (\$000's) | 1998 (\$000's) |
|--|---------------------|---------------------|
| Balance, beginning of year | 7,799 | 7,436 |
| Grants from the Ministry of Citizenship, Culture and Recreation | | |
| - capital grant | 500 | 500 |
| - base grant allocation | 461 | 791 |
| Interest earned | 386 | 246 |
| Drawing for capital acquisitions | (461) | (757) |
| Refund to Ontario Legislative Assembly | <u>0</u> | <u>(417)</u> |
| Balance, end of year | <u>8,685</u> | <u>7,799</u> |

A portion of the funding from the Ministry of Citizenship, Culture and Recreation has been set aside since the 1984 fiscal year to ensure that the Authority's technical capital assets keep pace with technological changes. It provides funds for future maintenance and replacement of technical capital assets when needed. Available funds are invested in short-term deposits.

8. DEFERRED REVENUE

| | 1999 (\$000's) | 1998 (\$000's) |
|--|-------------------|---------------------|
| Grants from various Province of Ontario ministries | | |
| - Special purpose capital grants | <u>0</u> | <u>223</u> |
| Federal government project funding (note 11) | 0 | 23 |
| Corporate project underwriting and other revenue | 311 | 95 |
| Special purpose funding for the transfer of analog channels as a result of digital conversion | <u>0</u> | <u>1,896</u> |
| | <u>311</u> | <u>2,237</u> |

Expenditure related to the above deferrals has been budgeted in the 2000 fiscal year.

9. LEASE OBLIGATIONS

Lease obligations represent the balance of the commitments made under capital leases. The changes in the lease obligations balance are as follows:

| | 1999 (\$000's) | 1998 (\$000's) |
|--|-------------------|-------------------|
| Lease obligations, beginning of year | 374 | 549 |
| Add: new capital leases | 247 | 170 |
| Less: payments made on existing capital leases | (201) | (345) |
| retirement of capital leases | <u>(20)</u> | <u>0</u> |
| Lease obligations, end of year | <u>400</u> | <u>374</u> |
| Current lease obligations | 192 | 164 |
| Non-current lease obligations | 208 | 210 |

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the amount of contributions received for the purchase of capital assets not yet recognized as revenue. The changes in the deferred contributions balance are as follows:

| | 1999 (\$000's) | 1998 (\$000's) |
|--|-------------------|-------------------|
| Deferred capital contributions, beginning of year | 26,979 | 28,901 |
| Add: Capital renewal fund received and interest earned | 1,347 | 1,537 |
| Current year's Deferred capital contributions | 334 | 1,313 |
| Less: Drawings from Capital renewal fund | (461) | (757) |
| Refund to Ontario Legislative Assembly | 0 | (417) |
| Amortization of Capital contributions | <u>(3,920)</u> | <u>(3,598)</u> |
| Deferred capital contributions, end of year | <u>24,279</u> | <u>26,979</u> |

11. GOVERNMENT GRANTS AND FUNDING

| | 1999 (\$000's) | 1998 (\$000's) |
|--|---------------------------|---------------------------|
| Provincial | | |
| Ministry of Citizenship, Culture and Recreation | | |
| - Base grant | 47,540 | 49,040 |
| - Capital Grant | <u>500</u> | <u>500</u> |
| | <u>48,040</u> | <u>49,540</u> |
| Less: Amount transferred to investments held for capital renewal | <u>(961)</u> | <u>(1,291)</u> |
| | <u>47,079</u> | <u>48,249</u> |
| Programming project grants and funding: | | |
| Ontario Legislative Assembly | 0 | 382 |
| Others | 286 | 338 |
| Funding deferred from prior year | <u>0</u> | <u>118</u> |
| | <u>286</u> | <u>838</u> |
| Total Provincial | <u>47,365</u> | <u>49,087</u> |
| Federal | | |
| Programming project grants and funding: | | |
| Secretary of State | 3,150 | 2,480 |
| Others | 94 | 82 |
| Funding deferred from prior year | 23 | 154 |
| Funding deferred to future year (note 8) | <u>0</u> | <u>(23)</u> |
| Total Federal | <u>3,267</u> | <u>2,693</u> |
| Total government grants and funding | <u>50,632</u> | <u>51,780</u> |

12. TVONTARIO GENERATED GROSS REVENUE AND COST OF GENERATED REVENUE

| | 1999 (\$000's) | | | 1998 (\$000's) | | |
|-----------------------------------|-------------------|--------------|------------------------|-------------------|--------------|------------------------|
| | <u>Revenue</u> | <u>Cost*</u> | <u>Net Revenue</u> | <u>Revenue</u> | <u>Cost*</u> | <u>Net Revenue</u> |
| Program sales | 4,510 | 3,303 | 1,207 | 4,553 | 3,193 | 1,360 |
| Membership | 7,399 | 3,510 | 3,889 | 6,849 | 3,511 | 3,338 |
| Corporate project underwriting ** | 1,260 | 759 | 501 | 1,399 | 600 | 799 |
| Other income | <u>4,340</u> | <u>208</u> | <u>4,132</u> | <u>3,297</u> | <u>155</u> | <u>3,142</u> |
| | <u>17,509</u> | <u>7,780</u> | <u>9,729</u> | <u>16,098</u> | <u>7,459</u> | <u>8,639</u> |

*Cost includes dedicated costs and allocated overhead costs.

| | 1999 (\$000's) | 1998 (\$000's) |
|--|-------------------|-------------------|
| ** Corporate project underwriting revenue: | | |
| Revenue received in the year | 1,550 | 1,362 |
| Revenue deferred from prior year | 5 | 42 |
| Revenue deferred to future year | <u>(295)</u> | <u>(5)</u> |
| | <u>1,260</u> | <u>1,399</u> |

13. NETWORK ACTIVITIES

| | 1999 (\$000's) | 1998 (\$000's) |
|---|-------------------|-------------------|
| English programming services | 25,175 | 24,237 |
| French programming services | 17,929 | 16,932 |
| Common services and support | | |
| - Broadcast distribution and production support | 3,816 | 4,468 |
| - Advertising and promotion | <u>2,659</u> | <u>2,064</u> |
| | <u>49,579</u> | <u>47,701</u> |

14. COMMITMENTS

The Authority has entered into capital and operating leases covering transmission facilities, offices, warehouses and equipment. Future lease payments are as follows:

| Year ending March 31 | (\$000's) |
|-----------------------------|---------------------|
| 2000 | 1,882 |
| 2001 | 1,723 |
| 2002 | 1,580 |
| 2003 | <u>947</u> |
| | 6,132 |
| 2004 and beyond | <u>3,258</u> |
| Total future lease payments | <u><u>9,390</u></u> |

15. CONTRIBUTED MATERIALS AND SERVICES

The Authority uses the services of volunteers to assist primarily in the membership area. The Authority also receives contributions of materials for use mainly in fund raising activities. Due to the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

16. CHARITABLE STATUS

The Authority has been approved by Revenue Canada as a registered charitable organization and may issue income tax receipts for contributions.

17. INCOME TAXES

As a Crown corporation of the Province of Ontario and a registered non-profit organization under the Income Tax Act, the Authority is exempt from income taxes. Accordingly, no provision for income taxes is made in the financial statements.

18. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using the year 2000 date is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could effect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Authority, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

19. The TVOntario Foundation

The Authority controls The TVOntario Foundation (the Foundation) which became designated as a public foundation effective April 1, 1998. The board of directors of the Foundation is appointed by the board of directors of the Authority. The Foundation is incorporated under the Canada Corporations Act and is a registered charity under the Income Tax Act. The objectives of the Foundation are to receive and maintain a fund or funds and to pay all or part of the principal and income to the Authority provided that the Authority maintains its status as a registered charity and continues to have as its objective the promotion of educational and/or children's programming.

The accounts of the Foundation are not consolidated in the financial statements of the Authority. Financial summaries of the Foundation are as follows:

The TVOntario Foundation**Financial Position as at March 31, 1999** (\$000's)

| | |
|-------------------|-----------|
| Cash on hand | <u>33</u> |
| Total liabilities | 0 |
| Total net assets | <u>33</u> |
| | <u>33</u> |

Results of operations for the year ending March 31, 1999 (\$000's)

| | |
|------------------------------------|-----------|
| Contributions at inception | 32 |
| Donations | <u>1</u> |
| Total revenue | 33 |
| Total expenditure * | <u>0</u> |
| Excess of revenue over expenditure | <u>33</u> |

* The board of directors of the Authority has approved the funding of the Foundation's expenses until the Foundation is determined to be self-sufficient. Total expenditure related to the Foundation included in the Authority's statements is \$107,000.

OECA / OTÉO

EMPLOYEES PAID \$100,000 OR MORE IN 1998

| Name | Position | Salary Paid (\$) | Taxable Benefits (\$) |
|--|--|------------------|-----------------------|
| Arnold, Clara | Director Human Resources | 105,000 | 1,000 |
| Bennett-Gale, Diana | Managing Director Marketing & Development | 100,000 | 956 |
| Bensimon, Jacques | Managing Director French Programming Services | 113,500 | 1,083 |
| Blackburn, Russell (Professional name: Pierre Granger) | Project Officer II | 114,948 | 740 |
| Duprey, Donald | Managing Director English Programming Services | 119,400 | 1,140 |
| Gervais, Louise | Account Executive (Underwriting) | 118,909 | 458 |
| Grant, Doug | Creative Head Public Affairs | 115,027 | 1,098 |
| Herndorf, Peter A. | Chairman and Chief Executive Officer | 135,000 | 7,850 |
| Paikin, Steve | Project Officer II | 145,602 | 2,396 |
| Robock, Lee | Director of Finance and Administration and Chief Financial Officer | 105,000 | 943 |
| Todd, Paula | Project Officer II | 133,492 | 1,656 |

Ontario Financing Authority

Responsibility for Financial Reporting

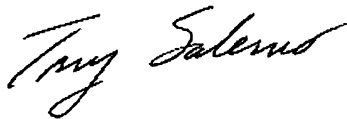
The accompanying financial statements of the Ontario Financing Authority have been prepared in accordance with accounting principles generally accepted in Canada and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to May 21, 1999.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit Committee of the Board of Directors.

The Board of Directors, through the Audit Committee, is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Audit Committee meets periodically with management, the internal auditors and the external auditor to deal with issues raised by them to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:



Tony Salerno
Vice-Chair and
Chief Executive Officer

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To the Ontario Financing Authority
and to the Minister of Finance

I have audited the balance sheet of the Ontario Financing Authority as at March 31, 1999 and the statements of net income and retained earnings and of cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. 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 management, 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 Authority as at March 31, 1999 and the results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting principles.

Toronto, Ontario
June 11, 1999

Erik Peters, FCA
Provincial Auditor

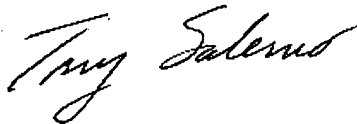
Ontario Financing Authority

Balance Sheet

| <i>(in thousands of dollars)</i> | Corporate | POSO | Total March 31, 1999 | Total March 31, 1998 |
|--|-----------|-----------|-------------------------|-------------------------|
| ASSETS | | | | |
| Current assets | | | | |
| Cash | \$ 116 | 44,876 | 44,992 | \$ 23,618 |
| Receivable from the Province of Ontario (note 2i) | 314 | 1,890,430 | 1,890,744 | 1,709,618 |
| Accounts receivable | 2,160 | 38,569 | 40,729 | 32,789 |
| Loans receivable (note 4) | 316 | — | 316 | 316 |
| Total current assets | \$ 2,906 | 1,973,875 | 1,976,781 | \$ 1,766,341 |
| Long-term assets | | | | |
| Capital assets (note 3) | 1,656 | 749 | 2,405 | 2,326 |
| Receivable from the Province of Ontario (note 2ii) | — | 624,602 | 624,602 | 546,267 |
| Loans receivable (note 4) | 79,832 | — | 79,832 | 80,147 |
| Total assets | \$ 84,394 | 2,599,226 | 2,683,620 | \$ 2,395,081 |
| LIABILITIES AND RETAINED EARNINGS | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued liabilities | \$ 3,717 | 35,500 | 39,217 | \$ 31,380 |
| Funds on deposit (note 2i) | — | 1,892,681 | 1,892,681 | 1,698,592 |
| Due to the Province of Ontario (note 4) | 316 | — | 316 | 316 |
| Total current liabilities | \$ 4,033 | 1,928,181 | 1,932,214 | 1,730,288 |
| Long-term debt | | | | |
| Funds on deposit (note 2ii) | — | 624,602 | 624,602 | 546,267 |
| Due to CPP and the Province of Ontario (note 4) | 79,841 | — | 79,841 | 80,157 |
| Total liabilities | \$ 83,874 | 2,552,783 | 2,636,657 | \$ 2,356,712 |
| Retained earnings | | | | |
| | 520 | 46,443 | 46,963 | 38,369 |
| Total liabilities and retained earnings | \$ 84,394 | 2,599,226 | 2,683,620 | \$ 2,395,081 |

See accompanying notes to financial statements

Approved on behalf of the Board:


Bryne Purchase
Chair

Tony Salerno
Vice-Chair and Chief Executive Officer

Ontario Financing Authority

Statement of Net Income and Retained Earnings

| <i>(in thousands of dollars)</i> | Corporate | P050 | Total March 31, 1999 | Total March 31, 1998 |
|--|------------------|----------------|-------------------------|-------------------------|
| REVENUE | | | | |
| Interest revenue | \$ 7,867 | 119,073 | 126,940 | \$ 101,400 |
| Cost recovery from the Province | 10,202 | — | 10,202 | 10,199 |
| Miscellaneous revenue | — | 1,334 | 1,334 | 1,545 |
| Total revenue | \$ 18,069 | 120,407 | 138,476 | \$ 113,144 |
| EXPENDITURES | | | | |
| Interest on short-term debt | \$ 16 | 68,988 | 69,004 | \$ 48,055 |
| Interest on long-term debt | 7,846 | 29,918 | 37,764 | 34,939 |
| Salaries, wages and benefits | 7,533 | 8,822 | 16,355 | 16,988 |
| Administrative and general | 1,951 | 3,827 | 5,778 | 5,802 |
| Amortization | 718 | 263 | 981 | 1,101 |
| Total expenditures | \$ 18,064 | 111,818 | 129,882 | 106,885 |
| Net income for the period | \$ 5 | 8,589 | 8,594 | \$ 6,259 |
| Retained earnings, beginning of period | 515 | 37,854 | 38,369 | 32,110 |
| Retained earnings, end of period | \$ 520 | 46,443 | 46,963 | \$ 38,369 |

See accompanying notes to financial statements

Ontario Financing Authority

Cash Flow Statement

| <i>(in thousands of dollars)</i> | Corporate | POSO | Total March 31, 1999 | Total March 31, 1998 |
|--|-----------|-----------|-------------------------|-------------------------|
| Cash flows from operating activities | | | | |
| Net income for the year | \$ 5 | 8,589 | 8,594 | \$ 6,259 |
| Adjustments to reconcile net income to funds provided by operating activities: | | | | |
| Amortization | 718 | 263 | 981 | 1,101 |
| Net change in accounts receivable, payable and accrued liabilities | (20) | (83) | (103) | 659 |
| Cash flows from operating activities | \$ 703 | 8,769 | 9,472 | \$ 8,019 |
| Cash flows from financing activities | | | | |
| Increase in proceeds from depositors | \$ — | 272,424 | 272,424 | \$ 94,397 |
| Repayments to the Province re: OMIC loans | (316) | — | (316) | (323) |
| Repayments from holders of OMIC loans | 315 | — | 315 | 323 |
| Cash flows from financing activities | \$ (1) | 272,424 | 272,423 | \$ 94,397 |
| Cash flows from investing activities | | | | |
| Increase in POSO funds loaned to the Province of Ontario | \$ — | (259,461) | (259,461) | \$ (99,635) |
| Purchase of capital assets | (697) | (363) | (1,060) | (927) |
| Cash flows used in investing activities | \$ (697) | (259,824) | (260,521) | \$ (100,562) |
| Net increase in cash | \$ 5 | 21,369 | 21,374 | \$ 1,854 |
| Cash at beginning of period | 111 | 23,507 | 23,618 | 21,764 |
| Cash at end of period | \$ 116 | 44,876 | 44,992 | \$ 23,618 |

See accompanying notes to financial statements

Ontario Financing Authority

Notes to Financial Statements
for the year ended March 31, 1999*(all tables are in thousands of dollars)***BACKGROUND**

The Ontario Financing Authority (the "Authority") was established as an agency of the Crown, on November 15, 1993, by the *Capital Investment Plan Act, 1993* (the "Act"). In accordance with the Act, the Authority's objects are:

- to assist public bodies and the Province of Ontario to borrow and invest money;
- to develop and carry out financing programs, issue securities, manage cash, currency and other financial risks on behalf of the Province, or any public body;
- to provide such other financial services as are considered advantageous to the Province or any public body;
- to operate offices as provided under the Province of Ontario Savings Office Act, as agent for the Minister of Finance; and
- any additional objects as directed by the Lieutenant Governor in Council.

The Authority is a corporation established under the laws of Ontario. The Authority is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* of Canada.

1. SIGNIFICANT ACCOUNTING POLICIES

- (i) **General:** The financial statements are prepared in accordance with generally accepted accounting principles prescribed by the Canadian Institute of Chartered Accountants.
- (ii) **Capital assets:** Capital assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the asset as listed below. Amortization is not taken in the year of acquisition.

| | |
|-------------------------|-------------------------|
| Furniture and equipment | 5 years |
| Computer hardware | 3 years |
| Leasehold improvements | remaining life of lease |

2. PROVINCE OF ONTARIO SAVINGS OFFICE

The Authority operates the Province of Ontario Savings Office (POS0) as agent of the Minister of Finance. POS0 accepts deposits from the general public, government and other public bodies that form part of the Consolidated Revenue Fund and are direct liabilities of the Province. Administration costs for the period ended March 31, 1999 of \$933,800 (March 31, 1998 - \$965,000) relating to POS0 are provided by the Ministry of Finance and are not included in these financial statements. The average rate of interest paid to depositors and earned from the Province for the year ended March 31, 1999 was 4.15% and 4.99% respectively (March 31, 1998 - 3.42% and 4.24% respectively). These deposits are comprised as follows:

(i) Receivable from the Province of Ontario and short-term funds on deposit

| | March 31, 1999 | March 31, 1998 |
|--|---------------------|---------------------|
| Short-term deposits | \$ 190,223 | \$ 115,040 |
| Demand deposits | 1,124,201 | 1,151,414 |
| GICs maturing within one year | 578,257 | 432,138 |
| Total short-term funds on deposit | \$ 1,892,681 | \$ 1,698,592 |

Ontario Financing Authority

Short-term funds on deposit include deposits made by the Ontario Clean Water Agency (OCWA), Ontario Realty Corporation (ORC) and other government agencies of about \$117 million (March 31, 1998 - \$93 million). Funds held on behalf of OCWA and ORC totalling \$109 million earned a variable rate of interest of 4.50% to 5.50% at March 31, 1999, (March 31, 1998 - \$85 million earning a variable rate of interest of 4.00% to 4.86%).

The total current "Receivable from the Province" of \$1,890,744 (March 31, 1998 - \$1,709,618) includes short-term funds on deposit plus working capital, mainly of POSO.

(ii) Receivable from the Province of Ontario and long-term funds on deposit

The long-term "Receivable from the Province" represents deposits with POSO that form part of the Consolidated Revenue Fund of the Province and for which POSO has issued long-term GICs. These deposits include \$236 million (March 31, 1998 - \$82 million) of deposits made by the Ontario Casino Corporation (OCC). The OCC funds are invested in two-year GICs, earning a variable rate of interest of 4.33% to 5.65% at March 31, 1999 (March 31, 1998 - 4.06% to 4.62%) and can be redeemed at the option of the holder on a quarterly basis.

These deposits mature as follows:

| | As at March 31, 1999 | | As at March 31, 1998 | |
|------------------------|-----------------------|--|-----------------------|--|
| Year ended March 31 | Principal Maturing | Effective Average Interest Rate (%) | Principal Maturing | Effective Average Interest Rate (%) |
| 2000 | \$ — | | \$ 304,768 | 5.87 |
| 2001 | 384,899 | 5.02 | 82,754 | 6.16 |
| 2002 | 120,839 | 5.82 | 91,062 | 6.02 |
| 2003 | 75,510 | 5.37 | 67,683 | 5.63 |
| 2004 | 43,354 | 5.22 | — | |
| Total | \$ 624,602 | | \$ 546,267 | |

3. CAPITAL ASSETS

The balance of capital assets, net of amortization, is as follows (amortization begins in the year following acquisition):

| | Cost | Accumulated Amortization | Net March 31, 1999 | Net March 31, 1998 |
|-------------------------|-----------------|-----------------------------|-----------------------|-----------------------|
| Furniture and equipment | \$ 1,112 | \$ (798) | \$ 314 | \$ 496 |
| Computer hardware | 4,011 | (2,165) | 1,846 | 1,507 |
| Leasehold improvement | 1,180 | (935) | 245 | 323 |
| | \$ 6,303 | \$ (3,898) | \$ 2,405 | \$ 2,326 |

4. ONTARIO MUNICIPAL IMPROVEMENT CORPORATION (OMIC)

In accordance with the *Capital Investment Plan Act, 1993*, the Ontario Municipal Improvement Corporation (OMIC) ceased to exist and its assets and liabilities were transferred to the Authority on November 15, 1993. OMIC received loans from the Canada Pension Plan (CPP) and the Province, which OMIC used to make loans to municipalities and school boards under similar terms as its debt.

As at March 31, 1999, the portion of long-term debt maturing in 1999-2000 is \$316,000 (March 31, 1998 - \$316,000 maturing in 1998-99) and is due to the Province. Long-term debt (maturing in the year ended March 31, 2001 and future) is comprised of debt due to the Province of \$820,000 and to the Canada Pension Plan of \$79 million (March 31, 1998 - \$1.15 million, and \$79 million respectively, maturing in year ended March 31, 2000 and future). The terms of the outstanding debt are as follows:

Ontario Financing Authority

| Year ended March 31 | As at March 31, 1999 | | As at March 31, 1998 | |
|------------------------|-----------------------|--|-----------------------|--|
| | Principal Maturing | Effective Average Interest Rate (%) | Principal Maturing | Effective Average Interest Rate (%) |
| 1999 | \$ — | | \$ 316 | 13.06 |
| 2000 | 316 | 13.39 | 316 | 13.39 |
| 2001 | 326 | 13.58 | 326 | 13.58 |
| 2002 | 354 | 13.59 | 354 | 13.59 |
| 2003 | 64 | 11.55 | 64 | 11.55 |
| 2004 | 54 | 11.55 | — | |
| 1-5 years | 1,114 | | 1,376 | |
| 6-20 years | 79,043 | 9.61 | 79,097 | 9.61 |
| Total | \$ 80,157 | | \$ 80,473 | |

5. TRANSACTIONS WITH THE PROVINCE AND OTHER PUBLIC BODIES

- (i) **Financing activities between the Province and other Public Bodies:** Acting as a financial conduit for the Province, the Authority provides financing to various public bodies, the repayment of which is expected from third-party revenues. The funds for these loans are advanced to the Authority by the Province under a credit facility of \$2.16 billion. Repayments received from public bodies by the Authority are forwarded to the Province. These transactions are not reflected in these financial statements.

In compliance with an Ontario Financing Authority Lending Policy adopted by its Board of Directors on December 17, 1997, each advance received by the Authority under the current facility bears interest at a rate that is equivalent to the rate of interest payable to the Authority on the corresponding loan to a public body(ies). As at March 31, 1999, \$1.71 billion (March 31, 1998 - \$1.58 billion), including accrued interest, was advanced by the Province to the Authority and must be repaid by the Authority on or before August 31, 2027.

Funds are generally advanced by the Authority to public bodies under interim financing arrangements, consisting of a number of promissory notes for terms not exceeding one year. Interest is payable on the principal plus any capitalized interest. As at March 31, 1999, these interest rates ranged from 4.75% to 5.65% (March 31, 1998 from 3.05% to 5.10%). It is the Authority's intention to replace these promissory notes with term debt, at which point repayment terms will be finalized.

As at March 31, 1999, the following have been converted into debentures: Ontario Transportation Capital Corporation - \$500 million at 6.66% and \$500 million at 8.25% maturing on August 28, 2013 and June 2, 2026 respectively; Ontario Northland Transportation Commission - \$3.9 million at 5.64% maturing April 1, 2008.

The following represent amounts receivable by the Authority on behalf of the Province, including capitalized interest, net of financing costs. These are related party transactions, with the exception of those with the City of Windsor.

| | March 31, 1999 | March 31, 1998 |
|--|---------------------|---------------------|
| Ontario Transportation Capital Corporation - Hwy 407 | \$ 1,524,642 | \$ 1,424,246 |
| Metro Toronto Convention Centre | 151,360 | 146,728 |
| Corporation of the City of Windsor | 19,923 | 11,577 |
| Ontario Northland Transportation Commission | 17,725 | — |
| Centennial Centre of Science and Technology | 600 | 1,629 |
| | \$ 1,714,250 | \$ 1,584,180 |

Ontario Financing Authority

The Ontario Transportation Capital Corporation (OTCC) is a Crown agency of the Province established by the *Capital Investment Plan Act, 1993*. The Board of Directors is appointed by the Lieutenant Governor in Council. The OTCC was continued as a share capital corporation under the *Ontario Business Corporations Act*, wholly owned by the Province, and renamed "407 ETR Concession Company Limited."

To facilitate the sale on May 5, 1999 of the OTCC by the Province of Ontario, effective April 6, 1999 the Ontario Financing Authority assigned and transferred all of its rights, title and interest in debt owed to it by the OTCC, including long-term debt, promissory notes and accrued interest, to the Province. The Province agreed to accept such assignment as payment in full of the corresponding indebtedness of the OFA to the Province. The Province also confirmed that the indebtedness of the OFA to the Province of \$1,524,642,000 and accrued interest was discharged.

The Metro Toronto Convention Centre Corporation (MTCC) is a Crown agency of the Province under the *Metropolitan Toronto Convention Centre Corporation Act*. The majority of directors on the MTCC board are appointed by the Lieutenant Governor in Council.

The Corporation of the City of Windsor is a municipality within the meaning of the *Municipal Act*. The financing provided is for the acquisition, design and construction of the Windsor Justice Facility, consisting of provincial division courthouse and city police headquarters.

The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province under the *Ontario Northland Transportation Commission Act, 1990*. Members of the Commission are appointed by the Lieutenant Governor in Council.

The Centennial Centre of Science and Technology is a Crown agency of the Province under the *Centennial Centre of Science and Technology Act*. Its Board of Trustees is appointed by the Lieutenant Governor in Council.

(ii) **Investing for Related Parties:** In the normal course of operations, the Authority provides investment management services to other public bodies. Funds managed on behalf of other public bodies (which are not reflected in these financial statements) as at March 31, 1999, consist of \$199 million held on behalf of the Northern Ontario Heritage Fund Corporation (March 31, 1998 - \$186 million).

(iii) **Province of Ontario Savings Office:** Other related parties have deposited their funds as described in Note 2 (i) and 2 (ii). Total amounts deposited as at March 31, 1999 were \$389 million. (March 31, 1998 - \$175 million).

6. PENSION PLAN

The Authority provides pension benefits for its employees through participation in two pension plans of the Ontario Public Service established by the Province of Ontario: the Ontario Public Service Employees' Union Pension Plan and the Public Service Pension Plan. The Authority's pension contributions for the period ended March 31, 1999 were \$817,000 with no cost for unfunded pension liability (March 31, 1998 - \$1,312,000 including \$460,000 for unfunded liability). Pursuant to a recent Management Board decision, starting in fiscal 1998-99, the cost of unfunded pension liability will not be recovered from Ministries and Agencies.

7. FINANCIAL INSTRUMENTS

The carrying amounts for cash, accounts receivable, receivable from the Province of Ontario, accounts payable and accrued liabilities and short-term funds on deposit approximate their fair values because of the short-term maturity of these instruments.

Given that the terms and amounts of the Authority's long-term receivables offset the Authority's long-term debt, providing fair values for these instruments would not add any more useful information to that which has already been presented in these financial statements.

Ontario Financing Authority

8. SALARIES (absolute dollars)

Provincial Legislature requires disclosure of Ontario Public-sector employees paid an annual remuneration in excess of \$100,000. The amounts paid in 1998 to individuals listed below, who are identified with an asterisk (*), include salary and performance-based pay.

| Name | Position | Remuneration Paid | Taxable Benefits |
|---------------------|--|----------------------|---------------------|
| Charles Allain | Manager - Risk Management | \$ 131,808* | \$ 324 |
| David Brand | Director - Province of Ontario Savings Office | \$ 103,361 | \$ 281 |
| Morris Cheung | Project Manager - Capital Markets Program | \$ 105,816* | \$ 208 |
| Kanak Chopra | Director - Risk Control | \$ 147,786* | \$ 370 |
| James Devine | Manager - Fixed Income & Medium-Term Notes | \$ 120,509* | \$ 296 |
| Andrew Hainsworth | Manager - Funding | \$ 120,509* | \$ 296 |
| Douglas Harrington | Manager - Risk Control Operations | \$ 106,423* | \$ 280 |
| Michael Manning | Director - Risk Management | \$ 165,693* | \$ 408 |
| Gadi Mayman | Executive Director - Capital Markets | \$ 173,209* | \$ 425 |
| Christine Moszynski | Director - Capital Markets Treasury | \$ 101,962 | \$ 276 |
| David Peters | Manager - Foreign Exchange | \$ 120,455* | \$ 296 |
| William Ralph | Director - Corporate Finance | \$ 103,861 | \$ 275 |
| Tony Salerno | ADM - Office of Treasury/CEO - Vice Chair, OFA | \$ 210,253* | \$ 515 |
| Corey Simpson | Legal Counsel | \$ 115,601 | \$ 330 |

9. CONTINGENT LIABILITIES

The Province of Ontario Savings Office is involved in two legal actions, the outcome and ultimate disposition of which are not determinable at this time.

10. THE YEAR 2000 CHALLENGE

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using a year 2000 date is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Corporation including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

11. COMPARATIVE FIGURES

Certain of the 1997-98 comparative figures have been reclassified to conform with the financial statement presentation adopted in 1998-99.

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

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Auditor's Report

To the Ontario Housing Corporation
and to the Minister of Municipal Affairs and Housing

I have audited the balance sheet of the Ontario Housing Corporation as at December 31, 1998 and the statement of operations for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 management, 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 Corporation as at December 31, 1998, and the results of its operations for the year then ended in accordance with the accounting policies described in note 1 to the financial statements.

A handwritten signature in black ink, appearing to read 'Erik Peters'.

Toronto, Ontario
April 22, 1999

Erik Peters, FCA
Provincial Auditor

ONTARIO HOUSING CORPORATION**Balance Sheet****As at December 31, 1998**

| | 1998 | 1997 |
|---|------------------------|------------------|
| | (Thousands of dollars) | |
| ASSETS | | |
| Investments in Properties (note 3) | 1,144,891 | 1,172,526 |
| Mortgages and Loans (note 4) | 27,128 | 28,961 |
| Amount due from Province of Ontario | 107,085 | 122,982 |
| Accounts Receivable | 8,351 | 9,028 |
| | 1,287,455 | 1,333,497 |
| Non-Profit Housing Fund (note 5) | 1,359,712 | 1,359,464 |
| | 2,647,167 | 2,692,961 |
| LIABILITIES | | |
| Long-Term Debt (note 6) | 995,310 | 1,019,812 |
| Accounts Payable and Accrued Liabilities (note 7) | 101,757 | 115,323 |
| Bank Indebtedness | 537 | 3,435 |
| | 1,097,604 | 1,138,570 |
| Non-Profit Housing Fund (note 5) | 1,359,712 | 1,359,464 |
| CONTINGENT LIABILITY (note 14) | | |
| EQUITY | | |
| Contributed Surplus (note 8) | 189,851 | 194,927 |
| | 2,647,167 | 2,692,961 |

See accompanying notes to financial statements.

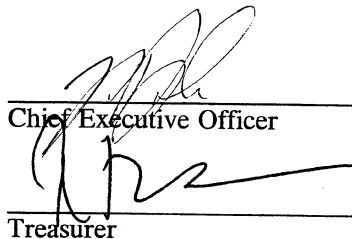
On Behalf of the Board:



Chair



General Manager



Chief Executive Officer



Treasurer

ONTARIO HOUSING CORPORATION
Statement of Operations
For the Year Ended December 31, 1998

| | 1998 | 1997 |
|---|------------------------|----------------|
| | (Thousands of dollars) | |
| Assisted Housing (note 9) | | |
| Rental Revenue | 314,984 | 306,656 |
| Expenses | | |
| Property Operating Expenses | 304,902 | 311,711 |
| Capital Repairs & Improvements | 117,590 | 107,130 |
| Grants in lieu of Municipal Taxes | 123,641 | 120,203 |
| Amortization (Principal and Interest) | 104,782 | 108,165 |
| Total Expenses | 650,915 | 647,209 |
| Net Operating Costs of Assisted Housing | 335,931 | 340,553 |
| Rent Supplement (note 10) | 111,522 | 118,782 |
| Provincial Contributions to Municipal Housing (note 11) | 18,879 | 22,117 |
| Rural and Native Housing (note 12) | 7,698 | 7,871 |
| Total Operating Costs before Subsidies | 474,030 | 489,323 |
| Subsidies | | |
| Canada Mortgage and Housing Corporation | 223,301 | 227,429 |
| Province of Ontario (Loan Amortization Contribution) | 19,797 | 20,750 |
| Ministry of Municipal Affairs and Housing | 230,932 | 241,144 |
| Total Subsidies | 474,030 | 489,323 |

See accompanying notes to financial statements.

ONTARIO HOUSING CORPORATION

Notes to Financial Statements

December 31, 1998

NATURE OF OPERATIONS

The Ontario Housing Corporation is an agency of the Ministry of Municipal Affairs and Housing and is established under the Ontario Housing Corporation Act. It is funded through rental income from tenants and subsidies from the Provincial and Federal Governments. The Corporation together with its agents - the 54 Local Housing Authorities - manage the Province's extensive public housing portfolio. Housing is provided to low income households based on need. Eligible tenants pay rent based on income rather than on the size or type of housing provided.

The Corporation is the largest landlord in Ontario, owning approximately 84,000 public housing units; providing rent supplement payments for approximately 21,000 units within private, non-profit and cooperative rental housing buildings; and providing subsidy to approximately 15,500 units within the Metro Toronto Housing Company Ltd. and to approximately 3,200 units in rural and native areas of Ontario.

1. SIGNIFICANT ACCOUNTING POLICIES

The following summarizes the significant accounting policies used in preparing the accompanying financial statements:

- i) The Corporation uses the accrual method of accounting.
- ii) Capital funds provided by the Province of Ontario for Investments in Properties are not repayable and are therefore recorded as Contributed Surplus. However, to reflect the full costs of operating the properties, relevant amortization charges (principal and interest) are imputed and included in the Net Operating Cost of Assisted Housing. Such amortization is offset by a subsidy from the Province of Ontario in the Statement of Operations.
- iii) Land and buildings held as investments in Provincial and Federal-Provincial properties are amortized on a basis equal to the reduction of the corresponding long-term debt. For the provincial portion of such investments, the reduction is made to Contributed Surplus.
- iv) Capital Repairs and Improvements and furniture and equipment purchases are expensed in the year incurred.

2. SELF-INSURANCE

The Corporation follows the policy of self-insuring its Provincial and Federal-Provincial properties for damages such as fire, water and vandalism. Costs of such repairs are charged to property operating expenses.

ONTARIO HOUSING CORPORATION

Notes to Financial Statements

December 31, 1998

3. INVESTMENT IN PROPERTIES

The Corporation's investment in properties is as follows:

| | 1998 | 1997 |
|------------------------------------|------------------------|-----------|
| | (thousands of dollars) | |
| (a) Provincial Housing | 1,053,114 | 1,074,753 |
| (b) Federal-Provincial Housing | 11,689 | 12,202 |
| (c) Rural and Native Housing | 28,058 | 28,082 |
| (d) Student Housing on Leased Land | 49,345 | 54,916 |
| (e) Other | 2,685 | 2,573 |
| | 1,144,891 | 1,172,526 |

(a) Provincial Housing

This investment represents land and building costs of wholly-owned properties which are amortized over periods not exceeding 50 years.

| | 1998 | 1997 |
|--------------------------------|------------------------|-----------|
| | (thousands of dollars) | |
| Cost | 1,317,683 | 1,316,593 |
| Less: Accumulated Amortization | 264,569 | 241,840 |
| Net Book Value | 1,053,114 | 1,074,753 |

(b) Federal-Provincial Housing

Federal-Provincial properties are owned and operated on a partnership basis with Canada Mortgage and Housing Corporation. The balance represents the Corporation's share of land and building costs which are amortized over periods not exceeding 50 years.

ONTARIO HOUSING CORPORATION

Notes to Financial Statements

December 31, 1998

| | 1998 | 1997 |
|--------------------------------|------------------------|--------|
| | (thousands of dollars) | |
| Cost | 20,753 | 20,753 |
| Less: Accumulated Amortization | 9,064 | 8,551 |
| Net Book Value | 11,689 | 12,202 |

(c) Rural and Native Housing

These properties are owned and operated on a partnership basis with Canada Mortgage and Housing Corporation. The balance represents the Corporation's share of land and building costs which are amortized over periods not exceeding 35 years. The properties are managed by Canada Mortgage and Housing Corporation on behalf of the partnership - see note 12.

| | 1998 | 1997 |
|------------------------------|------------------------|--------|
| | (thousands of dollars) | |
| Rental Properties | 26,136 | 24,822 |
| Lease to Purchase Properties | 1,922 | 3,260 |
| Net Book Value | 28,058 | 28,082 |

(d) Student Housing on Leased Land

This investment represents building costs to provide student accommodation on land leased from 11 universities and colleges. These costs are being repaid semi-annually to the Corporation by the educational institutions over a 50 year period. When the costs are fully repaid, titles to the properties will be transferred to the respective institutions. The institutions retain the rental revenues and absorb the property operating expenses. Consequently, the accumulated contributions of the universities and colleges represent their equity in the properties.

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 1998

| | 1998 | 1997 |
|--|------------------------|--------|
| | (thousands of dollars) | |
| Cost | 62,682 | 67,873 |
| Less: Educational Institutions' Equity | 13,337 | 12,957 |
| Net Book Value | 49,345 | 54,916 |

(e) Other

| | 1998 | 1997 |
|--|------------------------|-------|
| | (thousands of dollars) | |
| Leased Land, at cost | 2,308 | 2,308 |
| Land Inventory, lower of cost or estimated market value | 265 | 265 |
| Other | 112 | 0 |
| | 2,685 | 2,573 |

4. MORTGAGES AND LOANS

| | 1998 | 1997 |
|--|------------------------|--------|
| | (thousands of dollars) | |
| Rural and Native Housing Program (See note 12) | 24,293 | 26,072 |
| Other | 2,835 | 2,889 |
| | 27,128 | 28,961 |

5. NON-PROFIT HOUSING FUND

The Province of Ontario authorized the Corporation to borrow funds from the Canada Pension Plan Fund ("CPP") by the issuance of debentures. The funds borrowed were loaned as mortgages to non-profit housing corporations and universities and colleges to build, acquire or lease housing units under the Homes Now and Student Residences Programs.

ONTARIO HOUSING CORPORATION

Notes to Financial Statements

December 31, 1998

These mortgages to non-profit housing corporations have been discharged and refinanced by the private lenders. Funds received from the discharged mortgages are loaned to the Province of Ontario.

As at December 31, 1998, the fund consisted of:

| | 1998 | 1997 |
|-------------------------------------|------------------------|-----------|
| | (thousands of dollars) | |
| Assets | | |
| Cash | 1,330 | 1,082 |
| Loans to Province of Ontario | 1,157,212 | 1,157,212 |
| Mortgages | | |
| Non-Profit Housing Corps. | 1,760 | 1,760 |
| Universities and Colleges | 166,128 | 166,128 |
| Interest Receivable | 33,282 | 33,282 |
| | 1,359,712 | 1,359,464 |
| Liabilities and Fund Balance | | |
| Canada Pension Plan Investment | | |
| Fund (CPP) Debentures | 1,323,340 | 1,323,340 |
| Interest Payable | 33,282 | 33,282 |
| Fund Balance | 3,090 | 2,842 |
| | 1,359,712 | 1,359,464 |

The CPP funds were borrowed from 1989 to 1992 and are repayable 20 years from the date of issuance of the debentures. Interest is payable semi-annually at various rates based on individual debentures - weighted average rate of 10.3%.

ONTARIO HOUSING CORPORATION

Notes to Financial Statements

December 31, 1998

Loans to the Province and mortgages to non-profit housing corporations and universities and colleges are repayable over periods not in excess of 20 years. Interest is calculated semi-annually at various rates based on individual loans and mortgages - weighted average rate of 9.0% (1997 - 9.0%). When the interest received from the Province is less than the interest payable on the related CPP borrowings, the Corporation receives an interest adjustment from the Ministry of Municipal Affairs and Housing for the difference.

Details of the transactions related to the fund balance are as follows:

| | 1998 | 1997 |
|-------------------------------|------------------------|-----------|
| | (thousands of dollars) | |
| Balance - Beginning of Year | 2,842 | 20,513 |
| Interest Earned | 136,225 | 136,351 |
| Interest Expense | (135,977) | (135,977) |
| Transfer to Ministry | | (18,000) |
| Legal and Consulting Services | | (41) |
| Refinancing Costs | | (4) |
| Balance - End of Year | 3,090 | 2,842 |

Interest earned includes \$ 102.2 million (1997 - \$102.2 million) on loans to the Province of Ontario, \$17.1 million (1997-\$17.2 million) from long term mortgages to Universities and Colleges, and \$16.9 million (1997-\$16.9 million) from the Ministry of Municipal Affairs and Housing as an interest adjustment for the difference between the interest rates on CPP borrowings and loans to the Province.

6. LONG-TERM DEBT

| | 1998 | 1997 |
|---|------------------------|-----------|
| | (thousands of dollars) | |
| Canada Mortgage and Housing Corporation | 977,911 | 1,001,943 |
| Other | 17,399 | 17,869 |
| | 995,310 | 1,019,812 |

ONTARIO HOUSING CORPORATION

Notes to Financial Statements

December 31, 1998

The Corporation borrows funds from Canada Mortgage and Housing Corporation and the private sector to finance investments in real property. Such borrowings are repaid in accordance with agreement terms over periods not in excess of 50 years. Interest is payable at various rates based on individual agreements - weighted average rate of 6.9% (1997 - 7.4%).

Principal repayments on the long-term debt are as follows:

| | (thousands of dollars) |
|--------------------|------------------------|
| 1999 | 22,933 |
| 2000 | 24,489 |
| 2001 | 26,152 |
| 2002 | 27,930 |
| 2003 | 29,826 |
| Subsequent to 2003 | 863,980 |
| | 995,310 |

While the Corporation is indebted for capital funds borrowed in respect of investments in Provincial housing projects, the principal and interest paid on the indebtedness are cost shared with Canada Mortgage and Housing Corporation (CMHC).

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 1998 | 1997 |
|---|------------------------|---------|
| | (thousands of dollars) | |
| Canada Mortgage and Housing Corporation | 24,064 | 24,271 |
| Other | 77,693 | 91,052 |
| | 101,757 | 115,323 |

ONTARIO HOUSING CORPORATION
Notes to Financial Statements
December 31, 1998

8. CONTRIBUTED SURPLUS

| | 1998 | 1997 |
|-----------------------------|------------------------|---------|
| | (thousands of dollars) | |
| Balance - Beginning of Year | 194,927 | 199,658 |
| Capital Recoveries | (5,076) | (4,731) |
| Balance - End of Year | 189,851 | 194,927 |

9. ASSISTED HOUSING

Under the assisted housing program, the Corporation owns (either wholly or in partnership with Canada Mortgage and Housing Corporation) rental properties and provides rent-geared-to-income accommodation to households in need. The management of the properties is carried out through a network of local housing authorities who act as agents of the Corporation. The net operating cost of this program is shared with Canada Mortgage and Housing Corporation.

10. RENT SUPPLEMENT

Under the rent supplement programs, the use of rental units is acquired from the private sector and from certain non-profit and cooperative housing groups and then rent-geared-to-income subsidies are provided to households in need. The subsidies represent the difference between the rent guaranteed to the landlord and the tenant portion of the rent. The costs for most of these programs are shared with Canada Mortgage and Housing Corporation.

11. PROVINCIAL CONTRIBUTIONS TO MUNICIPAL HOUSING

The Corporation provides funding to the Metropolitan Toronto Housing Company Limited towards operating costs for senior citizen apartment units.

ONTARIO HOUSING CORPORATION

Notes to Financial Statements

December 31, 1998

12. RURAL AND NATIVE HOUSING

This program, administered by Canada Mortgage and Housing Corporation, provides subsidies for rental, lease to purchase and home ownership accommodation to families in rural areas. Rental, lease to purchase and home ownership payments are geared to owners' income. The expense represents the Corporation's share of the subsidy provided.

13. RELATED PARTY TRANSACTIONS**(a) Pension Plan**

The Corporation provides pension benefits for substantially all its permanent crown employees through participation in two multi-employer pension plans, the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario.

The Corporation's net contribution to the PSPF and the OPSEU Pension Fund for the year was \$5.0 million (1997 - \$11.8 million consisting of \$6.4 million for the annual contribution and \$5.4 million for prior years' funding deficiencies). This amount is included in Assisted Housing - Property Operating Expenses and Rent Supplement in the Statement of Operations. Effective April 1, 1998, the cost of prior year's funding deficiencies is absorbed by the Province.

(b) Administrative Support Services

The Ministry of Municipal Affairs and Housing provides administrative support services to the Corporation. The charge for these services is based on the estimated time spent by Ministry staff on the Corporation's activities. The administrative support services charge included in Assisted Housing - Property Operating Expenses and Rent Supplement amounted to \$15.7 million (1997 - \$15.6 million).

14. CONTINGENT LIABILITY

The Corporation has entered into loan insurance agreements with Canada Mortgage and Housing Corporation (CMHC) pertaining to mortgage loans on projects funded under various non-profit housing programs administered by the Ministry of 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 the insurance is provided by CMHC, the Corporation is liable to CMHC for any net costs, including any environmental

ONTARIO HOUSING CORPORATION

Notes to Financial Statements

December 31, 1998

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 Corporation will be reimbursed by the Ministry of Municipal Affairs and Housing.

As of 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.

15. DETERMINATION OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments are based on relevant market prices and information available at December 31, 1998. The fair value estimates are not necessarily indicative of the amounts that the Corporation might receive or incur in actual market transactions. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Since the investments in properties do not meet the definition of financial instruments, the fair value estimates below do not reflect the fair value of the Corporation as a whole.

It is impractical to determine fair values for mortgages and loans made under the Rural and Native Housing program because of the terms and conditions related thereto, including associated subsidies.

The fair values of amounts due from the Province of Ontario, accounts receivable, accounts payable and accrued liabilities, and bank indebtedness approximate their carrying values because of the short term maturity of these instruments.

The fair values of each of the Corporation's long-term debt instruments is based on the amount of future cash flows associated with each instrument discounted using an estimate based on debt instruments with similar characteristics. At December 31, 1998, the aggregate fair value of these instruments exceeded their aggregate book values by \$41.4 million (1997-\$3.5 million).

Due to the nature of the assets and liabilities comprising the Non-Profit Housing Fund and the terms and conditions related thereto, the Corporation does not have any significant interest rate risk because the Corporation is reimbursed for losses arising from fluctuations in interest rates.

ONTARIO HOUSING CORPORATION

Notes to Financial Statements

December 31, 1998

16. YEAR 2000 READINESS

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000.

If the Year 2000 Issue is not addressed by the corporation and its major suppliers and other third party business associates, the impact on the corporation's operations and financial reporting may range from minor errors to significant systems failure which could affect the corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the corporation, including those related to the efforts of suppliers, or other third parties, will be fully resolved.

The Corporation has a program in place which management believe will address the year 2000 issue.

17. FUTURE OPERATIONS

As part of its Local Services Realignment initiative, the government announced that funding and administration of social housing would be devolved to municipalities. This implied that the Corporation's role would disappear or be much reduced by the year 2000. However, devolution of administrative responsibility for social housing to municipalities requires a new agreement with the Federal Government. Negotiations on this new Federal-Provincial agreement have not yet been finalized and the timing is still uncertain.

Office of the
Provincial Auditor
of Ontario



Bureau du
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Auditor's Report

To Ontario Place Corporation
and to the Minister of Economic Development, Trade and Tourism

I have audited the balance sheet of Ontario Place Corporation as at December 31, 1998 and the statements of operations and equity, changes in equity and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 management, 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 Corporation as at December 31, 1998, and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
May 10, 1999

A handwritten signature in black ink, reading 'K.W. Leishman'.

K.W. Leishman, CA
Assistant Provincial Auditor

ONTARIO PLACE CORPORATION

Balance Sheet
As at December 31, 1998

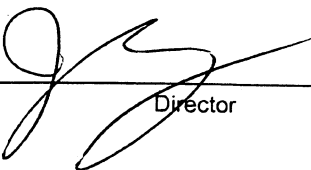
| | 1998 (\$000's) | 1997 (\$000's) |
|--|-------------------|-------------------|
| <u>Assets</u> | | |
| Current Assets | | |
| Cash and short-term deposits (Note 3) | 2,473 | 1,262 |
| Accounts receivable, net | 485 | 712 |
| Inventory | 208 | 220 |
| Prepaid expenses | 127 | 136 |
| | <u>3,293</u> | <u>2,330</u> |
| Capital Assets (Note 4) | <u>114,399</u> | <u>115,321</u> |
| | <u>117,692</u> | <u>117,651</u> |
| <u>Liabilities and Equity</u> | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | 805 | 2,074 |
| Due to the Province of Ontario | 361 | 194 |
| Deferred income | 44 | 223 |
| | <u>1,210</u> | <u>2,491</u> |
| Deferred Capital Contributions (Note 5) | <u>11,975</u> | <u>13,661</u> |
| Equity | | |
| Invested in capital assets | 102,424 | 101,660 |
| Retained income (deficit) | 2,083 | (161) |
| | <u>104,507</u> | <u>101,499</u> |
| | <u>117,692</u> | <u>117,651</u> |
| Contingencies and Commitments (Note 7) | | |

See accompanying schedules and notes to financial statements.

Approved on behalf of the Corporation.



Director



Director

ONTARIO PLACE CORPORATION

Statement of Operations and Equity
For the Year Ended December 31, 1998

| | Year Ended December 31, 1998 (\$000's) | Nine Months Ended December 31, 1997 (\$000's) |
|--|--|---|
| Operating revenue (Schedule 1) | 13,812 | 12,415 |
| Administrative and operating expenses (Schedule 2) | <u>17,702</u> | <u>14,774</u> |
| Operating deficit before the following | (3,890) | (2,359) |
| Province of Ontario operating grant | 4,033 | 5,439 |
| Amortization of deferred capital contributions | 1,686 | 1,202 |
| Amortization of capital assets | (2,106) | (1,505) |
| Refund of prior year realty taxes (Note 8) | <u>3,285</u> | <u>0</u> |
| Net income for the year | 3,008 | 2,777 |
| Equity, beginning of year | <u>101,499</u> | <u>98,722</u> |
| Equity, end of year | <u>104,507</u> | <u>101,499</u> |

Statement of Changes in Equity
For the Year Ended December 31, 1998

| | Year Ended December 31, 1998 (\$000's) | | | Nine Months Ended December 31, 1997 (\$000's) |
|------------------------------|---|---------------------------------|----------------|---|
| | Invested in Capital Assets | Retained Income (deficit) | Total | Total |
| Balance, beginning of year | 101,660 | (161) | 101,499 | 98,722 |
| Net income | (537) | 3,545 | 3,008 | 2,777 |
| Investment in capital assets | <u>1,301</u> | <u>(1,301)</u> | <u>—</u> | <u>—</u> |
| Balance, end of year | <u>102,424</u> | <u>2,083</u> | <u>104,507</u> | <u>101,499</u> |

See accompanying schedules and notes to financial statements.

ONTARIO PLACE CORPORATION

Statement of Changes in Financial Position
For the Year Ended December 31, 1998

| | Year Ended December 31, 1998 (\$000's) | Nine Months Ended December 31, 1997 (\$000's) |
|--|--|---|
| Operating Activities | | |
| Net income for the year | 3,008 | 2,777 |
| Adjustments against net income not requiring an outlay of cash | | |
| - amortization of capital assets | 2,106 | 1,505 |
| - amortization of deferred capital contributions | (1,686) | (1,202) |
| - gain on capital assets disposed | (66) | 0 |
| | <u>3,362</u> | <u>3,080</u> |
| Net change in non-cash working capital | (1,033) | 182 |
| Cash provided by operating activities | <u>2,329</u> | <u>3,262</u> |
| Investing Activities | | |
| Capital assets disposed | 183 | 0 |
| Capital assets acquisitions | (1,301) | (2,374) |
| Cash used in investing activities | <u>(1,118)</u> | <u>(2,374)</u> |
| Increase in cash during the year | 1,211 | 888 |
| Cash and short-term investments, beginning of year | <u>1,262</u> | <u>374</u> |
| Cash and short-term investments, end of year | <u><u>2,473</u></u> | <u><u>1,262</u></u> |

See accompanying schedules and notes to financial statements.

ONTARIO PLACE CORPORATION**Schedules of Operating Revenue and Administrative and Operating Expenses
For the Year Ended December 31, 1998****Schedule 1****Operating Revenue**

| | Year Ended December 31, 1998 (\$000's) | Nine Months Ended December 31, 1997 (\$000's) |
|------------------------------|---|--|
| Admissions | 6,114 | 5,622 |
| Parking | 1,667 | 1,647 |
| Concessions | 1,270 | 1,240 |
| Cinesphere revenues | 1,356 | 1,170 |
| Other | 1,257 | 869 |
| Sponsorship revenue (Note 9) | 1,003 | 731 |
| Attractions | 462 | 568 |
| Marina | 572 | 527 |
| Interest income | 111 | 41 |
| | <u>13,812</u> | <u>12,415</u> |

Schedule 2**Administrative and Operating Expenses**

| | Year Ended December 31, 1998 (\$000's) | Nine Months Ended December 31, 1997 (\$000's) |
|---|---|--|
| Salaries and wages | 5,996 | 5,187 |
| Employee benefits (Note 6) | 958 | 721 |
| Advertising | 2,087 | 2,098 |
| Programming and entertainment | 2,319 | 2,006 |
| Site maintenance and miscellaneous services | 1,996 | 1,948 |
| General and office | 1,717 | 1,246 |
| Supplies | 638 | 585 |
| Utilities | 837 | 545 |
| Realty taxes (Note 8) | 494 | 329 |
| Bad debts | 575 | 11 |
| Security services | 71 | 55 |
| Directors' fees | 14 | 9 |
| Sponsorship | 0 | 34 |
| | <u>17,702</u> | <u>14,774</u> |

See accompanying notes to financial statements.

ONTARIO PLACE CORPORATION**Notes to Financial Statements
December 31, 1998****1. NATURE OF OPERATION**

Ontario Place Corporation, a provincial Crown agency, operates a park built on a 96-acre site extending through three islands created using landfill along the Toronto waterfront. The park includes a wide variety of programs, attractions and facilities which capture the spirit of Ontario by featuring distinctive and quality attractions for all ages. The site is intended to provide visitors with an appreciation of the Province's resources and accomplishments.

The fees charged for admission and the various attractions within the park are subject to approval by the Province of Ontario. The Province also provides a grant to partially cover the costs of activities, programs and rejuvenation of the park.

In addition to the various attractions and activities operated directly by Ontario Place, the Corporation had for the 1998 season, 23 licence, ground lease and special event agreements with various private-sector companies. Subsequent to the year end, the Corporation entered into a new agreement with one concessionaire to operate the majority of the food outlets for the next 10 years. The combined site activities are estimated to generate revenues of approximately \$60 million annually.

2. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of Accounting**

The financial statements are the representations of management prepared in accordance with generally accepted accounting principles, consistently applied.

(b) Inventory

Supplies inventory is valued at cost. Resale inventory is valued at the lower of cost or net realizable value, where cost is determined on a first in first out basis.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the assets as indicated below:

| | |
|---------------------|----------|
| Buildings | 25 years |
| Attractions | 10 years |
| Equipment, fixtures | 10 years |
| Computer equipment | 4 years |
| Vehicles | 3 years |

(d) Donations

When the fair value of donated equipment, materials and services cannot be reasonably determined, they are not recorded as assets and amortized or included in income.

(e) Revenues

Under the Park's Play All Day Admission Policy, most of the related revenue is allocated to Admissions with the exception of Sea Trek and other minor attractions.

ONTARIO PLACE CORPORATION

Notes to Financial Statements
December 31, 1998

3. CASH AND SHORT-TERM DEPOSITS

The Corporation's investment policy restricts short-term deposits to high liquid, high-grade money market instruments such as federal/provincial treasury bills, banker's acceptances and term deposits. Short-term deposits were \$2.0 million at December 31, 1998 (1997 - \$0.6 million).

4. CAPITAL ASSETS

Capital assets consists of the following:

| | 1998 | | | 1997 |
|---------------------|-------------------|--|-----------------------------------|-----------------------------------|
| | Cost (\$000's) | Accumulated Amortization (\$000's) | Net Book Value (\$000's) | Net Book Value (\$000's) |
| Land, waterlots | 101,660 | 0 | 101,660 | 101,660 |
| Buildings | 4,508 | 1,107 | 3,401 | 3,549 |
| Attractions | 9,464 | 4,165 | 5,299 | 5,395 |
| Equipment, fixtures | 9,729 | 5,708 | 4,021 | 4,717 |
| Computer equipment | 145 | 132 | 13 | 0 |
| Vehicles | 71 | 66 | 5 | 0 |
| | <u>125,577</u> | <u>11,178</u> | <u>114,399</u> | <u>115,321</u> |

5. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the amount of restricted grants received and used for the purchase of capital assets but not yet recognized as revenue. The changes in the deferred contributions balance are as follows:

| | Year Ended December 31, 1998 (\$000's) | Nine Months Ended December 31, 1997 (\$000's) |
|---|--|---|
| Balance, beginning of year | 13,661 | 14,863 |
| Amount amortized against revenue | (1,569) | (1,202) |
| Unamortized amount on capital assets disposed | <u>(117)</u> | <u>0</u> |
| Balance, end of year | <u>11,975</u> | <u>13,661</u> |

ONTARIO PLACE CORPORATION**Notes to Financial Statements
December 31, 1998**

6. PENSION PLAN

The Corporation provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario.

The Corporation's contribution related to the PSPF and OPSEU Pension Fund for the period was \$303,771 (nine months in 1997 - \$239,848) and is included in employee benefits in the Schedule of Administrative and Operating Expenditures.

7. CONTINGENCIES AND COMMITMENTS**(a) Concessionaires**

The Corporation was named as a defendant in an action by a concessionaire in June 1995. Total claimed damages amount to \$1.5 million plus interest and legal costs. The Corporation was also named as a co-defendant in actions by two other concessionaires in November 1995. Total claimed damages on each action amount to \$1.5 million plus interest and legal costs. There is a cross claim for the claimed damages in each action by the co-defendants against the Corporation and a cross claim in each action by the Corporation against its co-defendants.

The likelihood of a loss to the Corporation, and amount of loss regarding each of the actions is not determinable at this time.

(b) Breach of Contract

On November 10, 1997, one of the proponents in a Request for Proposal process issued a Statement of Claim for damages in the amount of \$167 million to various individuals and corporations including Ontario Place and the Chair of its Board of Directors. The courts awarded Ontario Place security for costs and since the proponent did not comply within the required time, the action is no longer proceeding. Legal fees incurred by Ontario Place related to this action have been funded by the Ministry, and paid from a trust account set up by Ontario Place.

(c) Lease Commitments

Minimum lease payments for equipment rental and licence fees for 1999 is \$360,000.

8. REALTY TAXES

The Corporation was successful in its appeal for a reassessment of its realty taxes for the taxation years 1994 to 1997 and received a settlement of \$3,575,284 from the City of Toronto during the year. The \$3,285,037 represented the settlement less \$290,247 charged by consultants for services related to the appeals.

Realty taxes for the taxation year 1998 are still being appealed. Any refund will be accounted for in the year the appeal is settled.

ONTARIO PLACE CORPORATION**Notes to Financial Statements
December 31, 1998**

8. REALTY TAXES (CONTINUED)

The corporation believes, and has received a legal opinion stating that it has no legal obligation to pay grants in lieu of property taxes relating to Ontario Place. As a result, in fiscal 1996/97, the Board of Directors of the Corporation passed a resolution declaring that, commencing with the 1996 taxation year, the Corporation will not make any payment or record any charges for property taxes or grants in lieu of property taxes with respect to those portions of Ontario Place property not occupied by tenants. The Corporation advised the Ministry of Economic Development, Trade and Tourism, and the Ministry of Municipal Affairs and Housing of the Board's decision.

During the year, the Corporation paid property taxes of \$977,326 (nine months in 1997 - \$760,618) including the concession premises. The Corporation charged back \$483,402 (nine months in 1997 - \$431,161) to these concessions.

9. SPONSORSHIP REVENUE

Sponsorship agreements confer exclusive use of company products/services during the operating season, and include promotion and facility signage throughout the site where applicable.

Sponsorship revenue does not include in kind contributions including an estimated \$5 million in Symphony of Fire programming costs paid directly by a major sponsor. Without these program contributions, Ontario Place would have to incur considerable expenditures for such events to maintain attendance levels and site revenues.

10. YEAR 2000 ISSUE

The year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors or systems failures when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on the Corporation's operations and financial reporting may range from minor errors to significant systems failure, which could affect the Corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 issue affecting the Corporation, including those related to the efforts of its customers, suppliers, or other third parties to be year 2000 compliant, will be fully resolved on a timely basis.

The Corporation has taken steps to seek confirmation of readiness related to these third parties. Such efforts will be an ongoing process as the year 2000 approaches.

11. COMPARATIVE FIGURES

The March 31, 1998 comparative figures have been reclassified where necessary, to conform to the current year's presentation.

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

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B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Realty Corporation,
Chair of the Management Board of Cabinet,
and to the Minister of Finance

I have audited the balance sheet of the Ontario Realty Corporation as at March 31, 1999 and the statement of operations and retained earnings for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 management, 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 Corporation as at March 31, 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, reading 'Erik Peters'.

Toronto, Ontario
June 16, 1999

Erik Peters, FCA
Provincial Auditor

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)

BALANCE SHEET

As at March 31, 1999

(\$ thousands)

ASSETS

| | |
|--|--------|
| Cash | 9,960 |
| Capital Assets (Note 3) | 650 |
| Future Recoveries from Management Board Secretariat (Note 6) | 25,700 |
| | <hr/> |
| | 36,310 |

LIABILITIES AND RETAINED EARNINGS

LIABILITIES

| | |
|--|--------|
| Accounts payable and accrued liabilities | 9,665 |
| Provision for Severance Costs (Note 6) | 25,700 |
| | <hr/> |
| | 35,365 |

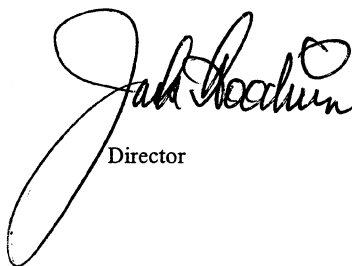
RETAINED EARNINGS

945

36,310

See Notes to Financial Statements

On behalf of the Board:


Director


Director

ONTARIO REALTY CORPORATION
 (A Crown Corporation of the Province of Ontario)

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

| Year Ended March 31, 1999 | (\$ thousands) |
|--|-----------------------|
| REVENUES | |
| Management fees | 16,678 |
| Expense reimbursement (in lieu of fees) | 27,536 |
| Direct recoverable costs | 19,927 |
| Bank interest | 574 |
| | 64,715 |
| EXPENDITURES | |
| Salaries and benefits | 43,621 |
| Direct operating expenditures | 12,880 |
| Administrative expenses (Note 2) | 6,944 |
| Depreciation | 325 |
| | 63,770 |
| NET OPERATING SURPLUS BEFORE SEVERANCE COSTS | 945 |
| Future Recoveries from Management Board Secretariat (Note 6) | 25,700 |
| Provision for Severance Costs (Note 6) | (25,700) |
| NET OPERATING SURPLUS | 945 |
| RETAINED EARNINGS, BEGINNING OF YEAR | 0 |
| RETAINED EARNINGS, END OF YEAR | 945 |

See Notes to Financial Statements

ONTARIO REALTY CORPORATION
(A Crown Corporation of the Province of Ontario)

NOTES TO FINANCIAL STATEMENTS

March 31, 1999 (Amounts in \$000's)

NATURE OF THE CORPORATION

The Ontario Realty Corporation (the Corporation) was incorporated under the *Capital Investment Plan Act 1993* as a Crown Corporation of the Province of Ontario (the Province).

On March 3, 1998, Management Board of Cabinet approved the new governance structure of ORC, which included the following:

- Ownership of all properties by the Corporation reverted to the Management Board Secretariat on March 31, 1998; and on return of the assets, the net book value to the Corporation reverted to nil, the associated debt was forgiven, and equity contributions from the Province was reduced by the difference.
- The Corporation retained full authority for managing the realty assets which are under the control of the Minister/Chair of Management Board of Cabinet, including: strategic planning and advice, facility and asset management, space utilization, acquisitions, capital projects and disposal of surplus assets, as approved in the annual corporate plan.
- The Corporation is to become fully self-sustaining, through the charging of appropriate management fees for services based on market rates and industry standards and practices; such fees to be negotiated and approved annually as part of the Corporation's corporate plan.

ORC, on behalf of Management Board Secretariat (MBS), manages space accommodating Ministries' programs across the province. Under the province's Charging For Accommodation program, it manages 49.2 million rentable square feet, 40.9 million owned by MBS, and 8.3 million leased from the private sector at locations across the province. In addition to managing MBS's assets, the Corporation provides project management, real estate and property management services to other ministries and agencies of the Ontario government that directly own assets or require the Corporation's services.

As a Crown Corporation and service organization of the Ontario Government the Corporation is exempt from income taxes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

These financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Canadian Institute of Chartered Accountants.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions relating to revenues, and expenses which affect the reported amounts of assets, liabilities and related disclosures as of the date of the financial statements. Actual amounts could differ from these estimates.

(b) Capital Assets

Capital assets in excess of one thousand dollars with a future useful life beyond the current year are capitalized and are amortized on a straight line basis according to their estimated useful lives as follows:

| Asset | Rate |
|-----------------------------------|---------|
| Personal computer equipment | 3 years |
| Server software/operating systems | 3 years |

2. RELATED PARTY TRANSACTIONS

In addition to the cash reflected on the balance sheet, the Corporation maintains two other bank accounts, an operating account and capital reserve account. Funds in these accounts are held "in trust" on behalf of MBS and relate directly to the operation of MBS owned and leased properties or services provided to other ministries or agencies of the Ontario government. As of March 31, 1999 the cash balances of the operating and capital reserve accounts were \$24,344 and \$27,556 respectively.

The Accounts Payable includes \$6,000 payable to MBS.

Administrative expenses include: accounting, human resources, audit, information and data processing, legal and communication services purchased from MBS.

The Corporation is economically dependant on the Province as all of the revenues are received from the Province for the provision of services are under the control of the Minister/Chair of Management Board of Cabinet.

3. CAPITAL ASSETS

Capital assets consists of the following:

| | March 31, 1999 | | |
|------------------------------------|----------------|-----------------------------|-------------------|
| | Cost | Accumulated Depreciation | Net Book Value |
| Server software / operating system | 727 | 242 | 485 |
| Personal Computer Equipment | 248 | 83 | 165 |
| | 975 | 325 | 650 |

Certain capital assets are not reflected in the financial statements as they are provided at no charge to the Corporation by MBS.

4. LEASE COMMITMENTS

The Corporation has entered into a number of operating leases both for private sector and government owned office space to conduct its business. Future lease payments are as follow:

| For the year ending March 31 | |
|---------------------------------|----------|
| 2000 | \$2,528 |
| 2001 | \$1,573 |
| 2002 | \$1,604 |
| 2003 | \$1,636 |
| 2004 | \$553 |
| Thereafter | \$2,934 |
| Total: | \$10,828 |

5. CONTINGENCIES

The Corporation is acting as an agent of the Ontario Government. As such, the Corporation is entitled to be indemnified against all liabilities properly incurred in the course of exercising its actual authority on behalf of the the Ontario Government.

6. SEVERANCE COSTS

During fiscal 1999, the Corporation approved a new organizational structure. When completed, it is estimated the Corporation will incur \$25,700 in staff severance costs associated with its reorganization and the contracting out of its facilities and land management services. All associated severance costs will be funded directly by MBS.

7. YEAR 2000

The Year 2000 issue arises from the fact that many computer systems express years by using two digits rather than four, with the assumption that the first two digits are always "19". Such systems, if not modified or replaced, could misinterpret the year before and after January 1, 2000 (i.e. read "00" as the year 1900 rather than the Year 2000). The results could range from miscalculations to system failure which could affect the corporations ability to conduct normal business activities.

The Corporation is reviewing its corporate systems in order to assess these potential risks however, due to the general uncertainty inherent in the Year 2000 issue, resulting in part from the uncertainty of the Year 2000 readiness of other parties, the Corporation is unable to determine at this time whether the Year 2000 issue will have a material and adverse impact on the Corporation's results of operations, liquidity and financial condition.

8. PENSION PLAN

The Corporation provides pension benefits for all its full-time employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Pension Fund (OPSEU Pension fund) established by the Province.

The Corporation's required contributions related to the pension plans for the year ended March 31, 1999 were \$2,190 and are included in the salaries and benefits in the Statement of Operations and Retained Earnings.

9. COMPARATIVE FIGURES

Comparative figures are not provided, because of the significant changes in the Corporation's operations and therefore inclusion of the fiscal 1998 comparisons would not provide any additional useful information.

10. STATEMENT OF CASH FLOWS

A statement of cash flows was not prepared as the information which it would contain is readily available from these financial statements.

Office of the
Provincial Auditor
of Ontario



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vérificateur provincial
de l'Ontario

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B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Securities Commission

I have audited the balance sheet of the Ontario Securities Commission as at March 31, 1999 and the statements of operations and operating surplus and of cash flows for the year ended March 31, 1999. These financial statements are the responsibility of the Commission's management. 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 management, 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 Commission as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Erik Peters'.

Toronto, Ontario
May 28, 1999

Erik Peters, FCA
Provincial Auditor

ONTARIO SECURITIES COMMISSION

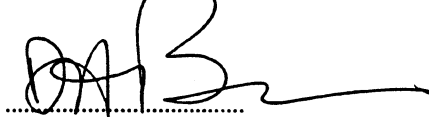
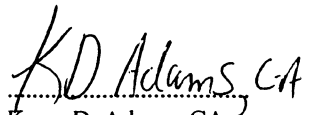
Balance Sheet

As at March 31, 1999

| | 1999 | 1998 |
|--|--------------|--------------|
| ASSETS | | |
| CURRENT | | |
| Cash (Note 3) | \$13,361,963 | \$ 6,016,187 |
| Accounts receivable | 758,448 | 59,983 |
| Current portion of designated settlement receivable (Note 4) | 550,000 | - |
| Prepaid expenses | 121,012 | 135,896 |
| | 14,791,423 | 6,212,066 |
| DESIGNATED SETTLEMENT RECEIVABLE (Note 4) | 550,000 | - |
| CAPITAL ASSETS (Note 6) | 3,002,827 | 345,108 |
| | \$18,344,250 | \$ 6,557,174 |
| LIABILITIES | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | \$ 6,517,820 | \$ 6,414,182 |
| Due to Province of Ontario (Note 1) | 1,858,061 | - |
| Current portion of obligation under capital leases (Note 7(b)) | 453,759 | - |
| | 8,829,640 | 6,414,182 |
| OBLIGATION UNDER CAPITAL LEASES (Note 7(b)) | 271,618 | - |
| | 9,101,258 | 6,414,182 |
| DESIGNATED SETTLEMENT (Note 4) | 1,100,000 | - |
| SURPLUS | | |
| OPERATING | | |
| General | 544,748 | 44,748 |
| Reserve (Note 3) | 7,500,000 | - |
| | 8,044,748 | 44,748 |
| CONTRIBUTED (Note 8(a)) | 98,244 | 98,244 |
| | 8,142,992 | 142,992 |
| | \$18,344,250 | \$ 6,557,174 |

See accompanying notes to Financial Statements.

ON BEHALF OF THE COMMISSION


David A. Brown
Chair

Kerry D. Adams, CA
Commissioner

ONTARIO SECURITIES COMMISSION
Statement of Operations and Operating Surplus
For the Year Ended March 31, 1999

| | Year Ended March 31, 1999 | Five Months Ended March 31, 1998 |
|---|------------------------------|--|
| REVENUE | | |
| Fees | | |
| Prospectus filings | \$ 41,275,685 | \$ 15,850,942 |
| Registration | 24,403,354 | 6,338,231 |
| Disclosure filings | 7,860,050 | 2,778,640 |
| Applications for exemptive relief | 1,101,133 | 629,031 |
| Secondary market | 286,298 | 973,981 |
| Recoveries | 505,000 | 29,750 |
| Miscellaneous | 71,987 | 19,357 |
| | <u>75,503,507</u> | <u>26,619,932</u> |
| EXPENDITURES (Note 8(c)) | | |
| Salaries and benefits (Note 9) | 18,802,819 | 6,130,509 |
| Professional services (Note 10) | 5,844,422 | 2,390,099 |
| Occupancy | 2,704,469 | 1,075,809 |
| Administrative | 2,397,816 | 711,454 |
| Travel | 556,081 | 123,960 |
| Amortization | 149,813 | - |
| | <u>30,455,420</u> | <u>10,431,831</u> |
| EXCESS OF REVENUE OVER EXPENDITURES | 45,048,087 | 16,188,101 |
| OPERATING SURPLUS, BEGINNING OF PERIOD | 44,748 | - |
| LESS: Distributions to Province of Ontario | 37,048,087 | 16,143,353 |
| OPERATING SURPLUS, END OF PERIOD | <u>\$ 8,044,748</u> | <u>\$ 44,748</u> |
| Represented by: | | |
| General | \$ 544,748 | \$ 44,748 |
| Reserve | 7,500,000 | - |
| | <u>\$ 8,044,748</u> | <u>\$ 44,748</u> |

See accompanying notes to Financial Statements.

ONTARIO SECURITIES COMMISSION**Statement of Cash Flows**

For the Year Ended March 31, 1999

| | Year Ended March 31, 1999 | Five Months Ended March 31, 1998 |
|---|------------------------------|--|
| NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES | | |
| Cash flows from operating activities | | |
| Excess of revenue over expenditures | \$ 45,048,087 | \$ 16,188,101 |
| Adjustments for amortization | 149,813 | - |
| | 45,197,900 | 16,188,101 |
| Changes in non-cash working capital | | |
| Accounts receivable | (698,465) | (59,983) |
| Prepaid expenses | 14,884 | (135,896) |
| Due to Province of Ontario | 1,858,061 | - |
| Obligation under capital leases | 725,377 | - |
| Accounts payable and accrued liabilities | 103,638 | 6,414,182 |
| | 2,003,495 | 6,218,303 |
| | 47,201,395 | 22,406,404 |
| Cash flows from financing activities | | |
| Distributions to Province of Ontario | (37,048,087) | (16,143,353) |
| Contributions from Province of Ontario | - | 98,244 |
| | (37,048,087) | (16,045,109) |
| Cash flows from investing activities | | |
| Purchase of capital assets | (2,807,532) | (345,108) |
| | (2,807,532) | (345,108) |
| NET INCREASE IN CASH POSITION | 7,345,776 | 6,016,187 |
| CASH POSITION, BEGINNING OF PERIOD | 6,016,187 | - |
| CASH POSITION, END OF PERIOD | \$ 13,361,963 | \$ 6,016,187 |

See accompanying notes to Financial Statements.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 1999

1. NATURE OF THE CORPORATION

Effective November 1, 1997, amendments to the *Securities Act* continued the Ontario Securities Commission (the "Commission") as a corporation without share capital. The Commission functions as an independent regulatory agency and administrative tribunal responsible for overseeing the securities industry in Ontario. As a Crown corporation, the Commission is exempt from income taxes.

In accordance with the provisions of the *Securities Act*, the Minister of Finance may require the Commission to remit to the Province of Ontario funds which are surplus to its operating requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements are:

a) Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following acquisition, as follows:

| | |
|--|---------------|
| Office furniture and equipment | 5 to 10 years |
| Computer hardware and related applications | 2 years |
| Computer equipment under capital leases | 2 years |

b) Revenue

Fees are recognized when earned which is normally upon receipt. The amount of revenue to be realized from prospectus filing fees is uncertain. Fees are paid based on estimated sales and refunds are issued, as required, based on actual sales in Ontario. As a result, revenue from prospectus filings is recognized net of a provision for expected refunds. At the beginning of each fiscal year the Commission establishes a percentage for the provision for expected refunds based on the experience of the previous three years. The provision is adjusted at year end. Continuous disclosure filing fees are recognized upon receipt of filing.

Recovery of costs of investigations is recognized as revenue upon date of decision unless management determines there is no reasonable assurance as to ultimate collection. When there is no reasonable assurance as to ultimate collection, revenue is recognized when cash is received.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 1999

c) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

3. RESERVE

As part of the approval of its self-funded status, the Commission was allowed to establish a \$10.0 million reserve to be used as an operating contingency against revenue shortfalls or unanticipated expenditures. In April, 1999, the Commission obtained approval to increase the reserve to \$20.0 million over a three year period. During 1998/1999, \$7.5 million was retained. These funds are currently held in cash and will be invested early in 1999/2000. A further \$7.5 million will be retained in 1999/2000 and \$5.0 million in 2000/2001. The prime investment consideration for the reserve is the protection of principal and the selection of maturities appropriate to meet anticipated cash flow needs.

4. DESIGNATED SETTLEMENT

According to the terms of a settlement agreement reached on March 18, 1999, \$1.1 million is receivable by the Commission, in trust, to be allocated to such third parties as the Commission may determine, to be used for purposes that will benefit investors in Ontario. The receivable is due in four equal instalments, on: September 29, 1999, March 29, 2000, September 29, 2000 and March 29, 2001. Recognition of the designated settlement as revenue has been deferred until related expenditures are incurred.

| | 1999 |
|----------------------------------|-------------------|
| Designated settlement receivable | \$ 1,100,000 |
| Less: Current portion | 550,000 |
| | <u>\$ 550,000</u> |

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 1999

5. COMMITMENTS AND CONTINGENCIES

- a) The Commission has guaranteed 61% of a total \$12 million line of credit from a Canadian bank for the Mutual Fund Dealers Association of Canada (MFDA). The guarantee was signed March 19, 1999 and can be terminated by the Commission at any time. The Alberta Securities Commission and the British Columbia Securities Commission have also guaranteed a specified percentage of the total indebtedness. The MFDA has signed an agreement which requires it to use the funds only in accordance with the budget and business plan as approved by each of the Commissions, and also commits the MFDA to repay its loan by the end of the seventh year. As at March 31, 1999, the MFDA has drawn \$640,000 on this line of credit. Interest is charged at prime plus 0.50% per annum.
- b) The Commission is involved in various legal actions arising out of the ordinary course and conduct of business. Settlements, if any, concerning these contingencies will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

6. CAPITAL ASSETS

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>1999 Net Book Value</u> | <u>1998 Net Book Value</u> |
|--|---------------------|-------------------------------------|------------------------------------|------------------------------------|
| Office furniture | \$ 119,690 | \$ 13,696 | \$ 105,994 | \$ 68,480 |
| Office equipment | 68,599 | 549 | 68,050 | 5,492 |
| Computer hardware and related hardware | 2,132,626 | 135,568 | 1,997,058 | 271,136 |
| Computer equipment under capital leases | 831,725 | - | 831,725 | - |
| | <u>\$ 3,152,640</u> | <u>\$ 149,813</u> | <u>\$ 3,002,827</u> | <u>\$ 345,108</u> |

7. LEASE OBLIGATIONS**a) Operating**

The Commission is committed to annual operating lease payments for office space of \$2,016,060. The lease term expires on August 31, 2005. The Commission has negotiated to lease additional space to accommodate its staffing growth. This will increase the annual lease payments by \$466,138.

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 1999

b) Capital

On termination of the service delivery agreement with the Ministry of Finance (Note 8(c)), lease obligations for computer equipment that were entered into by the Ministry, were transferred to the Commission and recorded at the present value of the minimum lease payments as at November 1, 1998. The present value of the lease payments for any new lease subsequently entered into by the Commission has been added to this value. All capital leases expire on or before December 31, 2001. As at March 31, 1999, total obligation under capital leases amounted to \$725,377 of which \$453,759 is due within one year. Interest owing on capital leases amounts to \$54,898.

8. TRANSACTIONS WITH PROVINCE OF ONTARIO

In the course of normal operations, the Commission entered into transactions with the Province of Ontario as follows:

- a) On November 1, 1997, the Province of Ontario transferred prepaid expenses amounting to \$28,053 and accounts receivable balances of \$70,191 representing a total contribution of \$98,244 to the Commission's surplus.
- b) The Commission has entered into a tri-party agreement with the Ontario Financing Authority to facilitate banking arrangements with a Schedule 1 Bank.
- c) On November 1, 1997, the Commission entered into a service delivery agreement with the Ministry of Finance for the provision of regulatory and related support services to the Commission, at cost. The service delivery agreement ended October 31, 1998. The following expenditures were incurred by the Ministry of Finance on behalf of the Commission and are included in the Commission's expenditures. Comparative figures for the five month period ended March 31, 1998 are provided:

| | For the Period April 1, 1998 to October 31, 1998 | For the Period November 1, 1997 to March 31, 1998 |
|-----------------------|--|---|
| Salaries and benefits | \$ 9,246,847 | \$ 5,991,710 |
| Professional services | 2,581,749 | 2,236,727 |
| Occupancy | 1,788,980 | 1,075,809 |
| Administrative | 873,109 | 650,854 |
| Travel | 219,283 | 77,207 |
| | <u>\$14,709,968</u> | <u>\$10,032,307</u> |

ONTARIO SECURITIES COMMISSION

Notes to the Financial Statements

March 31, 1999

9. PENSION PLANS

Effective November 1, 1998, the Commission began to provide pension benefits to its full-time employees through participation in the Public Service Pension Plan (PSPP) established by the Province of Ontario. The Commission's contribution to the pension plan for the year ended March 31, 1999 was \$372,071 (1998 - nil) and is included in salaries and benefits.

The Commission also maintains supplementary unfunded pension plans for certain full-time members of the Commission. The benefits earned to date by these members do not represent a material obligation to the Commission.

10. TRANSACTIONS WITH THE CANADIAN G-30

In September 1998, the Commission entered into a cost sharing arrangement with the Canadian G-30 Committee (a group which represents various securities industry participants). The Commission agreed to assume the leadership role on a Year 2000 related project. The goal of the project was to develop and implement industry-wide testing for Year 2000 preparedness. The Canadian G-30 agreed to provide funding up to \$1,492,752 to the Commission. As at March 31, 1999 the Commission had spent \$1,539,797 on this project of which \$1,112,296 was funded by the Canadian G-30. The net expenditure of \$427,501 is included in professional services.

11. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before or after January 1, 2000.

If the Year 2000 issue is not addressed by the Commission's major customers, suppliers and other third party business associates, the impact on the Commission's operations and financial reporting may range from minor errors to significant systems failure which could affect the Commission's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Commission, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

12. COMPARATIVE FIGURES

The comparative figures are presented for the five month period from November 1, 1997 to March 31, 1998. Certain of the comparative figures have been reclassified to conform to current presentation.

ONTARIO SECURITIES COMMISSION
Public Sector Salary Disclosure

| <u>Name</u> | <u>Position</u> | <u>1998</u> <u>Salary Paid</u> | <u>1998</u> <u>Taxable Benefits</u> |
|---------------------|--|-----------------------------------|--|
| Bourque, Paul | Director, Market Operations | 163,607 | 49 |
| Brown, David | Chair and Chief Executive Officer | 316,098 | 5,247 |
| Carscallen, Morley | Vice Chair | 165,818 | - |
| Day, Robert | Manager, Business Planning | 106,602 | 30 |
| Geller, John A. | Vice Chair | 186,445 | 671 |
| Macfarlane, Charles | Executive Director and Chief Operating Officer | 120,013 | 97 |
| Spencer, Mary | Director, Corporate Services | 153,373 | 5,750 |

Prepared under the *Public Salary Disclosure Act*, 1996

June 3, 1999

Auditors' Report

**To the Members of the
Toronto Area Transit Operating Authority,
The Minister of Transportation and The Provincial Auditor**

We have audited the balance sheet of **Toronto Area Transit Operating Authority** as at March 31, 1999 and the statements of equity, operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Toronto Area Transit Operating Authority

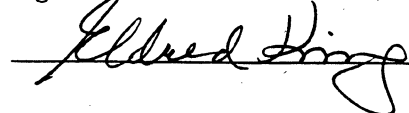
Balance Sheet

As at March 31, 1999

(in thousands of dollars)

| | 1999 \$ | 1998 \$ |
|--|------------------|----------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 201,060 | 40,352 |
| Accounts receivable | 1,406 | 1,756 |
| Deposit with Canadian National Railway Company | 7,021 | 7,021 |
| Due from the City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and Hamilton-Wentworth (note 1) | — | 818 |
| Due from the Province of Ontario – interest on long-term debt | 8,805 | 8,907 |
| Spare parts and supplies | 1,350 | 1,370 |
| Prepaid expenses | 1,069 | 1,004 |
| | <u>220,711</u> | <u>61,228</u> |
| Capital assets (note 3) | 601,285 | 622,900 |
| Locomotives and other railway rolling stock, pledged as collateral – net of amortization of \$201,953 (1998 – \$179,827) (note 4) | <u>277,996</u> | <u>292,979</u> |
| | <u>879,281</u> | <u>915,879</u> |
| | <u>1,099,992</u> | <u>977,107</u> |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 49,250 | 49,260 |
| Due to the Minister of Transportation, Province of Ontario (note 12) | 38,847 | — |
| Due to the Greater Toronto Transit Authority (note 13) | 106,514 | — |
| Unearned revenue in respect of tickets sold and not used | 3,272 | 3,061 |
| Current portion of long-term debt (note 4) | 504 | — |
| Interest on long-term debt | 8,805 | 8,907 |
| Advanced funding (note 12) | 10,166 | — |
| | <u>217,358</u> | <u>61,228</u> |
| Long-term debt (note 4) | 442,091 | 437,990 |
| Contingencies (notes 1 and 10) | | |
| Equity | | |
| Province of Ontario | 436,686 | 477,889 |
| Funding surplus (note 12) | <u>3,857</u> | <u>—</u> |
| | <u>1,099,992</u> | <u>977,107</u> |

Signed on behalf of the Members

 Director

 Director

Toronto Area Transit Operating Authority**Statement of Equity****For the year ended March 31, 1999**

(in thousands of dollars)

| | 1999 | 1998 |
|--|----------------|----------------|
| | \$ | \$ |
| Capital asset equity – Beginning of year | 484,349 | 515,208 |
| Capital contributions from the Province of Ontario | – | 37,714 |
| Capital contributions from the City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and Hamilton- Wentworth | 36,325 | 7,398 |
| Less | | |
| Amortization of capital assets | (69,067) | (66,154) |
| Book value of assets disposed | (3,856) | (9,817) |
| Capital asset equity – End of year | 447,751 | 484,349 |
| Equity contribution from the Province of Ontario for long-term debt | (8,707) | (6,680) |
| Cumulative amortization of foreign exchange gains (losses) on long-term debt | (2,358) | 220 |
| Equity – End of year | 436,686 | 477,889 |

Toronto Area Transit Operating Authority

Statement of Operations

For the year ended March 31, 1999

(in thousands of dollars)

| | 1999 \$ | 1998 \$ |
|--|----------------|----------------|
| Revenue | | |
| Passenger service | 120,719 | 110,183 |
| Sundry revenue (note 6) | 7,423 | 6,837 |
| Gain (loss) on sale of capital assets | 7,598 | (2,435) |
| | <u>135,740</u> | <u>114,585</u> |
| Expenses | | |
| Labour and administration (note 8) | 51,099 | 55,675 |
| Services | 8,031 | 6,342 |
| Supplies | 833 | 653 |
| Facility maintenance | 23,429 | 24,242 |
| Equipment maintenance | 27,374 | 30,230 |
| Operations | 52,181 | 63,318 |
| | <u>162,947</u> | <u>180,460</u> |
| Loss from operations before the undernoted | 27,207 | 65,875 |
| Amortization of capital assets | 69,067 | 66,154 |
| Amortization of deferred foreign exchange loss on long-term debt | 2,578 | 51 |
| Interest on long-term debt | 35,995 | 35,850 |
| | <u>134,847</u> | <u>167,930</u> |
| Loss before subsidies | | |
| Subsidies | | |
| Province of Ontario | | |
| Operating | — | 47,936 |
| Interest on long-term debt | 31,390 | 33,437 |
| The City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and Hamilton-Wentworth | | |
| Operating | 80,077 | 17,939 |
| Return of Operating Subsidy to the Minister of Transportation, Province of Ontario (note 12) | (38,847) | — |
| | <u>62,227</u> | <u>68,618</u> |
| Loss for the year | | |

Toronto Area Transit Operating Authority**Statement of Changes in Financial Position****For the year ended March 31, 1999**

(in thousands of dollars)

| | 1999 \$ | 1998 \$ |
|--|------------|------------|
| Cash provided by (used in) | | |
| Operating activities | | |
| Loss for the year | (62,227) | (68,618) |
| Non-cash items | | |
| Amortization of capital assets | 69,067 | 66,154 |
| Amortization of deferred foreign exchange loss | 2,578 | 51 |
| (Gain) loss on sale of capital assets | (7,598) | 2,435 |
| | 1,820 | 22 |
| Net change in non-cash working capital items | 30,005 | 26,489 |
| | 31,825 | 26,511 |
| Investment activities | | |
| Capital assets additions | (36,325) | (45,112) |
| Proceeds on capital assets disposals | 11,454 | 7,382 |
| | (24,871) | (37,730) |
| Financing activities | | |
| Increase in long-term debt | 4,605 | 2,413 |
| Capital asset disposition | (3,856) | (9,817) |
| Province of Ontario | | |
| Funds received – on behalf of the Greater Toronto Transit Authority | 106,514 | – |
| Capital contributions | – | 37,714 |
| The City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and Hamilton-Wentworth | | |
| Capital contributions | 36,325 | 7,398 |
| Advanced funding | 10,166 | – |
| | 153,754 | 37,708 |
| Net increase in cash and cash equivalents | 160,708 | 26,489 |
| Cash and cash equivalents – Beginning of year | 40,352 | 13,863 |
| Cash and cash equivalents – End of year | 201,060 | 40,352 |

Toronto Area Transit Operating Authority

Notes to Financial Statements

March 31, 1999

(in thousands of dollars)

1 Funding and proposed Greater Toronto Services Board (GTSB)

Prior to January 1, 1998, the Authority, which operates under the Toronto Area Transit Operating Authority Act (TATOA Act) received subsidies from the Province of Ontario (the Province) for operating and capital funding purposes. Effective January 1, 1998 Schedule E of the Services Improvement Act amended the TATOA Act by transferring the responsibility for the Authority's operating and capital funding to the City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and Hamilton-Wentworth. Funding is now provided on a calendar year basis. In addition, pursuant to a memorandum of understanding dated December 1993 and affirmed by the Deputy Minister of Transportation in a letter dated July 9, 1997, the Province will provide funds to the Authority in a timely manner and in the amounts necessary to enable the Authority to satisfy the long-term debt obligations (1999 – \$480,064) and interest (1999 – \$35,995) when payments fall due (note 4).

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 (GTТА) and to amend the TATOA Act. Substantially all of the business and assets of the Authority will be transferred to GTТА for nominal consideration with the exception of the locomotives and other railway rolling stock pledged as collateral which is subject to the Conditional Sale Agreement (long-term debt obligation) and the long-term debt described in note 4. GTТА will enter into a lease agreement for these assets and manage the transit business.

The transfer of the transit business to the GTТА is proposed for August 7, 1999.

GTТА is to be funded by a newly formed Greater Toronto Services Board (GTSB). The GTSB will be funded by the City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and, for GTТА purposes only, Hamilton-Wentworth. The effect, if any, on these financial statements of these arrangements cannot be determined at this time.

2 Summary of significant accounting policies

These financial statements are prepared by management in accordance with generally accepted accounting principles. The significant accounting policies are as follows:

a) Spare parts and supplies

Spare parts and supplies are valued at the lower of cost and replacement cost.

Toronto Area Transit Operating Authority

Notes to Financial Statements

March 31, 1999

(in thousands of dollars)

b) Capital assets

Capital assets are recorded at cost.

The Authority provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

| | |
|--|-------------|
| Building and equipment | |
| Shelters and ticket booths | 5 years |
| Other buildings | 20 years |
| Locomotives | 20 years |
| Other railway rolling stock | 25 years |
| Buses | 12 years |
| Parking lots | 20 years |
| Sundry | |
| Furniture and fixtures | 12 years |
| Other | 3 – 5 years |
| Improvements to railway right-of-way and railway plant | 20 years |
| Trackwork and installation | 20 years |
| Leasehold improvements | 20 years |

Viability studies for future expansion represent costs deferred on a project-by-project basis until the viability of the respective project is determined. When the project is finalized, the costs are amortized based on a specific asset category. If a project is abandoned or the costs are considered to be unrecoverable, the deferred costs are charged to operations in the year the determination is made.

c) Commuter services revenue

Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the balance sheet as current liabilities.

d) Subsidies

Operating subsidies paid by the Province of Ontario, the City of Toronto and the Regional Municipalities of Durham, Halton, Peel, York and Hamilton-Wentworth are treated as reductions of operating losses. Gains and losses from the disposition of capital assets are included in operations. Capital contributions are included in equity and reduced by the amortization of capital assets over the useful lives of the related assets. The providers of the subsidies have authorized the use of capital contributions for certain types of operating expenses.

e) Foreign currency translation

Long-term monetary liabilities are translated to Canadian dollars at rates of exchange in effect at the end of the year. Unrealized exchange gains or losses arising on translation are deferred and amortized over the remaining terms of the liabilities.

Toronto Area Transit Operating Authority

Notes to Financial Statements

March 31, 1999

(in thousands of dollars)

f) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant estimates include funding, the recovery of capital assets, unearned revenue, amortization of capital assets and contingencies. Actual results could differ from those estimates.

g) Financial instruments

The carrying amounts for cash and cash equivalents, accounts receivable, deposits and other receivables, accounts payable and accrued liabilities on the balance sheet approximate fair value because of the limited term of these instruments. Due to the nature of long-term debt, it is not practicable to establish a fair value due to the unique nature of this transaction. The principal characteristics of this transaction are set forth in note 4.

Fair value estimates are made at the balance sheet date, which are based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

h) Reclassification

Certain amounts of prior year financial statements have been reclassified to conform to current year's presentation.

Toronto Area Transit Operating Authority

Notes to Financial Statements

March 31, 1999

(in thousands of dollars)

3 Capital Assets

| | 1999 | | |
|--|------------|-----------------------------------|-----------|
| | Cost \$ | Accumulated amortization \$ | Net \$ |
| Land | 108,778 | — | 108,778 |
| Buildings | 226,481 | 87,918 | 138,563 |
| Leasehold improvements | 22,660 | 7,808 | 14,852 |
| Locomotives and other railway rolling stock | 84,076 | 41,883 | 42,193 |
| Improvements to railway right-of-way and railway plant | 393,757 | 208,313 | 185,444 |
| Trackwork and installation | 57,630 | 29,575 | 28,055 |
| Construction in progress | 10,491 | — | 10,491 |
| Buses | 56,603 | 35,958 | 20,645 |
| Parking lots | 69,231 | 24,594 | 44,637 |
| Sundry | 54,435 | 46,808 | 7,627 |
| | 1,084,142 | 482,857 | 601,285 |

| | 1998 | | |
|--|------------|-----------------------------------|-----------|
| | Cost \$ | Accumulated amortization \$ | Net \$ |
| Land | 109,870 | — | 109,870 |
| Buildings | 222,725 | 77,802 | 144,923 |
| Leasehold improvements | 22,371 | 6,726 | 15,645 |
| Locomotives and other railway rolling stock | 91,574 | 49,329 | 42,245 |
| Improvements to railway right-of-way and railway plant | 382,855 | 189,016 | 193,839 |
| Trackwork and installation | 50,713 | 20,280 | 30,433 |
| Construction in progress | 15,034 | — | 15,034 |
| Buses | 50,789 | 32,192 | 18,597 |
| Parking lots | 65,326 | 21,650 | 43,676 |
| Sundry | 54,713 | 46,075 | 8,638 |
| | 1,065,970 | 443,070 | 622,900 |

The Authority capitalizes engineering payroll costs where time has been spent on particular capital projects. The amount capitalized for year ended March 31, 1999 was \$1,040 (1998 - \$924).

Toronto Area Transit Operating Authority

Notes to Financial Statements

March 31, 1999

(in thousands of dollars)

4 Long-term debt

At the request of the Ontario Minister of Finance, the Authority entered into a financing transaction on March 31, 1994. Under the terms of the transaction, forty-two of the locomotives and two hundred and forty-three bi-level cars were sold for \$431,530 (US\$311,867) and immediately repurchased from the same counterparty at the same price under conditional sales contracts maturing on July 1, 2006. The proceeds from the sales were returned to the Province of Ontario net of transaction costs of \$4,271. The transaction has been accounted for as a collateralized financing. The debt is collateralized by the locomotives and bi-level cars. The Authority retains the right to use the locomotives and bi-level cars and is liable for maintenance and all other associated obligations. The Authority cannot lease or sell the locomotives and bi-level cars without the prior written consent of the counterparty to the debt obligation. In addition, the Authority is liable for any costs which reduce the other parties' return on the financing.

Under the agreement the Authority agreed to repay the obligation and interest thereon over twelve years. The loan balances will also increase in certain periods.

| Contract number | Maximum loan US\$ | Average interest rate % | Balance at March 31, 1999 US\$ | Balance at March 31, 1998 US\$ | Collateral |
|---|----------------------|-------------------------------|---|---|---------------------------|
| 1 | 14,487 | 7.27536 | 14,445 | 14,435 | Bi-level cabs and coaches |
| 2 | 108,926 | 7.26143 | 108,926 | 108,482 | Bi-level cabs and coaches |
| 3 | 23,794 | 7.38419 | 23,473 | 23,639 | Locomotives |
| 4 | 70,319 | 7.28488 | 70,144 | 69,762 | Bi-level cabs and coaches |
| 5 | 60,702 | 7.36798 | 59,178 | 58,789 | Bi-level coaches |
| 6 | 41,926 | 7.39563 | 41,926 | 41,587 | Locomotives |
| | <u>320,154</u> | | <u>318,092</u> | <u>316,694</u> | |
| Translated to Canadian dollars at | | | <u>1.5092</u> | <u>1.4166</u> | |
| | CAN\$ | | 480,064 | 448,629 | |
| Deferred foreign exchange loss net of accumulated amortization of \$2,358 (1998 gain – \$220) | | | <u>(37,469)</u> | <u>(10,639)</u> | |
| | | | 442,595 | 437,990 | |
| Less: Current portion | | | <u>504</u> | <u>–</u> | |
| | | | <u>442,091</u> | <u>437,990</u> | |

Toronto Area Transit Operating Authority

Notes to Financial Statements

March 31, 1999

(in thousands of dollars)

The annual repayments in US dollars the Authority is required to make are as follows:

| | Principal repay US\$ | Interest US\$ | Total US\$ |
|-----------------------------|----------------------------|------------------|---------------|
| 1999 – 2000 | 334 | 23,271 | 23,605 |
| 2000 – 2001 | 831 | 23,248 | 24,079 |
| 2001 – 2002 | 1,492 | 23,192 | 24,684 |
| 2002 – 2003 | 2,334 | 23,071 | 25,405 |
| 2003 – 2004 | 2,753 | 22,889 | 25,642 |
| 2004 – 2005 | 8,069 | 22,597 | 30,666 |
| 2005 – 2006 | 8,911 | 22,073 | 30,984 |
| 2006 – 2007 Balloon Payment | 293,368 | 10,727 | 304,095 |
| | 318,092 | 171,068 | 489,160 |

Pursuant to a memorandum of understanding dated December 1993, and affirmed by the Deputy Minister of Transportation in a letter dated July 9, 1997, between the Province and the Authority, the Province will provide funds to the Authority in a timely manner and in the amounts necessary to enable the Authority to satisfy the above debt obligation and interest when payments fall due.

5 Operating and maintenance agreements

A significant amount of the services provided by the Authority are operated and maintained by outside parties using rolling stock owned by the Authority. These services are governed by the agreements with The Canadian National Railway Company, St. Lawrence and Hudson Railway Company Limited and Bombardier Inc.

6 Sundry revenue

| | 1999 \$ | 1998 \$ |
|---|------------|------------|
| Interest income | 3,141 | 994 |
| Rentals – rolling stock | 88 | 1,286 |
| Rentals – space | 2,457 | 2,316 |
| Advertising revenue | 530 | 452 |
| Commissions – ticket sales | 492 | 470 |
| Distribution from Transportation and Railroad Assurance Company | 210 | 695 |
| Other | 505 | 624 |
| | 7,423 | 6,837 |

Toronto Area Transit Operating Authority

Notes to Financial Statements

March 31, 1999

(in thousands of dollars)

7 Commitments

Leases

Minimum lease payments in each of the next five years and thereafter are as follows:

| | \$ |
|-------------|---------------|
| 1999 – 2000 | 3,439 |
| 2000 – 2001 | 2,645 |
| 2001 – 2002 | 2,454 |
| 2002 – 2003 | 2,329 |
| 2003 – 2004 | 2,299 |
| Thereafter | <u>23,771</u> |
| | <u>36,937</u> |

The Authority has also committed to approximately \$33,231 for various capital asset additions over the next fiscal year.

8 Pensions

The Authority provides pension benefits for substantially all of its permanent employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario. The Authority has expensed \$2,341 for pension for the year ended March 31, 1999 (1998 – \$3,670).

9 Remuneration

Total remuneration of Members of the Board was forty thousand dollars during the fiscal year (1998 – twenty-three thousand dollars).

Provincial legislation requires disclosure of Ontario Public Sector employees, paid an annual salary and benefits in excess of one hundred thousand dollars in calendar year 1998. The individuals are listed as follows:

| | \$ |
|-------------------|-----|
| Ducharme, Richard | |
| Managing Director | 125 |

Toronto Area Transit Operating Authority

Notes to Financial Statements

March 31, 1999

(in thousands of dollars)

10 Contingencies

- a) A claim has been made against the Authority by a contractor in connection with work performed. Management has reviewed this claim and believes it cannot be fully substantiated and that the disposition of this matter will not materially exceed the amount provided for in the financial statements.
- b) There has been an ongoing dispute between the City of Toronto (the City) and the Toronto Terminals Railway Company Limited (the TTR) relating to the rent for lands under Union Station dating back to 1968. The Authority pays a pro rata share of approximately 38% of the rent. The rent is determined every 21 years. In 1996, an arbitration panel issued a decision respecting the rent to be paid from 1968 to 1989. An appeal to Divisional court was dismissed but the City has filed an application for leave to appeal with the Court of Appeal of Ontario. In addition, the City and the TTR must still negotiate the rent for the period from 1989 to 2010. The outcome of this matter cannot be determined at this time. However, management believes that the disposition of this matter will not materially exceed the amount provided for in the financial statements.
- c) The Authority has purchased insurance to cover claims in excess of \$5,000 on any one rail accident. The incident at Union Station on November 19, 1997 is the subject of various claims including two potential class proceedings. The outcome of these claims cannot be determined at this time. However, management believes that the disposition of these matters will not materially exceed the amount provided for in the financial statements. Effective June 1998, the Authority's insurance coverage was revised to cover claims in excess of \$1,000.
- d) The Authority has also been named in two claims for personal injury relating to GO service in the amount of \$18,800. The amount of the loss, if any, cannot be determined at this time.

11 Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an Authority's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Authority, including those related to the efforts of suppliers, or other third parties, will be fully resolved.

Toronto Area Transit Operating Authority

Notes to Financial Statements

March 31, 1999

(in thousands of dollars)

12 Funding surplus

The surplus comprises the excess of the net operating subsidies over the loss from operations before amortization of capital assets, interest on long-term debt and amortization of deferred foreign exchange gain (loss). The surplus for the year ended December 31, 1998 was \$42,704. On May 14, 1999, the Members of the Board approved a resolution to return \$38,847 to the Minister of Transportation in order to accommodate the requirements of the Services Improvement Act. The Members of the Board have approved prior resolutions to purchase land from the balance of the surplus funding for the year ended December 31, 1998.

The ultimate disposition of the funding surplus is determined under the terms of the Services Improvement Act, which amended the Toronto Area Transit Operating Authority Act.

Funding is provided on a monthly basis, based on an annual budget. Funds received prior to actual capital and operating spending (1999 – \$10,166) is treated as an advance, until the determination of a surplus or deficit which is done on a calendar year basis.

13 Province of Ontario funding for GTTA (see note 1)

On March 31, 1999, the Authority received \$106,500 from the Province of Ontario via the GTSB to assist with future capital investments. The funds are from the Municipal Capital and Operating Restructuring Fund (MCORF) and will be transferred to the GTTA with the related interest earned and will be utilized as determined by the GTSB.

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Northern Ontario Heritage Fund Corporation
and to the Minister of Northern Development and Mines

I have audited the balance sheet of the Northern Ontario Heritage Fund Corporation as at March 31, 1999 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. 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 management, 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 Corporation as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario
June 4, 1999

A handwritten signature in black ink, appearing to read 'K W Leishman'.

K.W. Leishman, CA
Assistant Provincial Auditor

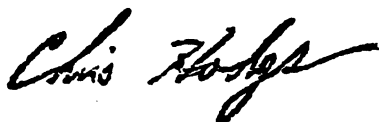
NORTHERN ONTARIO HERITAGE FUND CORPORATION

Balance Sheet
As at March 31, 1999

| | 1999 (\$000's) | 1998 (\$000's) |
|--|-------------------|-------------------|
| Assets | | |
| Cash and short-term deposits (Note 4) | | |
| Northern Ontario Heritage Fund Program | 205,791 | 188,415 |
| Elliot Lake and Area Diversification Program | — | 30 |
| Elliot Lake Region Economic Development Program | — | 200 |
| | <u>205,791</u> | <u>188,645</u> |
| Accrued interest | 5,065 | 2,979 |
| Loans receivable (Note 5) | <u>19,882</u> | <u>26,768</u> |
| | <u>230,738</u> | <u>218,392</u> |
| Liabilities | | |
| Accounts payable and accrued liabilities | — | 110 |
| Provision for guarantee losses | <u>142</u> | <u>1,000</u> |
| | <u>142</u> | <u>1,110</u> |
| Commitments and contingencies (Note 9) | | |
| Investment by the Province of Ontario | | |
| Net investment by the Province of Ontario (Notes 3, 6) | <u>230,596</u> | <u>217,282</u> |
| | <u>230,738</u> | <u>218,392</u> |

See accompanying notes to financial statements.

On behalf of the Board:



Chairperson



Director

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Operations

For the Year Ended March 31, 1999

| | 1999 (\$000's) | 1998 (\$000's) |
|---|-------------------|-------------------|
| Revenue | | |
| Interest on short-term deposits | 10,845 | 7,456 |
| Interest on loans | <u>1,358</u> | <u>2,290</u> |
| | <u>12,203</u> | <u>9,746</u> |
| Expenses | | |
| Grants | 13,415 | 10,541 |
| Forgivable loans | 11,106 | 3,679 |
| Credit and investment losses (net of recoveries - Note 7) | 3,721 | 2,403 |
| Interest subsidy payments | 5 | 106 |
| Administration (Note 8) | <u>911</u> | <u>582</u> |
| | <u>29,158</u> | <u>17,311</u> |
| Net cost of operations | <u>16,955</u> | <u>7,565</u> |

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows
For the Year Ended March 31, 1999

| | 1999 (\$000's) | 1998 (\$000's) |
|---|-----------------------|-----------------------|
| Lending, Investing and Financial Assistance Activities | | |
| Loan disbursements | (4,306) | (1,103) |
| Loan repayments | 5,581 | 5,510 |
| Grants and forgivable loans | (23,087) | (14,220) |
| Loan guarantees honoured and interest subsidy payments | (5) | (106) |
| Interest collected from borrowers | 755 | 1,276 |
| Disbursement of Elliot Lake Programs | (89) | (11,403) |
| | <u>(21,151)</u> | <u>(20,046)</u> |
| Financing Activities | | |
| Cash contributions from the Province for: | | |
| Lending activities | 30,000 | 30,000 |
| Administration | 449 | 287 |
| | <u>30,449</u> | <u>30,287</u> |
| Operating Activities | | |
| Interest received on short-term deposits | 8,759 | 7,143 |
| Administration costs | (911) | (582) |
| | <u>7,848</u> | <u>6,561</u> |
| Increase in cash and short-term deposits | 17,146 | 16,802 |
| Cash and short-term deposits, beginning of year | <u>188,645</u> | <u>171,843</u> |
| Cash and short-term deposits, end of year | <u><u>205,791</u></u> | <u><u>188,645</u></u> |

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATIONNotes to Financial Statements
March 31, 1999

1. BACKGROUND

The Corporation was established, without share capital, on June 1, 1988 under the *Northern Ontario Heritage Fund Act*. The purpose of the Corporation is to encourage growth and diversification of the economy of Northern Ontario by providing financial assistance by way of grants, loans or guarantee of loans made by other lenders.

As announced in the *1996 Ontario Budget*, the operations of the Corporation were refocused, commencing in fiscal year 1997, to fund infrastructure improvements and economic development opportunities in Northern Ontario by way of conditional contributions, forgivable performance loans, incentive term loans and loan guarantees.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management. The significant accounting policies used to prepare these statements are summarized below.

(a) Basis of Accounting

The financial statements have been prepared using the accrual method of accounting.

(b) Transactions with the Province

The Province's investment in the Corporation is detailed in note 6. The Province contributes funds to finance the lending and financial assistance activities and reimburses the Corporation for certain administration expenses. The Province's investment is reduced by the net cost of operations.

(c) Loans Receivable

Loans receivable are stated at their estimated net realizable value. Interest-free loans are discounted at the average provincial borrowing rate to determine the present value of the loan. The difference between the face value of the loan and its present value is in substance, a grant, and is recognized as grants expense in the year when the loan is made. The amount of the loan discount is amortized to interest revenue over the term of the loan.

(d) Provision for Credit Losses

Credit losses arise on loans receivable and guarantees issued to other lenders by the Corporation. In addition to specific write-offs and write-downs, a provision for credit losses is maintained in an amount considered adequate to absorb anticipated credit-related losses. The provision for losses on loans consists of provisions on specific loans and a general provision, and is deducted from loans receivable. The general provision for losses on guarantees is included in liabilities. General provisions are established based in part on the historical loss ratios of the Corporation reduced by specific write-offs and write-downs taken.

The amounts written off and written down in the year, net of realized recoveries of amounts written off and written down in prior years, and changes in provisions are charged to credit and investment losses in the Statement of Operations.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements

March 31, 1999

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue Recognition

Interest income is recognized on the accrual basis.

(f) Forgivable loans

Generally, loans are forgiven on condition that the borrower has met certain requirements after the loan is disbursed. The Corporation expenses forgivable loans disbursed.

(g) Guarantees

Guarantee losses in the Statement of Operations include provisions and are net of recoveries on guarantees previously honoured.

(h) Use of Estimates

Preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

3. CHANGE IN ACCOUNTING POLICY

Commencing April 1, 1998, the Corporation changed its method of accounting for interest-free loans receivable from recording them at their face value to their present value as described in note 2(c). This change in accounting policy has been applied retroactively.

The accounting change had the following impact for 1997-98:

| | As Previously Reported (\$000's) | Effect of the Change (\$000's) | Restated Amount (\$000's) |
|---|--|--------------------------------------|---------------------------------|
| Loans receivable | 28,699 | (1,931) | 26,768 |
| Interest on loans | 1,276 | 1,014 | 2,290 |
| Net cost of operations | 8,579 | (1,014) | 7,565 |
| Net investment by the Province of Ontario | 219,213 | (1,931) | 217,282 |

As for 1998-99, the accounting change decreased loans receivable by \$2,984,000, increased interest on loans by \$440,000 and increased the net cost of operations by \$1,053,000.

4. CASH AND SHORT-TERM DEPOSITS

The *Northern Ontario Heritage Fund Act* restricts investments to securities issued or guaranteed by the provinces, Canada, United States and the United Kingdom, bankers' acceptances, deposit notes and other investments as authorized by the Lieutenant Governor in Council.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 1999

4. CASH AND SHORT-TERM DEPOSITS (CONTINUED)

The Corporation, through an Investment Management Agreement with the Ontario Financing Authority, invests excess funds in guaranteed securities as restricted by the *Northern Ontario Heritage Fund Act*.

Cash and short-term investments include \$199,123,000 (1998 - 185,849,000) of investments maturing within one year, yielding 5% on average (1998 - 4.7%), with a market value that approximates carrying value.

5. LOANS RECEIVABLE

Since April 1998, the Corporation has engaged a private sector asset management company to manage some of the Corporation's loan and guarantee portfolios.

Generally, loans bear fixed interest rates ranging from 0% to 12.5%. Loans are long-term in nature, with interest free periods of up to five years. Principal repayments can also be deferred for up to five years. All loans are fully repayable within 20 years from the date disbursed.

| | 1999 (\$000's) | 1998 (\$000's) |
|-----------------------------|-------------------|-------------------|
| Current | 1,895 | 2,442 |
| Long-term | 25,788 | 30,164 |
| Provision for credit losses | (4,817) | (3,907) |
| Loan discount | <u>(2,984)</u> | <u>(1,931)</u> |
| | <u>19,882</u> | <u>26,768</u> |

The changes in the loan discount balances are as follow:

| | 1999 (\$000's) | 1998 (\$000's) |
|---|-------------------|-------------------|
| Balance, beginning of year | 1,931 | 2,945 |
| Add: Amount of loan discount charged to grant expense | 1,497 | — |
| Less: Amount amortized to loan interest revenue | <u>(444)</u> | <u>(1,014)</u> |
| Balance, end of year | <u>2,984</u> | <u>1,931</u> |

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 1999

6. INVESTMENT BY THE PROVINCE OF ONTARIO

| | Northern Ontario Heritage Fund Program | Elliot Lake and Area Diversification Program | Elliot Lake Region Economic Development Program | Total |
|---|---|---|---|------------------|
| | (\$000's) | | | |
| Contributed capital: | | | | |
| Balance, April 1, 1998 | 308,814 | 15,000 | 65,000 | 388,814 |
| Less: Adjustment for prior year's discounted loans (Note 3, 5) | (2,945) | — | — | (2,945) |
| Contributions to fund | | | | |
| Lending and financial assistance activities | 30,000 | — | — | 30,000 |
| Administration costs (Note 8) | 449 | — | — | 449 |
| Balance, March 31, 1999 | <u>336,318</u> | <u>15,000</u> | <u>65,000</u> | <u>416,318</u> |
| Accumulated net cost of operations: | | | | |
| Balance, April 1, 1998 | (89,931) | (14,873) | (64,797) | (169,601) |
| Add: Adjustment for prior year's discounted loans (Note 3) | 1,014 | — | — | 1,014 |
| Transfer of fund balance | — | (127) | (53) | (180) |
| Net cost of operations for year | <u>(16,805)</u> | <u>—</u> | <u>(150)</u> | <u>(16,955)</u> |
| Balance, March 31, 1999 | <u>(105,722)</u> | <u>(15,000)</u> | <u>(65,000)</u> | <u>(185,722)</u> |
| Net investment by the Province of Ontario | <u>230,596</u> | <u>—</u> | <u>—</u> | <u>230,596</u> |

In December 1996, Management Board of Cabinet directed the Corporation to transfer the Elliot Lake and Area Diversification Program and the Elliot Lake Region Economic Development Program to Elliot Lake and North Shore Corporation for Business Development (ELNOS) subject to meeting all legal and regulatory requirements.

In March 1999, the Corporation transferred the last Elliot Lake projects it had been administering to ELNOS. Amounts from the Elliot Lake and Area Diversification Program not disbursed for the funding of economic diversification initiatives by ELNOS on or before November 30, 1999 will be returned to the Corporation, unless otherwise agreed to.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 1999

7. CREDIT AND INVESTMENT LOSSES

Credit and investment losses shown in the Statement of Operations are net of recoveries as follows:

| | Loans (\$000's) | Guarantees (\$000's) |
|--|--------------------|-------------------------|
| Write-downs/guarantees honoured | 2,167 | — |
| Less recoveries | (498) | — |
| Increase/(Decrease) in general provision | <u>2,910</u> | <u>(858)</u> |
| Net expenses - 1999 | <u>4,579</u> | <u>(858)</u> |
| Net expenses and recoveries - 1998 | <u>2,803</u> | <u>400</u> |

8. ADMINISTRATION

Certain costs of administration such as salaries and benefits of regular employees, their travel, other standard government supplies and accommodation costs are borne by the Province through the Ministry of Northern Development and Mines. All other costs are borne by the Corporation. Details are as follows:

| | 1999 (\$000's) | 1998 (\$000's) |
|---|-------------------|-------------------|
| Salaries and benefits | 376 | 222 |
| Transportation and communications | 214 | 232 |
| Services | 314 | 64 |
| Supplies and equipment | <u>7</u> | <u>64</u> |
| | 911 | 582 |
| Less: expenses borne by the Province (Note 6) | <u>449</u> | <u>287</u> |
| Expenses borne by the Corporation | <u>462</u> | <u>295</u> |

The Corporation provides pension benefits for all its permanent staff through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employee's Union Pension Fund (OPSEU Pension Fund) established by the Province of Ontario. The Corporation's share of contributions to the Fund during the year was \$17,069 (1998 - \$10,770) and is included in salaries and benefits.

9. COMMITMENTS AND CONTINGENCIES

- (a) The Corporation guarantees the repayment of certain loans made by private sector financial institutions to qualifying Ontario businesses. As at March 31, 1999 the Corporation's contingent liability under guarantees was \$146,624 (1998 - \$1.07 million). Commitments to guarantee loans not yet advanced amounted to \$853,376 (1998 - \$1.06 million). The accounting for guarantee losses is described in note 2(g).

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 1999

9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Funds committed but not disbursed as at March 31, 1999 amounted to:

| | 1999 (\$000's) | 1998 (\$000's) |
|-------------------|-------------------|-------------------|
| Grants | 13,244 | 24,841 |
| Forgivable loans | 50,174 | 14,992 |
| Repayable loans | <u>26,837</u> | <u>21,929</u> |
| Total Commitments | <u>90,255</u> | <u>61,762</u> |

10. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Corporation, including those related to the efforts of customers, suppliers or other third parties, will be fully resolved.

TRUST AND OTHER

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Management's Responsibility

The Deposit Insurance Corporation of Ontario's management is responsible for the integrity and fair presentation of the financial statements included in the annual report. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

The Corporation maintains systems of internal accounting controls of high quality consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is accurate and reliable and that company assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed by the Corporation's Audit and Finance Committee and have been approved by its Board of Directors. In addition, the financial statements have been examined by KPMG LLP, the auditors, whose report follows.



Andrew Poprawa, C.A.
President & CEO



James Maxwell
*Chief Administrative
and Financial Officer*

Toronto, Canada
January 25, 1999

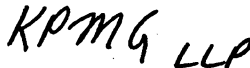
Auditors' Report

To the Board of Directors of Deposit Insurance Corporation of Ontario

We have audited the Statement of Financial Position of Deposit Insurance Corporation of Ontario as at December 31, 1998 and the Statement of Operations and Changes in the Deficiency of the Deposit Insurance Fund and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1998 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.



Chartered Accountants
Toronto, Canada
January 25, 1999

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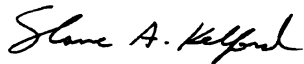
Deposit Insurance Corporation of Ontario

Statement of Financial PositionDecember 31, 1998, with comparative figures for 1997 *(in thousands of dollars)*

| | 1998 | 1997 |
|--|-----------------|-----------------|
| ASSETS | | |
| Accounts and interest receivable | \$ 148 | \$ 118 |
| Deposit insurance advances recoverable | 4,418 | 904 |
| Loan receivable | 71 | 121 |
| Real estate held for resale | 1,000 | 1,200 |
| Capital assets (net of accumulated amortization of \$2,452 (1997 - \$2,270)) | 495 | 497 |
| | <u>\$ 6,132</u> | <u>\$ 2,840</u> |
| LIABILITIES | | |
| Borrowings (note 3) | \$ 16,747 | \$ 24,431 |
| Payables and accruals | 1,269 | 1,460 |
| Premium rebate payable (note 4) | 1,317 | - |
| Accrual for deposit insurance losses (note 5) | 18,037 | 27,177 |
| Total Liabilities | 37,370 | 53,068 |
| Deficiency of the Deposit Insurance Fund | 31,238 | 50,228 |
| | <u>\$ 6,132</u> | <u>\$ 2,840</u> |
| Contingencies (note 10) | | |

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

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Deposit Insurance Corporation of Ontario

Statement of Operations and Changes in the Deficiency of the Deposit Insurance FundYear ended December 31, 1998, with comparative figures for 1997 *(in thousands of dollars)*

| | 1998 | 1997 |
|--|------------------|------------------|
| INCOME | | |
| Premium Income | \$ 25,604 | \$ 25,933 |
| Less: Premium rebates | (1,219) | - |
| Other Income | 564 | 370 |
| | <u>24,949</u> | <u>26,303</u> |
| EXPENSES | | |
| (Recovery of) provision for losses (note 5) | (1,285) | 10,785 |
| Salaries and benefits | 3,879 | 4,101 |
| Interest expense | 612 | 807 |
| Operating expense | 3,705 | 3,608 |
| Recovery of operating expense | (952) | (1,039) |
| | <u>5,959</u> | <u>18,262</u> |
| Excess of income over expenses | 18,990 | 8,041 |
| Deficiency of the Deposit Insurance Fund, beginning of year | <u>50,228</u> | <u>58,269</u> |
| Deficiency of the Deposit Insurance Fund, end of year | \$ 31,238 | \$ 50,228 |

See accompanying notes to financial statements.

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Deposit Insurance Corporation of Ontario

Statement of Cash Flows*Year ended December 31, 1998, with comparative figures for 1997 (in thousands of dollars)*

| | 1998 | 1997 |
|--|--------------------|--------------------|
| Cash received from (applied to): | | |
| Operations: | | |
| Excess of income over expenses | \$ 18,990 | \$ 8,041 |
| Items charged to operations not affecting cash | | |
| (Recovery of) provision for losses | (1,285) | 10,785 |
| Loss on disposal of capital assets | 1 | 6 |
| Amortization | 306 | 325 |
| | <u>18,012</u> | <u>19,157</u> |
| Changes in: | | |
| Accounts and interest receivable | (30) | 60 |
| Loan receivable | 50 | 56 |
| Real estate held for resale | 200 | - |
| Payables and accruals | 1,126 | 319 |
| | <u>1,346</u> | <u>435</u> |
| | <u>19,358</u> | <u>19,592</u> |
| Financing and investing activities: | | |
| Purchase of capital assets | (307) | (285) |
| Proceeds on sale of capital assets | 2 | 14 |
| Repayment of notes payable | - | (22,750) |
| | <u>(305)</u> | <u>(23,021)</u> |
| Deposit protection activities: | | |
| Deposit insurance net advances | (11,369) | (11,387) |
| Decrease (Increase) in borrowing position | 7,684 | (14,816) |
| Borrowing position, beginning of year | (24,431) | (9,615) |
| Borrowing position, end of year | \$ (16,747) | \$ (24,431) |

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended December 31, 1998

General

Deposit Insurance Corporation of Ontario is a Schedule III Provincial Crown Corporation without share capital established under the provisions of the Credit Unions and Caisses Populaires Act.

The statutory objects of the Corporation under the Act are to :

- provide deposit insurance to depositors of member institutions
- act as stabilization authority for the credit union and caisse populaire system
- promote standards of sound business practices
- collect and publish statistics
- provide financial assistance to member institutions
- act as administrator of member institutions
- minimize deposit insurance risk and size of claims

The Act empowers the Corporation to assess its member institutions to meet the Corporation's requirements for insurance funding and administrative costs. The Corporation establishes its premium levy annually. The established premium levy is submitted to the government of Ontario for review and incorporation into the regulations through appropriate amendments as necessary.

1. Going concern assumption:

These financial statements have been prepared on the going concern basis, which assumes that assets will be realized and liabilities and obligations will be discharged in the normal course of business. The application of the going concern concept is dependent upon the Corporation's ability to obtain sufficient additional financial resources to meet its liabilities. The Corporation's borrowings are guaranteed by the Minister's guarantee on behalf of the Province of Ontario. The guarantee is for a maximum of \$75 million and expires December 31, 2001. The Province of Ontario charges guarantee fees based on one-half of one per cent of the average end of day balance outstanding of any debt obligation subject to the Minister's guarantee.

2. Summary of Significant Accounting Policies:

These financial statements have been prepared in accordance with generally accepted accounting principles. These financial statements do not reflect the assets, liabilities or operations of credit unions or caisses populaires where the Corporation has been appointed liquidator.

(a) Premium income:

Premiums are based on insured deposits held by member institutions. Premium income is recognized when billed.

(b) Provision for losses:

The provision for losses includes allowances against deposit insurance advances and an accrual for losses for which advances have not been made at the date of the Statement of Financial Position.

Funds advanced in respect of deposit insurance and loans to member institutions are initially recorded at cost. Deposit insurance advances recoverable are presented on the Statement of Financial Position net of allowances thereon.

The accrual for deposit insurance losses includes both provisions for specific losses and a general provision for losses.

Specific provisions for losses in respect of insured deposits are estimated by management and recorded at the time that member institutions are known to have become insolvent *or* when other conditions exist that will likely result in losses to the Corporation.

The general provision for losses reflects management's best estimate of losses on insured deposits arising from the inherent risk in the credit union/caisse populaire system. The provision is established by assessing the aggregate risk in member institutions based on current market and economic conditions, the likelihood of losses and the application of historic loss experience. Future economic conditions are not predictable with certainty and actual losses may vary, perhaps substantially, from management's estimates.

(c) Pension costs:

Earnings are charged with the cost of pension benefits earned by employees as services are rendered. Pension expense is determined using management's best estimates of expected investment yields, wage and salary escalation, mortality rates, terminations and retirement ages. Adjustments arising from pension plan amendments, experience gains and losses, and assumption changes are amortized to earnings over the average remaining service lives of the members.

Any difference between pension expense (determined on an accounting basis) and funding (as required by regulatory authorities) is reflected as either a deferred charge or an accrual for pension costs.

(d) Real estate held for resale:

The real estate was originally acquired in 1996 to facilitate the amalgamation of two credit unions. Real estate held for resale is stated at management's best estimate of its fair market value, after selling and closing costs.

(e) Capital assets:

These are recorded at cost. Amortization of furniture and equipment is provided by the diminishing-balance method at the rate of 20 per cent per annum. Computer and related equipment and software are amortized over three years on a straight-line basis. Leasehold improvements are amortized on a straight-line basis over the term of the lease.

(f) Leases:

Leases are classified as either capital or operating. A lease which transfers substantially all the benefits and risks incidental to ownership of property is accounted for as if it were an acquisition of

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an asset and the incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are charged to earnings as incurred.

3. Borrowings:

The Corporation has obtained revolving credit facilities, approved by the Ontario Financing Authority, which administers the Minister's guarantee, as follows:

| | Maximum Credit Available (effective October 1, 1998) | Outstanding as at Dec 31, 1998 |
|---|--|---|
| | (thousands) | |
| Canadian Chartered Bank (at Bankers' Acceptances rates plus 14 basis points) | \$20,000 | \$ 6,832 |
| Credit Union Central of Ontario (at Bankers' Acceptances rates plus 14 basis points) | \$10,000 | \$ 9,915 |
| | <u>\$30,000</u> | <u>\$16,747</u> |

The borrowings are guaranteed by the Minister's guarantee on behalf of the province of Ontario.

4. Premium rebate payable:

During 1998 the Corporation's board approved a rebate of up to \$0.10 per thousand dollars of deposits, payable in early 1999. The rebate is based on better than expected 1998 deposit insurance claims experience and represents 50% of the amount by which actual new provisions were below budget.

5. Accrual for deposit insurance losses:

The provision for losses includes specific provisions for known or likely losses from specific member institutions and a general provision for losses not identified with specific institutions. That portion of the provision for losses recorded in the year and in previous years which has not yet required payment by the Corporation is shown in liabilities on the Statement of Financial Position as accrual for deposit insurance losses.

| | 1998 | 1997 |
|---|------------------------|-----------------|
| | (thousands) | |
| Accrual for deposit insurance losses beginning of year | \$27,177 | \$29,231 |
| Changes in respect of member institutions where a loss was identified in the current year : | | |
| - Increase in deposit insurance advances recoverable | - | 35 |
| - Increase in Provision for losses | 600 | 13,555 |
| Changes in respect of member institutions where a loss was identified in prior years: | | |
| - Increase (decrease) in deposit insurance advances recoverable | 3,514 | (1,487) |
| - Decrease in Provision for losses | (1,885) | (2,770) |
| | <u>29,406</u> | <u>38,564</u> |
| Net deposit insurance claims | 11,369 | 11,387 |
| Accrual for deposit insurance losses end of year | <u>\$18,037</u> | <u>\$27,177</u> |

The general provision for losses included in the accrual for deposit insurance losses amounted to \$4,000,000 (1997 - \$4,000,000).

The Corporation has provided deficiency coverage agreements to two credit unions to facilitate the merger of one credit union and the sale of assets of another. These agreements provide protection to the acquiring credit unions in the event that a portion of the principal and income on certain commercial and retail loans is at risk. The agreements provide for a total of \$3.3 million (1997 - \$3.3 million) of coverage. These amounts are fully provided in the accrual for deposit insurance losses. The coverage is in force on a diminishing basis for four years from the date of the agreement. A fee of one per cent per annum on the diminishing balance is payable by these credit unions to cover the cost of administering the agreements.

6. Lease Commitments:

The Corporation has negotiated a new lease which replaced the former ten-year lease which would have ended August 1, 1998. The new lease is for the term commencing January 1, 1998 and ending August 5, 2007. The future minimum rent is \$123,000 for years one to five and \$140,000 for years six to ten. In addition, the Corporation is required to pay property taxes and common area maintenance costs.

7. Income Taxes:

The Corporation is subject to income taxes under the Income Tax Act. It has accumulated losses for income tax purposes of \$50,973,000. They expire as follows:

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| Originating Taxation Year | Expiring Taxation Year | Amount (thousands) | Employee | Position held | Compensation | Taxable Benefits |
|------------------------------|---------------------------|-----------------------|-----------------------|---|--------------|---------------------|
| 1992 | 1999 | \$ 8,242 | Brydges, Barry | Vice President | | |
| 1993 | 2000 | 7,178 | | Stab. Services | \$114,438 | \$8,114 |
| 1994 | 2001 | 6,619 | Charbonneau, Robert | Vice President | | |
| 1995 | 2002 | 6,987 | | Insurance | \$105,128 | \$6,538 |
| 1996 | 2003 | 7,566 | Foster, C. William D. | Vice President | | |
| 1997 | 2004 | 7,449 | | Asset Management | | |
| 1998 | 2005 | 6,932 | | & Recoveries | \$125,680 | \$9,465 |
| | | \$50,973 | Kingston, Tom | Director | | |
| | | | | Administration | \$105,544 | \$6,774 |
| | | | Maxwell, James | Chief Administrative & Financial Officer | | |
| | | | | Corporate Resources | \$103,642 | \$8,264 |
| | | | Poprawa, Andrew | President and CEO | \$176,061 | \$9,059 |

Potential tax benefits resulting from these business losses have not been recognized in the financial statements.

8. Pension Plan:

The Corporation has a defined benefit pension plan. The estimated value of the pension fund assets at December 31, 1998 is \$2,555,000 (1997 - \$2,385,000) and the estimated actuarial present value of accrued pension benefits is \$2,374,000 (1997 - \$1,854,000). Defined benefit pension plan expense included in the statement of operations was \$179,000 (1997 - \$165,000). The difference in the amount expensed and the funding contributions has been reflected in the Statement of Financial Position as an accrual for pension costs \$126,000 (1997 - \$78,000). The plan is fully funded on an actuarial basis.

Effective January 1, 1999, the defined benefit pension plan was converted to a defined contribution pension plan. The plan change is expected to be finalized and the impact recognized in 1999.

9. Directors' Expense:

During the year the directors received an aggregate remuneration of \$96,000 (1997 - \$110,000). Total directors' expense including the remuneration was \$141,000 (1997 - \$165,000).

10. Contingencies:

The Corporation is subject to various legal actions brought against it in the normal course of business, when acting in the capacity of administrator or liquidator. It is the view of the Corporation's management that these actions will be successfully defended. Accordingly, no provisions have been made in these financial statements.

11. Fair Value Disclosure:

The fair value of financial assets and liabilities which include cash, accounts and interest receivable, loan receivable, borrowings, payables and accruals, and premium rebate payable approximate their carrying amounts.

The fair value of deposit insurance advances recoverable and accrual for deposit insurance losses have been omitted because it is not practicable to determine fair value with sufficient reliability.

12. Compensation:

The following information is furnished in compliance with the *Public Sector Salary Disclosure Act, 1996*.

13. Year 2000 Issue:

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of member institutions, suppliers, or other third parties, will be fully resolved.

DICO 1998 Annual Report

Corporation's Report on Liquidations

It is the responsibility of the liquidator of a member institution to maximize the recovery of the assets of the member institution in dissolution for the benefit of all creditors. The Deposit Insurance Corporation of Ontario (DICO) is usually the largest unsecured creditor of a dissolved member institution. In this regard, DICO has a direct interest in ensuring that the liquidator's duties and responsibilities are managed in an efficient, cost effective manner. DICO, in its capacity as liquidator, employs internal resources for the purpose of collecting, monitoring and realizing on the assets of member institutions in liquidation.

As the largest unsecured creditor in most instances, DICO can best manage its losses by directly controlling the liquidation process. Through direct control and management, DICO can also protect neighbouring member institutions from any potential loss of confidence.

Under the Credit Unions and Caisses Populaires Act, 1994, the liquidator is required to prepare a statement of affairs at the date of liquidation. It is DICO's practice as liquidator to commission independent accountants to prepare such statements of affairs. To minimize liquidation costs and avoid any potential delay in conducting the liquidation, DICO does not require that these statements of affairs be audited. Consequently, in the absence of opening audited financial information, the liquidator's auditors, KPMG LLP, qualify their report on the results of DICO's activities as liquidator.

During the year, DICO as liquidator took possession and control of 6 member institutions with reported combined assets with a book value of \$24.5 million before provisions. The unaudited financial statements received from the independent accountants indicated that the net book value of the assets of the 6 member institutions, after provisions for loan losses, was \$22.7 million. Total claims against these assets as at dissolution date were \$29.3 million.

In 1998, DICO in its capacity as liquidator recovered \$15.4 million from the liquidation of assets and paid creditors' claims totalling \$14.3 million. In certain cases, assets are sold on a going concern basis to another member institution for which payment is made by the assumption of an equal value of depositor claims.

As at December 31, 1998, the book value of the combined assets remaining to be liquidated totalled \$25.7 million. The vast majority of these assets represent impaired loans. Accordingly, the estimated recoveries on these assets will be significantly below the amounts recorded. Management's best estimate of these future recoveries is \$12.0 million.



Andrew Poprawa, C.A.
President & CEO

Toronto, Canada
January 25, 1999



C.W.D. Foster
Vice President,
Asset Management
& Recoveries

Auditor's Report

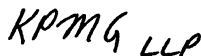
To the Board of Directors of Deposit Insurance Corporation of Ontario

We have audited the statement of combined assets and creditors' claims as at December 31, 1998 under the control of Deposit Insurance Corporation of Ontario as liquidator and the statement of changes in combined assets and creditors' claims for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we 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 management, as well as evaluating the overall financial statement presentation.

Upon appointment as liquidator of a credit union or caisse populaire, the Corporation engages independent accountants to prepare an unaudited statement of affairs which sets out the assets and creditors' claims as at the date of commencement of the liquidation. As the statements of affairs are unaudited, we are unable to verify whether the books and records of the credit unions/caisses populaires are complete and accurate at the commencement of liquidation.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to verify the assets and creditors' claims taken under the control of the Corporation at the commencement of liquidation, these financial statements present fairly, in all material respects, the combined assets and creditors' claims under the control of the Corporation as liquidator as at December 31, 1998 and the changes in the combined assets and creditors' claims for the year then ended in accordance with the basis of accounting disclosed in note 1.



Chartered Accountants
Toronto, Canada
January 25, 1999

DICO 1998 Annual Report

Deposit Insurance Corporation of Ontario as Liquidator

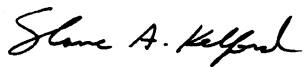
Statement of Combined Assets and Creditors' Claims under the Control of the Corporation as Liquidator

December 31, 1998, with comparative figures for 1997 *(in thousands of dollars)*

| | 1998 | 1997 |
|--|------------------|------------------|
| ASSETS | | |
| Cash (Note 2) | \$ 2,156 | \$ 3 |
| Loans, at gross book value | 21,293 | 14,633 |
| Investments and other assets | 1,405 | 103 |
| Real estate held for sale | 886 | 846 |
| | <u>\$ 25,740</u> | <u>\$ 15,585</u> |
| CREDITORS' CLAIMS | | |
| Deposit Insurance Corporation of Ontario | \$ 35,142 | \$ 49,358 |
| Deposits | 9,512 | 804 |
| Other claims | 6,367 | 190 |
| Total creditors' claims | <u>\$ 51,021</u> | <u>\$ 50,352</u> |

See accompanying notes to the Statement of combined assets and creditors' claims under the control of the Corporation as liquidator.

On behalf of the Board:



Director



Director

DICO 1998 Annual Report

Deposit Insurance Corporation of Ontario as Liquidator

Statement of Changes in Combined Assets and Creditors' ClaimsYear ended December 31, 1998 (*in thousands of dollars*)

| | 1998 | 1997 |
|--|-----------|-----------|
| ASSETS: | | |
| Opening assets | \$ 15,585 | \$ 17,345 |
| Add: Assets assumed as a result of new liquidations | 24,498 | 2,888 |
| Less: Uncollectable loans removed during the year | (1,083) | (305) |
| Less: Assets realized during the year (includes opening cash) | (15,416) | (4,346) |
| Sub-total | 23,584 | 15,582 |
| Add: Cash from realizations retained by liquidator | 2,156 | 3 |
| Total Assets | \$ 25,740 | \$ 15,585 |
| CREDITORS' CLAIMS: | | |
| <i>DICO's Claim</i> | | |
| Opening claim | \$ 49,358 | \$ 51,100 |
| Add: Advances by DICO | 1,620 | (3) |
| Less: Claims written-off by DICO that were uncollectable (Note 3) | (15,836) | (1,739) |
| Closing claim of DICO | \$ 35,142 | \$ 49,358 |
| <i>Other Creditors' and Depositors' Claims</i> | | |
| Opening claims | \$ 994 | \$ 1,597 |
| Add: Claims as a result of new liquidations assumed | 29,282 | 3,026 |
| Less: Claims paid during the year | (14,326) | (3,613) |
| Less: Unclaimed deposits removed during the year | (71) | (16) |
| Closing Creditors' and Depositors' Claims | \$ 15,879 | \$ 994 |
| Total Creditors' Claims | \$ 51,021 | \$ 50,352 |

See accompanying notes to the statement of combined assets and creditors' claims under the control of the Corporation as liquidator.

Notes to Statement of Combined Assets and Creditors' Claims under the Control of the Corporation as Liquidator

Year Ended December 31, 1998

Deposit Insurance Corporation of Ontario (the "Corporation") is, from time to time, appointed liquidator of credit unions and caisses populaires. In this capacity, the Corporation is responsible for the individual liquidation of a member institution's assets in an orderly manner and applying the proceeds towards the claims of its creditors. These financial statements are a combination of the financial statements of 49 (1997-98) credit unions and caisses populaires currently in liquidation, each liquidation being carried out as a separate legal proceeding.

1. Significant accounting policies:

(a) Basis of presentation:

These statements of combined assets and creditors' claims and changes in combined assets and creditors' claims under the control of the Corporation are prepared on the basis of accounting disclosed in these notes. Upon commencement of liquidation of a credit union/caisse populaire, its financial statements cease to be prepared on a going concern basis and all transactions are recorded on a cash basis.

These financial statements present the combined assets and creditors' claims of all the credit unions and caisses populaires currently being liquidated by the Corporation. *The reader of this statement is cautioned that this statement is not prepared in accordance with generally accepted accounting principles and the amount of assets under the control of the Corporation does not purport to be the expected recoverable amount or their fair value.*

(b) Loans:

Loans are recorded at the book value of the outstanding amount at the date of liquidation less cash received for the principal payments in the liquidation period. No allowance for loan losses has been recorded and no attempt has been made to estimate the net recoverable amount from loans.

Due to their nature, a substantial portion of the loans is considered impaired, as there is doubt about the timely collection of principal and interest in full.

(c) Investments and other assets:

Investments and other assets are stated at their book values as at the date of liquidation.

(d) Real estate held for sale:

Real estate is stated at the net book value as recorded at the date of liquidation. Depreciation is not recorded.

(e) Creditors' Claims:

The Deposit Insurance Corporation of Ontario (DICO) insures deposits of members of credit unions and caisses populaires to the statutory limit. In the event of the liquidation of a member institution, the Corporation pays insured depositors and thus assumes the depositors' claims against the assets of the credit unions and caisses populaires in liquidation. The amounts owing to DICO represent the Corporation's claims against the assets of 49 (1997-98) credit unions and caisses populaires currently in liquidation.

(f) Contingencies:

Certain credit unions/caisses populaires in liquidation are plaintiffs or defendants in lawsuits. However, no potential gains or losses from the legal actions have been recorded.

(g) Comparative figures:

The comparative figures for 1997 have been reclassified in accordance with the presentation adopted in 1998.

2. Cash flows:

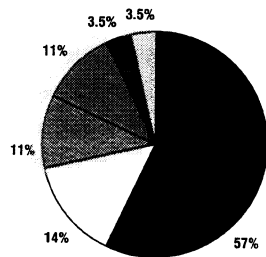
| | 1998 | 1997 |
|--|-------------|----------|
| | (thousands) | |
| Cash, beginning of year | \$ 3 | \$ 84 |
| Add: Assets realized during the year | 15,413 | 4,262 |
| Add: Advances from (Payment to) DICO | 1,620 | (3) |
| Total cash available | \$ 17,036 | \$ 4,343 |
| Less: Payment of creditors' claims and liquidation costs | (14,880) | (4,340) |
| Cash, end of year | \$ 2,156 | \$ 3 |

3. Creditors' claims:

During the year 1998, DICO's unsatisfied claims against 24 credit unions were removed from the financial statements upon the completion of the liquidation as it was determined that there would be no further realization on these credit unions' assets.

Advisory Committees

DICO Advisory Committees Membership



- Representatives from individual credit unions and caisses populaires
- Ministry of Finance & FSCO staff
- Credit Union Central of Ontario staff
- La Fédération des caisses populaires de l'Ontario staff
- L'Alliance des caisses populaires de l'Ontario staff
- The Association of Credit Unions of Ontario staff

Performance Analysis Advisory Committee

Function and Responsibilities:

- Advice on matters related to the gathering and dissemination of member institution financial condition and performance information, and the use of DICO's member institution data base;
- Ways and means of optimizing the use of system reports;
- Information required by users, including its frequency;
- Ways and means of capturing data and distributing output;
- Allocation to users of the costs of analysis and reporting;
- Medium and long range endorsement of developments in the use of information technology.

Members:

Judy Chaif Simko, Windsor Family Credit Union Limited
Normand Demers, Caisse populaire d'Earlton Limitée
Barry Doan, Avestel Credit Union Limited
John Ebsary, Ottawa Carleton Education Credit Union Limited
Josée Gallant, Civil Service Co-operative Credit Society Limited
Jean-Guy Laflèche, La Fédération des caisses populaires de l'Ontario Inc.
Nardeo Sham, FSCO
Malcom Thornley, HEPCOE Credit Union Limited
Dorothy Watson, Credit Union Central of Ontario

Sound Business and Financial Practices Advisory Committee

Function and Responsibilities:

- Review and provide comments and input on:
- Draft standards and guidelines on sound business and financial practices;
 - Methods for the effective delivery, implementation and enforcement of standards and the Handbook.
 - Methods by which users can be trained to optimize the use of standards and the Handbook.

Members:

Ron Dias, FSCO
Janis Evans, Rideau/St. Lawrence Savings & Credit Union Limited

Owen Jackson, Hamilton Teachers' Credit Union Limited

Denis Laframboise, Caisse populaire Trillium Inc.

Don Maisonville, Credit Union Central of Ontario

Douglas McKee, Ontario Educational Credit Union Limited

Jim Mitchell, HEPCOE Credit Union Limited

Ilka Ovaska, Bay Credit Union Limited

Paul Tremblay, Caisse populaire de Pointe-aux-Roches Limitée

Bert Whitmell, Arnstein Community Credit Union Limited (Ontario Association of Small Credit Unions)

Stabilization Advisory Committee

Function and Responsibilities:

- Review standards and guidelines with respect to stabilization and deposit insurance activities;
- Review and provide input on methods for the effective delivery, implementation and enforcement of stabilization and insurance programs.

Members:

Denis Couture, L'Alliance des caisses populaires de l'Ontario Ltée.
Robert Gaulin, L'Office de stabilisation des Caisses populaires de l'Ontario
Helen Graham, Ministry of Finance
Jonathan Guss, Credit Union Central of Ontario
John Harper, FSCO
Sean G. Jackson, Niagara Credit Union Limited
Don Maisonville, Credit Union Central of Ontario
Tom Robins, Association of Credit Unions of Ontario
Gary Seveny, Civil Service Co-operative Credit Society Limited
Pierre Tougas, La Fédération des caisses populaires de l'Ontario Inc.

Auditors' Report

To the Directors of the Ontario Pension Board:

We have audited the consolidated statement of net assets available for benefits and accrued pension benefits and surplus of the Ontario Pension Board (the "OPB") as at December 31, 1998, and the consolidated statements of changes in net assets available for benefits, changes in accrued pension benefits and changes in surplus for the year then ended. These consolidated financial statements are the responsibility of the OPB's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the OPB as at December 31, 1998 and the results of its operations and the changes in its financial position, accrued pension benefits and surplus for the year then ended in accordance with generally accepted accounting principles.

Toronto, Canada
February 12, 1999

Ernst + Young
Chartered Accountants

Actuaries' Opinion

To the Directors of the Ontario Pension Board:

We have prepared an actuarial valuation on a funding basis of the Public Service Pension Plan (the "PSPPlan") as of December 31, 1996, as described in Note 9(a) of these consolidated financial statements. In addition, we have also prepared an estimate of the actuarial value of assets and liabilities on a funding basis as at December 31, 1998, using a projection of activity for two years. This projection is also set out in Note 9(a) of these consolidated financial statements.

We hereby certify that, in our opinion:

- ◆ the data provided to us by the Ontario Pension Board (OPB) are sufficient and reliable for the purposes of the December 31, 1996 valuation;
- ◆ the actuarial assumptions used are appropriate for the purposes of a valuation for funding purposes of the PSPPlan;
- ◆ the methods employed are consistent with sound principles established by precedent or by common usage within the actuarial profession, are appropriate for the purposes of the valuation and are consistent with the requirements of the *Pension Benefits Act*, the *Public Service Pension Act*, and the *Income Tax Act (Canada)*; and
- ◆ the valuation and the projections were prepared and our opinions given in accordance with generally accepted actuarial practice.

Using the same data as provided by the OPB for the funding basis valuation, we also prepared an estimate of the assets and liabilities on an actuarial basis following the accounting methodology required by *The Canadian Institute of Chartered Accountants Handbook*, Section 4100, as disclosed in Note 9(b). These amounts are set out in the consolidated statement of net assets available for benefits and accrued pension benefits and surplus. The valuation for accounting purposes was prepared in accordance with accepted actuarial practice and is based on assumptions set out in Note 9(b), which in our opinion fall within a reasonable range.



Michael D. Banks



Paul Nock

WILLIAM M. MERCER LIMITED
February 12, 1999

Consolidated Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus

As at December 31
(in thousands of dollars)

| | 1998 | 1997 |
|--|---------------------|---------------------|
| Assets | | |
| Investments (Note 5) | \$10,969,384 | \$10,043,981 |
| Contributions receivable (Note 8) | 22,777 | 30,282 |
| Capital assets (Note 6) | 986 | 1,471 |
| Other assets | 192 | 300 |
| Total assets | 10,993,339 | 10,076,034 |
| Liabilities | | |
| Income taxes withheld on pension payments | 8,150 | 8,017 |
| Contributions payable | 7,489 | 25,399 |
| Accounts payable and accrued charges | 3,845 | 5,321 |
| Total liabilities | 19,484 | 38,737 |
| Net Assets Available for Benefits | 10,973,855 | 10,037,297 |
| Actuarial asset value adjustment (Note 9(b)) | 731,760 | 664,281 |
| Actuarial Value of Net Assets Available for Investments | \$11,705,615 | \$10,701,578 |
| Accrued Pension Benefits and Surplus | | |
| Accrued Pension Benefits | \$10,903,192 | \$10,676,664 |
| Surplus | 802,423 | 24,914 |
| Total Benefits and Surplus | \$11,705,615 | \$10,701,578 |

See accompanying notes



William H. Somerville
Director



William J. Corcoran
Director

Consolidated Statement of Changes in Net Assets Available for Benefits

For the Year Ended December 31

(in thousands of dollars)

| | 1998 | 1997 |
|--|----------------------|----------------------|
| Increase in Net Assets | | |
| Net investment income (Note 7) | \$ 1,309,861 | \$ 1,367,087 |
| Contributions (Note 8) | 322,577 | 252,598 |
| Increase in net assets | 1,632,438 | 1,619,685 |
| Decrease in Net Assets | | |
| Pensions paid | 630,241 | 605,881 |
| Termination payments and transfers | 55,262 | 65,082 |
| Operating expenses (Note 12) | 10,377 | 10,885 |
| Transfer to OPSEU Pension Plan Trust, net (Note 3) | — | 43,994 |
| Decrease in net assets | 695,880 | 725,842 |
| Net Increase in Net Assets For the Year | 936,558 | 893,843 |
| Net Assets, at Beginning of Year | 10,037,297 | 9,143,454 |
| Net Assets, at End of Year | \$ 10,973,855 | \$ 10,037,297 |

See accompanying notes

Consolidated Statement of Changes in Accrued Pension Benefits

For the Year Ended December 31

(in thousands of dollars)

| | 1998 | 1997 |
|--|--------------|--------------|
| Accrued Pension Benefits, at Beginning of Year | \$10,676,664 | \$10,897,228 |
| Increase in Accrued Pension Benefits | | |
| Interest on accrued pension benefits | 686,372 | 720,206 |
| Benefits accrued | 195,101 | 176,674 |
| | 881,473 | 896,880 |
| Decrease in Accrued Pension Benefits | | |
| Benefits paid | 685,503 | 670,963 |
| Experience gains (losses) | (30,558) | 446,481 |
| | 654,945 | 1,117,444 |
| Net Increase (Decrease) in Accrued Pension Benefits | 226,528 | (220,564) |
| Accrued Pension Benefits, at End of Year | \$10,903,192 | \$10,676,664 |

Consolidated Statement of Changes in Surplus (Deficiency)

For the Year Ended December 31

(in thousands of dollars)

| | 1998 | 1997 |
|--|------------|---------------|
| Surplus (Deficiency), at Beginning of Year | \$ 24,914 | \$(1,016,033) |
| Increase in net assets available for benefits | 936,558 | 893,843 |
| Change in actuarial asset value adjustment | 67,479 | (73,460) |
| Increase in actuarial value of net assets available for benefits | 1,004,037 | 820,383 |
| Net Increase (Decrease) in Accrued Pension Benefits | 226,528 | (220,564) |
| Surplus, at End of Year | \$ 802,423 | \$ 24,914 |

Notes to the Consolidated Financial Statements

December 31, 1998

1. Public Service Pension Act

Effective January 1, 1990, the Province of Ontario (the "Province") enacted the Public Service Pension Act, 1990 (the "PSPAct") to continue the pension plan for the employees of the Province and certain of its agencies. The terms of the Public Service Pension Plan (the "PSPPlan") are stated in Schedule 1 to the PSPAct. The Ontario Pension Board (the "OPB") is the administrator of the PSPPlan.

2. Description of PSPPlan

The following is a brief description of the PSPPlan. For more complete information, reference should be made to the PSPAct.

a) General

The PSPPlan is a contributory defined benefit pension plan and membership is mandatory for most employees who satisfy the eligibility requirements provided in the PSPAct. Under the PSPPlan, contributions are made by the members and the employers. The PSPPlan is registered under the Pension Benefits Act of Ontario and the Income Tax Act (Canada) under Registration Number 0208777.

b) Contributions

The PSPPlan is integrated with the Canada Pension Plan ("CPP"). Member contributions are 6.2% of the salary on which contributions to CPP are made and 8% on the balance of salary. The employers contribute matching amounts. During 1994, the Province passed the Ontario Public Service Employees' Union Pension Act, 1994 (the "OPSEU Act") which temporarily reduced those contributions (see Note 8).

Ontario Provincial Police ("OPP") members are required to contribute to the PSPPlan an additional 2% of salary which is matched by the employer. These employer contributions were also temporarily reduced.

c) Pensions

A pension is payable at age 65 (or at age 60 for some members with pre-1966 pension credits) based on the number of years of credit in the PSPPlan, 2% of the average salary during the best consecutive 60 month period, less an offset for amounts received under the CPP. An unreduced pension can be received before age 65 if the member's age and years of credit total 90 (the "Factor 90") or when the member reaches age 60 and has 20 or more years of credit. The Province amended the PSPPlan to provide for an enhanced early retirement opportunity for certain members of the Plan (the "Factor 80"). The amendment allows an unreduced pension for those members whose age and years of credit in the PSPPlan total 80 years. Members are eligible for this program if they achieve the Factor 80 prior to April 1, 2000 and elect, within certain limited time frames, to retire.

OPP members are eligible for an unreduced pension after attaining age 50 with 30 years of credit.

d) Death Benefits

Benefits may be payable to a surviving eligible spouse, eligible children, a designated beneficiary or the member's or pensioner's estate on the death of a member or a pensioner.

e) Disability Pensions

Based on meeting all eligibility criteria, a disability pension may be available to members with a minimum of 10 years of credit in the PSPPlan. The amount of the disability pension is dependent on years of credit and average salary.

f) Termination Payments

Members terminating employment before age 55, who are eligible for a deferred pension, may be entitled to transfer the commuted value of the pension to a locked-in registered retirement savings arrangement, to another pension plan or to purchase a life annuity.

g) Escalation of Benefits

Current pensions and deferred pension benefits are increased for inflation based on the Consumer Price Index to a maximum of 8% in any one year. Any inflation above 8% in any one year is applied to increase the pension in subsequent years when the adjustment is less than 8%.

3. The OPSEU Pension Plan

In April, 1994, the Province and the Ontario Public Service Employees' Union ("OPSEU") reached an agreement (the "Sponsorship Agreement") to sponsor a pension plan to operate separately from the PSPPlan for members of OPSEU, the Amalgamated Transit Union, the Ontario Liquor Control Board Employees' Union, and certain members of the Canadian Union of Public Employees. The OPSEU Act was enacted in June, 1994 by the Province to give effect to the Sponsorship Agreement and to create the Ontario Public Service Employees' Union Pension Plan (the "OPSEU Pension Plan").

The benefits for all pensioners and deferred pensioners who terminated before January 1, 1993 and for all other PSPPlan members continue to be payable by the PSPPlan.

The net transfer of membership between the PSPPlan and the OPSEU Pension Plan has been settled up to December 31, 1994. In 1997, a cash advance of \$20 million was made from the OPSEU Pension Plan to the PSPPlan representing the estimated amount payable to the PSPPlan for membership transfers subsequent to December 31, 1994. The exact amount of the membership transfer is not determinable at this date. The net settlement is not expected to be significant.

4. Summary of Significant Accounting Policies**a) Basis of Presentation**

The consolidated financial statements are prepared in accordance with generally accepted accounting principles and present the position of the PSPPlan as a separate entity independent of the employers and plan members.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

b) Principles of Consolidation

The accounts of wholly-owned subsidiaries are included on a consolidated basis.

c) Investments

Traded investments are stated at fair value based on year-end market prices. Short-term investments are carried at amortized cost which approximates their aggregate fair value. Special Province of Ontario Debentures, which are non-marketable, are recorded at face value (see Note 5). Gains and losses realized on the disposal of investments are credited or charged to investment income. Withholding tax refunds from foreign jurisdictions are recorded on a cash basis. Investment transactions are presented on a trade date basis.

Real estate investments are stated at appraised values as established by independent appraisals at least every three years. Changes in valuation due to appraisal adjustments are included in unrealized gains (1997-\$23.5 million gain).

d) Contributions

Contributions from members and employers which are due to the PSPPlan at year end are recorded as receivable. Transfers and purchases of prior service are recorded after cash is received and the case is processed.

e) Pensions

Payments of pensions, refunds and transfers are recorded in the year in which they are made.

f) Capital Assets

Capital assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the capital assets as follows:

| | |
|------------------------|-------------------------|
| Computer equipment | 3 years |
| Leasehold improvements | Remaining term of lease |
| Furniture and fixtures | 10 years |

g) Foreign Currency Translation

Foreign currency transactions are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions.

The fair value of investments and cash balances denominated in foreign currencies are translated at the rates in effect at year end.

5. Investments

| As at December 31 (in thousands of dollars) | 1998 | | 1997 | |
|--|------------------|------------------|------------------|------------------|
| | Fair Value | Cost | Fair Value | Cost |
| Special Province of Ontario Debentures | \$ 3,620,077 | \$ 3,620,077 | \$ 3,704,063 | \$ 3,704,063 |
| Cash and short-term investments | | | | |
| Canadian | 520,162 | 521,054 | 384,021 | 384,124 |
| Foreign | <u>67,283</u> | <u>68,745</u> | <u>79,676</u> | <u>78,718</u> |
| | 587,445 | 589,799 | 463,697 | 462,842 |
| Bonds | | | | |
| Canadian | 1,863,409 | 1,772,778 | 1,609,066 | 1,544,893 |
| Foreign | <u>387,207</u> | <u>344,656</u> | <u>270,640</u> | <u>257,777</u> |
| | 2,250,616 | 2,117,434 | 1,879,706 | 1,802,670 |
| Equities | | | | |
| Canadian | 1,085,719 | 889,501 | 1,106,693 | 789,174 |
| Foreign | <u>2,314,176</u> | <u>1,269,860</u> | <u>1,869,688</u> | <u>1,114,708</u> |
| | 3,399,895 | 2,159,361 | 2,976,381 | 1,903,882 |
| Real estate, net of mortgage | 827,609 | 804,130 | 744,979 | 721,500 |
| Investments | \$10,685,642 | \$ 9,290,801 | \$ 9,768,826 | \$ 8,594,957 |
| Accrued income | 283,742 | 283,742 | 275,155 | 275,155 |
| Total | \$10,969,384 | \$ 9,574,543 | \$10,043,981 | \$ 8,870,112 |

The Special Province of Ontario Debentures, which are non-marketable, are recorded at their aggregate face value of \$3.620 billion. By discounting cash flows based on year-end market yields of comparable bonds, a value of \$5.535 billion could be determined.

There are currently 24 Special Province of Ontario Debentures maturing over the next 16 years with a weighted average interest rate of 11.64%.

As Administrator of the Fund, the OPB has adopted a Statement of Investment Policies and Goals. This Statement provides investment objectives, performance expectations and guidelines for the management of the Fund. To reduce risk and enhance returns, equity and fixed income investments may be allocated to different asset classes. The proportion allocated at any point in time is determined based on an assessment of economic and financial market conditions.

To provide the ability to respond to fundamental changes, the Fund's asset mix is maintained within the following ranges:

| | |
|--------------|------------|
| Equity | 30% to 70% |
| Fixed income | 30% to 70% |

The Fund's long-term asset mix policy is as follows:

| | |
|--------------|-----|
| Equity | 60% |
| Fixed income | 40% |

This policy was adopted after evaluating the risk characteristics of alternative policies, considering the liquidity requirements of the Fund and the economic assumptions employed in the PSPPlan's actuarial valuation.

The OPB invests in high-grade bonds and common shares. The fair value of foreign investments will fluctuate with moves in exchange rates.

The OPB through its 100% owned subsidiary, OPB Realty (Management) Inc., owns a 100% interest in the following regional shopping centres:

| | |
|-------------------------------|--|
| Brentwood Mall, Burnaby, BC | Halifax Shopping Centre, Halifax, NS |
| Carlingwood Mall, Ottawa, ON | Niagara Pen Centre, St. Catharines, ON |
| Lougheed Mall, Burnaby, BC | Pickering Town Centre, Pickering, ON |
| Marlborough Mall, Calgary, AB | St. Vital Centre, Winnipeg, MB |

Each property is held in a wholly-owned separate subsidiary. A mortgage of \$39 million on the Marlborough Mall property matured and was paid on September 1, 1998.

See the Schedule of Fixed Income Maturities and the Schedule of Significant Investments for further information.

6. Capital Assets

| As at December 31 (in thousands of dollars) | 1998 | | 1997 | |
|--|-----------------|-----------------------------|-------------------|-------------------|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Computer equipment | \$ 1,283 | \$ 810 | \$ 473 | \$ 550 |
| Leasehold improvements | 1,057 | 710 | 347 | 679 |
| Furniture and fixtures | 523 | 357 | 166 | 242 |
| Total capital assets | \$ 2,863 | \$ 1,877 | \$ 986 | \$ 1,471 |

7. Net Investment Income**For the Year Ended December 31**

(in thousands of dollars)

| | 1998 | 1997 |
|--|---------------------|---------------------|
| Interest income | | |
| Special Province of Ontario Debentures | \$ 425,117 | \$ 434,458 |
| Cash and short-term investments: | | |
| Canadian | 23,129 | 15,095 |
| Foreign | 3,040 | 3,481 |
| Bonds: | | |
| Canadian | 101,131 | 89,656 |
| Foreign | 19,875 | 15,588 |
| Total interest income | 572,292 | 558,278 |
| Dividend income | | |
| Canadian | 17,690 | 17,775 |
| Foreign | 34,966 | 30,729 |
| Total dividend income | 52,656 | 48,504 |
| Real estate income | 60,893 | 56,224 |
| Realized gain | 412,869 | 364,330 |
| Unrealized gain | 220,972 | 348,334 |
| Total investment income | 1,319,682 | 1,375,670 |
| Investment management and custodial fees | 9,821 | 8,583 |
| Net investment income | \$ 1,309,861 | \$ 1,367,087 |

8. Contributions**For the Year Ended December 31**

(in thousands of dollars)

| | 1998 | 1997 |
|--|----------------|---------------|
| Members | | |
| Current service | \$ 91,961 | \$ 91,292 |
| Prior service | <u>4,171</u> | <u>3,522</u> |
| | 96,132 | 94,814 |
| Employers | | |
| Current service | 99,851 | 71,441 |
| Prior service | 3,419 | 697 |
| Interim unfunded liability payments received | <u>114,724</u> | <u>82,469</u> |
| | 217,994 | 154,607 |
| Transfers from other plans | 8,451 | 3,177 |
| Total contributions | \$ 322,577 | \$ 252,598 |

The contribution requirements are set out in the PSPAct and summarized in Note 2. During 1994, the Province passed legislation to temporarily reduce these contributions for a three-year period commencing April 1, 1994 and concluding March 31, 1997.

The Province reduced employer contributions otherwise payable by set dollar amounts for each annual period ending March 31, 1995, 1996 and 1997. Reductions were applied first to reduce payments otherwise receivable on account of unfunded liabilities, and second to reduce other contributions. Further, the Province reduced contribution levels by 1% of salaries for the period April 1, 1994 to March 31, 1995 for employers and April 1, 1994 to March 31, 1997 for employees.

Contributions otherwise receivable by the PSPPlan were reduced by the effects of the contribution holiday. As a result, members' contributions in 1997 were reduced by \$3 million and total employers' contributions were reduced by \$44 million.

Contributions receivable represent members' contributions due as well as estimated receivables for members receiving benefits on LTIP and for buybacks.

9. Accrued Pension Benefits

a) Funding Basis

The funding of the PSPPlan is based on a method of valuation required under the PSPAct. An actuarial valuation of the PSPPlan, prepared on a funding basis, was completed by the OPB's actuaries, William M. Mercer Limited ("Mercer") as at December 31, 1996. This valuation disclosed an unfunded liability of \$1.775 billion based on an actuarial liability of \$11.576 billion and an actuarial value of assets of \$9.801 billion at the end of 1996.

Mercer has produced an estimate of the obligation for pension benefits as at December 31, 1998. This estimate projects the amounts as at December 31, 1996, and shows an actuarial obligation of \$12.204 billion. In addition, Mercer has produced a consistent estimate of the actuarial value of the assets. This estimate does not take into account any experience gains or losses on investments since the date of the valuation. The actuarial value of assets on this basis was estimated at \$10.381 billion which, when compared to the projected actuarial obligation, results in a projected unfunded liability of \$1.823 billion. The OPB intends to have its actuaries prepare a December 31, 1998 valuation during the current year. The 1997 and 1998 investment results exceed those projected since the 1996 actuarial valuation, and thus, a reduction in the unfunded liability is expected.

As required by the Pension Benefits Act (Ontario) and the Income Tax Act (Canada) an actuarial valuation for funding purposes must be performed at least every three years.

b) Accounting Basis

The accrued pension benefits set out in the consolidated financial statements of the OPB for 1998 have been calculated by Mercer based on the reporting standard set by The Canadian Institute of Chartered Accountants which requires that pension obligations be calculated using best estimate assumptions and the projected benefit method pro-rated on services.

The key assumptions which have been used for this estimation are for long-term expectations and are adjusted annually in light of economic conditions. For 1998 and 1997, the key assumptions used are as follows:

| | 1998 | 1997 |
|---------------------|---------------------|---------------------|
| Interest | 6.5% | 7.0% |
| Inflation | 2.5% | 3.0% |
| Real rate of return | 4.0% | 4.0% |
| Salary | 3.5% | 4.0% |
| | + promotional scale | + promotional scale |

The actuarial value of assets on a best estimate basis is \$11.706 billion for 1998 and \$10.702 billion for 1997. This asset value includes the Special Province of Ontario Debentures on a discounted basis. The best estimate obligations compared with the best estimate assets results in a surplus of \$802 million as at December 31, 1998, versus a surplus of \$25 million as at December 31, 1997.

The process of determining pension obligations necessarily involves risks that the actual results will deviate from the best estimates made. These risks vary in proportion to the length of the estimation period and the potential viability of each component comprising the liabilities. Actual experience and related revisions to future estimates may differ materially from the current estimated valuations.

10. Statutory Information

The statutory information required under the Public Sector Salary Disclosure Act, 1995, with respect to employees who are paid a salary of \$100,000 or more in a year is as follows:

| | Salary | Taxable Benefits |
|--|------------|------------------|
| W.H. Somerville, Chairman | \$ 124,204 | — |
| L. Lu, President | \$ 146,254 | \$ 365 |
| Jon-Jo Douglas, Senior Vice-President, General Counsel & Secretary | \$ 115,346 | \$ 352 |
| R. Kay, Senior Vice-President, Investments | \$ 127,920 | \$ 326 |

11. Ontario Provincial Police Early Retirement Benefit

Under the PSPPlan, the OPB is required to report annually on the early retirement benefit provided by the PSPPlan to members who are employed by the OPP. This early retirement benefit is available to OPP members who are 50 years of age and have 30 years of credit in the PSPPlan. OPP members contribute 2% of their salary to the PSPPlan in addition to the regular contribution amount. This contribution is matched by the employer.

The liability of OPP members who qualify and elect to retire under the Factor 80 provision is not reported under the OPP early retirement benefit. When the Province's program expires, the liability for all OPP members who attain 50 years of age and have 30 years of credit in the PSPPlan will be reported under the OPP early retirement benefit.

The position of the OPP early retirement benefit was included in the actuarial valuation as at December 31, 1996. The value of projected future contributions and benefits included in the December 31, 1996 actuarial valuation was updated to reflect actual contributions received and benefit payments made during the period to December 31, 1998. This method produces a reasonable estimate of the financial position of this benefit according to the OPB's actuaries.

The additional obligation and assets related to the OPP early retirement benefit as at December 31, 1998 were as follows:

(in thousands of dollars)

| | |
|---|---------------|
| Assets allocated to payment of OPP early retirement benefit | \$ 60,166 |
| Actuarial value of future additional contributions from OPP members and employer | <u>72,222</u> |
| | 132,388 |
| Actuarial value of future OPP early retirement benefit | 120,984 |
| Assets and actuarial value of future additional contributions available in excess of actuarial value of future OPP early retirement benefit | \$ 11,404 |

12. Operating Expenses**For the Year Ended December 31**

(in thousands of dollars)

| | 1998 | 1997 |
|--|------------------|------------------|
| Salaries and benefits | \$ 4,839 | \$ 4,249 |
| Agency services | 976 | 749 |
| Office premises and operations | 1,587 | 1,747 |
| Computer and professional services | 1,482 | 3,338 |
| Depreciation and amortization | 879 | 287 |
| Communications | 371 | 289 |
| Audit | 97 | 96 |
| Training and travel | 47 | 39 |
| Publications, registration and filing fees | 99 | 91 |
| Total operating expenses | \$ 10,377 | \$ 10,885 |

13. Commitments

The OPB is committed under a lease for office premises at One Financial Place, Toronto, at an annual net rental of approximately \$470 thousand until the year 2002.

14. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations.

Management has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 Issue on the OPB. As at December 31, 1998, the OPB has commenced the identification of computer systems that will require modification or replacement. An assessment of the readiness of third parties, such as customers, suppliers and others is ongoing.

It is not possible to be certain that all aspects of the Year 2000 Issue affecting the OPB, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Schedule of Fixed Income Maturities

| As at December 31 (in thousands of dollars) | 1998 | | 1997 | |
|---|------------------|----------------------|------------------|----------------------|
| | Fair Value | Effective Yield % | Fair Value | Effective Yield % |
| Special Province of Ontario Debentures | | | | |
| 0-1 year | \$ 47,303 | 8.39 - 10.07 | \$ 68,219 | 8.14 - 14.71 |
| 1-5 years | 440,499 | 9.50 - 16.95 | 369,039 | 8.39 - 16.95 |
| 5-10 years | 1,004,286 | 9.82 - 15.38 | 874,304 | 9.50 - 15.38 |
| > 10 years | <u>2,127,989</u> | 10.38 - 13.33 | <u>2,392,501</u> | 10.38 - 13.33 |
| | \$3,620,077 | | \$3,704,063 | |
| Cash and short-term investments | | | | |
| Canadian: | | | | |
| 0-1 year | \$ 520,162 | 4.41 - 6.50 | \$ 384,021 | 3.10 - 8.04 |
| Foreign: | | | | |
| 0-1 year | <u>67,283</u> | 3.70 - 4.50 | <u>79,676</u> | 4.82 - 5.30 |
| | \$ 587,445 | | \$ 463,697 | |
| Bonds | | | | |
| Canadian: | | | | |
| 0-1 year | \$ 1,333 | 4.49 | \$ 9,507 | 4.92 - 5.26 |
| 1-5 years | 351,729 | 4.74 - 7.88 | 247,460 | 4.88 - 6.15 |
| 5-10 years | 986,500 | 4.79 - 6.82 | 1,289,669 | 5.27 - 6.80 |
| > 10 years | <u>523,847</u> | 1.92 - 5.95 | <u>62,430</u> | 4.18 - 6.01 |
| | \$1,863,409 | | \$1,609,066 | |
| Foreign: | | | | |
| 1-5 years | \$ 88,841 | 3.26 - 5.56 | \$ 50,060 | 4.80 - 7.67 |
| 5-10 years | 226,268 | 3.71 - 6.12 | 196,657 | 2.91 - 7.18 |
| > 10 years | <u>72,098</u> | 4.31 | <u>23,923</u> | 6.19 - 6.33 |
| | \$ 387,207 | | \$ 270,640 | |
| | \$2,250,616 | | \$1,879,706 | |

Schedule of Significant Investments*

| As at December 31, 1998 (in thousands of dollars) | Fair Value | Cost |
|---|-----------------------|--------------|
| Special Province of Ontario Debentures | \$ 3,620,077 | \$ 3,620,077 |
| Cash and short-term investments | | |
| Canadian | | |
| Treasury Bills | | |
| Government of Canada | \$ 269,524 | \$ 269,278 |
| Bonds | | |
| Canadian | | |
| Government of Canada | \$ 821,920 | \$ 792,534 |
| Province of Ontario | 256,492 | 239,066 |
| Foreign | | |
| Federal Republic of Germany | \$ 135,225 | \$ 135,554 |
| Real estate, net | \$ 827,609 | \$ 804,130 |

*Investments with fair value or cost exceeding 1% of fair value or cost of total plan investments

Office of the
Provincial Auditor
of Ontario



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Auditor's Report

To the Public Guardian and Trustee for the Province of Ontario
and to the Attorney General

I have audited the balance sheet of the Public Guardian and Trustee for the Province of Ontario as at March 31, 1999 and the statements of fund balances and revenue and expenditures for the year then ended. These financial statements are the responsibility of the Public Guardian and Trustee's management. 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 management, 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 Public Guardian and Trustee for the Province of Ontario as at March 31, 1999 and the results of its operations for the year then ended in accordance with the accounting policies as explained in the Summary of Significant Accounting Policies.

Toronto, Ontario
June 4, 1999

A handwritten signature in cursive script, reading "K.W. Leishman".

K.W. Leishman, CA
Assistant Provincial Auditor

**The Public Guardian and Trustee
for the Province of Ontario
Balance Sheet
(in thousands of dollars)**

March 31, 1999

| | Estates and Trusts | | Administration Fund | |
|--------------------------------------|---------------------------|-------------------|----------------------------|------------------|
| | 1999 | 1998 | 1999 | 1998 |
| Assets | | | | |
| Cash | \$ 1,517 | \$ 4,688 | \$ 37 | \$ 2 |
| Bonds and other debt issues | 16,171 | 13,953 | | |
| Funds invested (Schedule A) | 862,748 | 845,802 | 59,456 | 64,026 |
| Accounts receivable | 4,160 | 4,398 | 230 | 5 |
| Other assets (Schedule B) | 84,172 | 82,232 | | |
| | <u>\$ 968,768</u> | <u>\$ 951,073</u> | <u>\$ 59,723</u> | <u>\$ 64,033</u> |
| Liabilities and Fund Balances | | | | |
| Accounts Payable | \$ 1,964 | \$ 1,229 | \$ 4,538 | \$ 4,599 |
| Accrued interest (Note 5) | | | | 7,207 |
| | <u>\$ 1,964</u> | <u>\$ 1,229</u> | <u>\$ 4,538</u> | <u>\$ 11,806</u> |
| Fund balances | 966,804 | 949,844 | 55,185 | 52,227 |
| | <u>\$ 968,768</u> | <u>\$ 951,073</u> | <u>\$ 59,723</u> | <u>\$ 64,033</u> |

On behalf of The Public Guardian and Trustee for the Province of Ontario


Public Guardian and Trustee


Deputy Public Guardian and Trustee

**The Public Guardian and Trustee
for the Province of Ontario
Statement of Estates and Trust Fund Balances
(in thousands of dollars)**

| For the year ended March 31 | 1999 | 1998 |
|------------------------------------|-------------------|-------------------|
| Client estates | \$ 344,728 | \$ 354,323 |
| Crown estates | 80,101 | 76,456 |
| Probable escheats (Note 1) | 335 | 900 |
| Executorship estates | 14,354 | 16,927 |
| Cemetery trusts | 15,664 | 14,360 |
| Corporate trusts | 3,053 | 3,052 |
| Forfeited corporate assets | 3,766 | 3,706 |
| Suits and matters | 495,599 | 472,166 |
| Land titles | 2,972 | 2,345 |
| Unclaimed balances | 1,550 | 1,510 |
| Unadministered estates | 4,682 | 4,099 |
| | <u>\$ 966,804</u> | <u>\$ 949,844</u> |

The accompanying summary of significant policies and notes are an integral part of these financial statements

**The Public Guardian and Trustee
for the Province of Ontario
Statement of Administration Fund Balances
(in thousands of dollars)**

For the year ended March 31, 1999

| | Allowance | | | | | Total 1999 | Total 1998 |
|--|-------------------|-------------------------------|----------------------------------|--------------------------------|-----------------------------|---------------|---------------|
| | Assurance Fund | Litigation Reserve Fund | Accounts for Doubtful Fund | Medical Contingency Fund | Unappro- priated Fund | | |
| Balance, beginning of year | \$ 200 | \$ 2,000 | \$ 100 | \$ 100 | \$ 49,827 | \$ 52,227 | \$ 44,354 |
| Excess of revenue over expenditures | | | | | | | |
| Claims during the year | (75) | (395) | | (19) | 3,447 | 3,447 | 9,828 |
| | | | | | (489) | (489) | (255) |
| Transfers | | | | | | | |
| Consolidated Revenue Fund (Note 2) | | | | | | | (1,700) |
| Reimbursement of Claims | 75 | 395 | | 19 | (489) | | |
| Balance, end of year | \$ 200 | \$ 2,000 | \$ 100 | \$ 100 | \$ 52,785 | \$ 55,185 | \$ 52,227 |

**The Public Guardian and Trustee
for the Province of Ontario
Statement of Revenue and Expenditures - Administration Fund
(in thousands of dollars)**

| For the year ended March 31 | 1999 | 1998 |
|---|-----------------|-----------------|
| Revenue | | |
| Fees collected | | |
| Client estates | \$ 10,642 | \$ 10,138 |
| Crown estates | 1,308 | 1,128 |
| Probable escheats | 62 | 5 |
| Executorship estates | 272 | 294 |
| Charity trusts | 265 | 302 |
| Cemetery trusts | 59 | 49 |
| Corporate trusts | 17 | 10 |
| Forfeited corporate assets | 27 | 45 |
| | <u>12,652</u> | <u>11,971</u> |
| Bank interest, net of charges | (139) | (5) |
| Income from funds invested, net (Schedule C) | 8,974 | 15,412 |
| | <u>21,487</u> | <u>27,378</u> |
| Expenditures | | |
| Salary and wages | 14,316 | 14,243 |
| Employee Benefits (Note 3) | 2,993 | 3,799 |
| Services | 2,596 | 2,899 |
| Supplies and equipment | 370 | 384 |
| Transportation and communication | 1,317 | 1,289 |
| | <u>21,592</u> | <u>22,614</u> |
| Less: Amount recovered from the Ministry of Attorney General | (3,552) | (5,064) |
| | <u>18,040</u> | <u>17,550</u> |
| Excess of revenue over expenditures for the year | \$ 3,447 | \$ 9,828 |

**The Public Guardian and Trustee
for the Province of Ontario**
Summary of Significant Accounting Policies

March 31, 1999

Nature of Operations

The Public Guardian and Trustee for the Province of Ontario performs duties under a number of statutes with the following main responsibilities:

- ♦ the management of estates of incompetent individuals
- ♦ the administration of estates of persons who have died in Ontario intestate and without next-of-kin
- ♦ the gathering of assets on behalf of the Crown under the Escheats Act when there is no known owner of those assets or the owner is a corporation no longer in existence
- ♦ the management of funds, mortgages and securities paid into or lodged with the Ontario Court (General Division) on behalf of minors, litigants and others
- ♦ a general supervisory role over charities and charitable property

Basis of Accounting

The Organization uses the accrual basis for accounting for the Administration Fund and funds invested. Assets held on behalf of clients, other than funds invested, are accounted for on a market value basis as explained in the significant accounting policies relating to these items.

Estates and Trusts

Estates and Trusts represent accounts over which The Public Guardian and Trustee for the Province of Ontario acts as trustee under the regulations of The Public Guardian and Trustee Act. Estates and Trusts earn interest on the funds at established rates and are charged fees for trustee services provided in accordance with regulations under the Act.

Unappropriated Administration Fund

The Administration Fund is the operating account of The Public Guardian and Trustee. It is used to accumulate fees charged each estate and trust for services, as prescribed by the regulations under The Public Guardian and Trustee Act.

Cash balances in the Administration Fund which are not required for operating purposes are invested along with the cash funds of Estates and Trusts. The Administration Fund receives the net interest income of these investment activities, after interest is allowed on the funds of Estates and Trusts in accordance with regulations under the Act.

All operating expenses of the office of The Public Guardian and Trustee are paid from the Administration Fund.

**The Public Guardian and Trustee
for the Province of Ontario
Summary of Significant Accounting Policies**

March 31, 1999

Appropriated Administration Funds

Assurance Fund

The regulations under the Act provide that an Assurance Fund shall be established to meet losses for which the office of The Public Guardian and Trustee might become liable. Accordingly, this Fund has been established at \$200,000 by transfers from the Administration Fund.

During the year the Fund was reimbursed \$75,358 (1998 - \$50,650) from the unappropriated fund.

Litigation Reserve Fund

The intent of the Litigation Reserve Fund is to cover costs of an opposing side's legal bills where the office of The Public Guardian and Trustee is obliged to pay such costs.

During the year the Fund was reimbursed \$395,228 (1998 - \$184,725) from the unappropriated fund for legal costs incurred on behalf of the clients.

Allowance for Doubtful Accounts Fund

The intent of the Allowance for Doubtful Accounts Fund is to provide for all clients accounts whereby The Public Guardian and Trustee has paid expenses on a client's behalf but is not expected to be able to recover the amount from the client.

Medical Consultancy Fund

The Medical Consultancy Fund was set up to cover fees of medical consultants for consent to treatment for The Public Guardian and Trustee to make substitute decisions on behalf of incapable persons under the Regulations of the Public Hospitals Act.

During the year the Fund was reimbursed \$18,754 (1998 - \$18,535) from the unappropriated fund.

**The Public Guardian and Trustee
for the Province of Ontario****Summary of Significant Accounting Policies**

March 31, 1999

Funds Invested

Funds are invested in high quality fixed income instruments subject to the investment guidelines of the Financial Administration Act and the guidelines and limitations as set by the office of The Public Guardian and Trustee with emphasis on preservation of capital and maximizing return. These securities are reflected at cost adjusted for the amortization of premiums or discounts on purchase over the period to maturity, where these securities are intentionally held to maturity.

Stocks and Bonds of Estates and Trusts

Stocks and bonds of Estates and Trusts are recorded at their market value at the time of taking over the Estates and Trusts. An annual adjustment to market value is made, as a minimum, at December 31 each year, with occasional revaluations made during the year.

Real Estate

Real estate is recorded at appraised value at the time of incorporation of the trust and is subject to periodic revaluations.

Life Insurance

Life insurance is recorded at its cash surrender value at the time of incorporating the trust and is subject to valuation every two years.

Foreign Currency Translation

Foreign currency amounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period.

Capital Assets

Items of a capital nature are charged to operations in the year of acquisition.

Use of Estimates

The preparation of financial statements in accordance with the accounting policies noted above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

**The Public Guardian and Trustee
for the Province of Ontario
Notes to Financial Statements**

March 31, 1999

1. Funds Escheated to the Crown

The Public Guardian and Trustee is authorized by the Escheats Act to take possession of unclaimed property reverting to the Crown under the Succession Law Reform Act, Business Corporations Act, or common law. After a period of ten years, any property so received by The Public Guardian and Trustee which remains unclaimed is transferred to the Consolidated Revenue Fund of the Province.

During the year, \$1,256,800 (1998 - \$226,609) was transferred to the Province.

2. Transfers to Consolidated Revenue Fund

No transfers were made during the fiscal year 1998/99 to the Consolidated Revenue Fund of the Province.

Pursuant to Section 9(5) of The Public Guardian and Trustee Act, the Lieutenant Governor in Council may from time to time direct the payment into the Province's Consolidated Revenue Fund of any balance at the credit of the Administration Fund.

3. Pension Plan

The Public Guardian and Trustee provides pension benefits for its employees through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund established by the Province of Ontario. The Public Guardian and Trustee's share of contributions to these Funds during the year was \$905,148 (1998 - \$1,668,300) and is included in employee benefits in the Statement of Revenue and Expenditures - Administration Fund.

4. Mortgages and Securities in Trust

The Public Guardian and Trustee also acts as custodian of mortgages in the amount of \$396,209 (1998 - \$625,938) and miscellaneous securities and documents having a face value of \$9,209,469 (1998 - \$9,083,443). These amounts are not reflected in the financial statements as The Public Guardian and Trustee does not act as trustee but simply as custodian on behalf of the client.

**The Public Guardian and Trustee
for the Province of Ontario
Notes to Financial Statements**

March 31, 1999

5. Accrued Interest on Estates and Trusts

During 1997/98 fiscal year, the Organization changed its investment strategy and management as investment managers realigned the investment portfolios in conjunction with the amalgamation of the Accountant of the Ontario Court. The change resulted in unusual capital gains in the amount of \$9,867,579 which were to be allocated to the Estates and Trusts over a one year period through upward revisions in the Public Guardian and Trustee's prescribed interest rates. An accrual in the amount of \$7,206,875 was made to reflect the cumulative effect of the increase in prescribed interest rates to be paid out in the subsequent year as the capital gain has been reflected in operations in that year.

6. Contingencies

The Public Guardian and Trustee is involved in various legal actions arising in the normal course of operations, the outcome and ultimate disposition of which are not determinable at this time.

7. Statement of Changes in Cash Flows

A statement of changes in cash flows was not prepared as the information which it would contain is readily available from these financial statements.

8. Comparative Figures

Certain prior year comparative figures have been restated to conform to the current year's presentation

9. Uncertainty Due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000.

If the Year 2000 Issue is not addressed by the organization and its major suppliers and other third party business associates, the impact on the organization's operations and financial reporting may range from minor errors to significant systems failure which could affect the organization's ability to conduct normal business operations.

**The Public Guardian and Trustee
for the Province of Ontario
Schedule A - Funds Invested
(in thousands of dollars)**

| For the year ended March 31 | | 1999 | 1998 |
|-----------------------------|---------------|-------------------|------------------------|
| Cash (Bank indebtedness) | | \$ (4,946) | \$ 2,131 |
| Accrued interest | | 12,199 | 11,582 |
| Short term investments | | 163,186 | 261,934 |
| | | 170,439 | 275,647 |
| Long term investments | | | |
| Corporate Bonds | (i) | 55,589 | 39,738 |
| Federal Government | (ii) | 357,376 | 296,039 |
| Ontario Hydro | (iii) | 52,261 | 35,390 |
| Provincial Government | (iv) | 142,912 | 142,409 |
| Financial Institutions | (v) | 143,627 | 120,605 |
| | | 751,765 | 634,181 |
| | | \$ 922,204 | \$ 909,828 |
| Allocated as follows | | | |
| Estates and Trusts | | \$ 862,748 | \$ 845,802 |
| Administration Fund | | 59,456 | 64,026 |
| | | \$ 922,204 | \$ 909,828 |
| Long term investments | | | |
| | | Interest Rates | Cost Market Value |
| (i) Corporate Bonds | | | |
| 1 - 5 years | 5.50 - 9.63% | \$ 39,550 | \$ 40,193 |
| 5 years + | 5.65 - 5.75% | 16,039 | 16,381 |
| | | 55,589 | 56,574 |
| (ii) Federal Government | | | |
| 1 - 5 years | 5.00 - 9.75% | 244,025 | 243,543 |
| 5 years + | 6.00 - 7.25% | 113,351 | 116,507 |
| | | 357,376 | 360,050 |
| (iii) Ontario Hydro | | | |
| 1 - 5 years | 5.38 - 10.00% | 52,261 | 51,587 |
| | | 52,261 | 51,587 |
| (iv) Provincial Government | | | |
| 1 - 5 years | 7.50 - 9.75% | 88,786 | 90,980 |
| 5 years + | 4.88 - 9.00% | 54,126 | 56,724 |
| | | 142,912 | 147,704 |
| (v) Financial Institutions | | | |
| 1 - 5 years | 5.40 - 11.00% | 104,170 | 103,108 |
| 5 years + | 5.10 - 8.15% | 39,457 | 39,305 |
| | | 143,627 | 142,413 |
| | | \$ 751,765 | \$ 758,328 |

**The Public Guardian and Trustee
for the Province of Ontario
Schedule B - Other Assets
(in thousands of dollars)**

| For the year ended March 31 | 1999 | 1998 |
|-----------------------------------|------------------|------------------|
| Real estate | \$ 44,819 | \$ 44,013 |
| Stocks and other securities | 29,226 | 28,538 |
| Mortgages and loans receivable | 1,356 | 1,666 |
| Life insurance | 2,726 | 2,792 |
| Other | 8,477 | 8,170 |
| | 86,604 | 85,179 |
| Less: Mortgages and loans payable | (2,432) | (2,947) |
| | \$ 84,172 | \$ 82,232 |

**Schedule C - Income from Funds Invested
(in thousands of dollars)**

| For the year ended March 31 | 1999 | 1998 |
|---|-----------------|------------------|
| Income from investments | \$ 62,593 | \$ 63,721 |
| Bank interest | 310 | 154 |
| | 62,903 | 63,875 |
| Less: Interest allowed | (53,929) | (41,256) |
| Accrued interest on Estates and Trusts (Note 5) | - | (7,207) |
| | \$ 8,974 | \$ 15,412 |

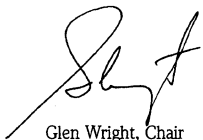
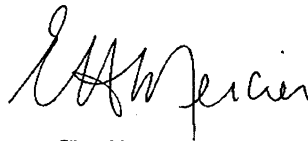
Balance sheet

December 31, 1998

(\$ millions)

| | 1998 | 1997 |
|---|----------|----------|
| ASSETS | | |
| Cash and cash equivalents | \$ 61 | \$ - |
| Receivables | 143 | 235 |
| Investments (note 3) | 8,607 | 8,029 |
| Injured Workers' Retirement Fund (note 4) | 273 | 221 |
| Capital and other assets (note 5) | 254 | 236 |
| | \$ 9,338 | \$ 8,721 |
| LIABILITIES | | |
| Bank indebtedness (note 6) | \$ - | \$ 87 |
| Payables and accruals | 489 | 710 |
| Mortgage payable (note 7) | 74 | 75 |
| Injured Workers' Retirement Fund (note 4) | 273 | 221 |
| Benefits liability (note 8) | 15,600 | 15,685 |
| | 16,436 | 16,778 |
| UNFUNDED LIABILITY | (7,098) | (8,057) |
| | \$ 9,338 | \$ 8,721 |

On behalf of the Board of Directors:


Glen Wright, Chair
Director

Eileen Mercier,
Director

The accompanying notes form an integral part of the financial statements.

WORKPLACE SAFETY AND INSURANCE BOARD

Statement of operations & unfunded liability

For the Year Ended December 31, 1998

(\$ millions)

| CURRENT OPERATIONS | 1998 | 1997 |
|--|----------|----------|
| REVENUES | | |
| Premiums for current year | \$ 1,722 | \$ 1,886 |
| Investment (note 3) | 997 | 849 |
| | 2,719 | 2,735 |
| EXPENSES | | |
| Benefit costs (note 8) | 2,177 | 2,294 |
| Net increase in the Injured Workers' | | |
| Retirement Fund (note 4) | 52 | 48 |
| Administrative and other (note 9) | 336 | 341 |
| Legislated obligations and commitments (note 10) | 125 | 117 |
| | 2,690 | 2,800 |
| EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES | | |
| FROM CURRENT OPERATIONS | 29 | (65) |
| Premiums for unfunded liability | 930 | 683 |
| Changes legislated by Bill 99 (note 8) | | 1,785 |
| EXCESS OF REVENUES OVER EXPENSES APPLIED | | |
| TO REDUCE THE UNFUNDED LIABILITY | 959 | 2,403 |
| Unfunded liability, beginning of year | 8,057 | 10,460 |
| Unfunded liability, end of year | \$ 7,098 | \$ 8,057 |

The accompanying notes form an integral part of the financial statements.

Statement of cash flows

For the Year Ended December 31, 1998

(\$ millions)

| | 1998 | 1997 |
|--|---------|----------|
| INVESTING CASH FLOWS | | |
| Investment income | \$ 445 | \$ 340 |
| Sales of investments | 2,851 | 9,622 |
| Purchases of investments | (2,872) | (10,010) |
| Net cash provided/(shortfall) from investing activities | 424 | (48) |
| OPERATING CASH FLOWS | | |
| Current Operations | | |
| Cash received from: | | |
| Current premiums | 1,640 | 1,884 |
| Cash paid to: | | |
| Claimants, survivors and care providers | (2,262) | (2,249) |
| Injured Workers' Retirement Fund | (52) | (48) |
| Employees and suppliers for administrative goods and services | (364) | (299) |
| Others under legislated obligations | (123) | (100) |
| | (2,801) | (2,696) |
| <i>Net cash required by current operations</i> | (1,161) | (812) |
| Cash received from unfunded liability premiums | 885 | 681 |
| CASH REQUIRED BY OPERATIONS | (276) | (131) |
| Increase/(decrease) in cash and cash equivalents | 148 | (179) |
| Cash and cash equivalents, beginning of year | (87) | 92 |
| Cash and cash equivalents, end of year | \$ 61 | \$ (87) |

The accompanying notes form an integral part of the financial statements.

Notes to the financial statements

December 31, 1998

1. NATURE OF OPERATIONS

The Workplace Safety & Insurance Board (WSIB), formerly the Workers' Compensation Board, is a statutory corporation first created by an Act of the Ontario Legislature in 1914. It is responsible for administering the *Workplace Safety and Insurance Act, 1997*. Bill 99, the *Workers' Compensation Reform Act*, received royal assent and was passed into law on October 10, 1997. It came into force on January 1, 1998, introducing wide-ranging changes to the workplace safety and insurance system in Ontario and changing the name of the Workers' Compensation Board to Workplace Safety and Insurance Board (WSIB) effective January 1, 1998.

The WSIB promotes the prevention of injuries and illnesses in Ontario workplaces and provides compensation to workers who sustain injuries arising from and in the course of employment, or who contract an occupational disease.

The WSIB administers the *Workplace Safety and Insurance Act, 1997*, for two groups of employers referred to as Schedule 1 and Schedule 2. Schedule 1 relates to services and industries in which employers are insured through "collective liability" and are required to contribute to the WSIB Insurance Fund whereas Schedule 2 relates to employers who are "self-insured," in that they are individually liable. The Federal Government, which is covered under a separate agreement with Human Resources Development Canada, is also treated as a Schedule 2 employer. The WSIB pays the actual cost of claims for Schedule 2 workers and is reimbursed by those employers for the claims paid, as well as for the cost of prevention activities and administering the claims. In addition, investment revenue is earned from a diversified investment portfolio held as a reserve to meet future obligations on existing claims.

The WSIB does not receive government funding or other assistance and raises funds through premium rates being applied to the payrolls of Ontario's Schedule 1 employers covered under the *Workplace Safety and*

Insurance Act, 1997, in order to provide compensation to workers or survivors of the workers who are injured in the course of employment or who contract an occupational disease.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from these estimates.

The significant accounting policies are summarized as follows:

Cash and cash equivalents

Cash and cash equivalents are funds consisting of cash and money market instruments with maturities up to three months.

Investments

a) Bonds, coupons and mortgages

Bonds, coupons and mortgages are carried at amortized cost. In the case of mortgages, amortized cost is adjusted for principal repayments. Realized gains and losses on the sale of bonds, coupons and mortgages are deferred and amortized over the lesser of 20 years or the period to maturity of the security sold.

b) Equities and real estate

Equities and real estate are carried at cost adjusted towards fair value, using a five-year moving average market method. Realized gains and losses are deferred and amortized over a four-year period.

c) Short-term securities

Short-term securities consist of money market instruments with maturities between three and twelve months and are carried at cost. Gains and losses from sales are included in income in the year they occur.

d) Foreign currency translation

Transactions in investments denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at the time of the transaction. The cash and cash equivalents are translated to Canadian dollars at the exchange rate in effect at the balance sheet date.

Fair values of investments

Fair values of investments are determined as follows:

Bonds and equities are valued at year-end quoted prices where available. Where quoted prices are not available, estimated fair values are calculated based upon the yields and values of comparable marketable securities.

Short-term notes, treasury bills and term deposits maturing within a year are valued at cost, which together with accrued interest income approximates fair value given the short-term nature of these instruments.

Real estate is valued based on appraised values conducted on a cyclical basis.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the WSIB's proportionate share of underlying net assets at fair values determined using closing market prices.

Fair value of other financial assets and liabilities

The fair values of other financial assets and liabilities, being cash, receivables, bank indebtedness, payable and accrued liabilities approximate their carrying values due to the short-term nature of these instruments.

Injured Workers' Retirement Fund

Investments held in the Injured Workers' Retirement Fund are carried at fair value. Changes in fair values are taken into income of the Injured Workers' Retirement Fund in the year they occur.

Capital assets and depreciation

Capital assets are stated at cost. Capital assets are depreciated using the straight-line method at rates calculated to expense the cost of assets over their estimated useful lives which, in the case of buildings and equipment, are 20 years and 5 years respectively. Buildings are carried at cost and include development, financing and other costs capitalized prior to becoming fully operational, at which time depreciation commences.

Premium revenue for current operations and unfunded liability

Premium revenue is determined on the basis of estimated and actual payrolls for employers included in Schedule 1 of the *Workplace Safety and Insurance Act, 1997*, adjusted for claim experience where relevant.

Schedule 2 employers are individually liable to pay the benefits under the *Workplace Safety and Insurance Act, 1997*, with respect to the workers employed. Reimbursements for claims paid and cost of administering the claims are included in the premiums of the WSIB.

Included in premium revenue are reimbursements by Schedule 2 employers for claims paid, as well as for the cost of administering the claims.

Under the *Workplace Safety and Insurance Act, 1997*, the Board shall determine the total amount of the premiums to be paid by all Schedule 1 employers with respect to each year in order to maintain the Insurance Fund under this *Act*.

Premiums for unfunded liability

Under the *Workplace Safety and Insurance Act, 1997*, the WSIB determines premium rates to maintain the sufficiency of the Insurance Fund. In advance of the fiscal year, the WSIB notifies Schedule 1 employers of the methods used to calculate these rates, the premiums payable and the payment schedule. Premium rates include a specified component that is applied to reduce the unfunded liability.

Benefits liability

The benefits liability is determined annually through an actuarial valuation and represents a provision for future payments relating to claims incurred on or before December 31. The provision has been obtained by estimating future benefit payments in accordance with the adjudication practices in effect at December 31, 1998 and legislation enacted January 1, 1998.

The benefits liability does not include any provision for payment of claims relating to Schedule 2 as they are a liability of Schedule 2.

Provision has not been made for future administration costs of incurred claims. Similarly, provision has not been made for the cost of future claims for occupational diseases, or for the future cost of existing claims for diseases and injuries that are not currently considered to be work-related, but may in the future be considered to be work-related.

3. INVESTMENTS AND INVESTMENT REVENUE

The carrying value of investments comprises investments at a cost of \$9,597 million (1997: \$8,901 million) including accrued investment income, plus adjustments towards a fair value of \$447 million (1997: \$366 million), less unamortized net gains realized on the sale of investments of \$1,437 million (1997: \$1,238 million). Investments by category of investment are as follows:

| (\$ millions) | 1998 | | 1997 | |
|--------------------------------|----------------|------------|----------------|------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Fixed Income Securities | | | | |
| Bonds | \$ 3,181 | \$ 3,847 | \$ 2,970 | \$ 3,564 |
| Mortgages | 6 | 6 | 6 | 6 |
| | 3,187 | 3,853 | 2,976 | 3,570 |
| Equities | | | | |
| Domestic | 2,638 | 3,032 | 2,319 | 2,912 |
| Foreign - U.S. | 367 | 919 | 1,099 | 1,546 |
| - Global | 2,085 | 2,606 | 1,335 | 1,757 |
| | 5,090 | 6,557 | 4,753 | 6,215 |
| Real Estate | 255 | 271 | 228 | 236 |
| Short-term Securities | | | | |
| Money market instruments | 1 | 1 | - | - |
| Accrued investment income | 74 | 74 | 72 | 72 |
| | \$ 8,607 | \$ 10,756 | \$ 8,029 | \$ 10,093 |

The WSIB engages in a securities lending program whereby securities are loaned to borrowers, approved by the WSIB and the custodian, for a fee, against high quality collateral. At December 31, 1998, the fair value of securities on loan was \$2,505 million (1997: \$1,841 million).

Foreign investments are exposed to currency risk. Derivative instruments are used for the sole purpose of hedging foreign currency transactions to better manage and reduce currency risk. Such instruments are valued at year-end market prices. The notional amount of foreign currency contracts hedging investments in foreign currencies totalled \$321 million at December 31, 1998 (1997: \$83 million). Their related fair value at year-end was \$323 million (1997: \$84 million). The contracts mature in the first three months of 1999.

Revenue by category of investment is as follows:

| (\$ millions) | 1998 | 1997 |
|----------------------------------|-------|-------|
| Bonds | \$275 | \$259 |
| Equities | 725 | 583 |
| Mortgages | 0 | 4 |
| Short-term securities | 2 | 6 |
| | 1,002 | 852 |
| Injured Workers' Retirement Fund | 15 | 10 |
| Investment expenses | (20) | (13) |
| Investment revenue | \$997 | \$849 |

In 1998, \$612 million (1997: \$519 million) of realized and unrealized net gains were amortized to investment revenue.

Bonds by term to maturity as at December 31:

| (\$ millions) | | | | | Less unamortized gain | 1998 | 1997 |
|-------------------------|--------------|-------------|-------------------------------|--------------|-----------------------|---------|---------|
| | Up to 1 year | 1 - 5 years | Term to maturity 5 - 10 years | Over 10 year | | | |
| Government bonds | | | | | | | |
| Carrying value | | \$1,443 | \$851 | \$786 | \$462 | \$2,618 | \$2,532 |
| Fair value | | 1,465 | 900 | 862 | | 3,227 | 3,076 |
| Yield % | | 4.8 | 4.9 | 5.3 | | 5.0 | 5.6 |
| Corporate bonds | | | | | | | |
| Carrying value | \$7 | \$225 | \$148 | \$220 | \$37 | \$563 | \$438 |
| Fair value | 7 | 228 | 151 | 234 | | 620 | 488 |
| Yield % | 5.3 | 5.0 | 5.6 | 6.0 | | 5.5 | 6.0 |
| Total | | | | | | | |
| Carrying value | | | | | | \$3,181 | \$2,970 |
| Fair value | | | | | | 3,847 | 3,564 |
| Yield % | | | | | | 5.1 | 5.6 |

The average effective yield reflects the result obtained by dividing the estimated annual income of a security (based on its coupon or dividend rate) by its fair value at December 31.

4. INJURED WORKERS' RETIREMENT FUND

Under section 44 of the *Workers' Compensation Act* and Regulations of Ontario R.S.O. 1990 (which continues to apply to injuries and diseases prior to January 1, 1998), the WSIB sets aside funds equal to 10 per cent of every payment made to injured workers under section 43 of that *Act*. In accordance with the provisions of that *Act*, these funds are segregated from the WSIB's Insurance Fund and are invested to provide for retirement income benefits for injured workers.

Under section 45 of the new *Workplace Safety and Insurance Act, 1997*, effective January 1, 1998, the WSIB will set aside 5 per cent rather than 10 per cent of a workers' loss of earnings benefits for his/her retirement fund for new claims. The injured worker may choose to contribute a further 5 per cent from his/her loss of earnings benefits. The amount is set aside only after the worker has received payments for loss of earnings for 12 continuous months. Since the *Workplace Safety and Insurance Act, 1997*, took effect January 1, 1998, the 5 per cent set aside will first occur on January 1, 1999.

Bonds by term to maturity as at December 31:

(\$ millions)

| | Term to maturity | | | | 1998 | 1997 |
|--------------------------------|------------------|-------------|--------------|---------------|-------|-------|
| | Up to 1 year | 1 - 5 years | 5 - 10 years | Over 10 years | | |
| Government bonds | | | | | | |
| Fair value | | \$38 | \$14 | \$25 | \$77 | \$82 |
| Yield % | | 4.9 | 5.2 | 5.3 | 5.1 | 5.6 |
| Corporate bonds | | | | | | |
| Fair value | \$2 | \$12 | \$10 | \$5 | \$29 | \$18 |
| Yield % | 5.3 | 5.4 | 5.8 | 6.2 | 5.7 | 6.1 |
| Global bond pooled fund | | | | | \$8 | \$6 |
| Yield % | | | | | 13.9 | 1.4 |
| Total | | | | | | |
| Fair value | | | | | \$114 | \$106 |
| Yield % | | | | | 6.4 | 5.5 |

5. CAPITAL AND OTHER ASSETS

(\$ millions)

| | 1998 | | 1997 |
|--------------------------------------|--------|----------------|----------------|
| | Cost | Net Book Value | Net Book Value |
| Buildings and leasehold improvements | \$ 203 | \$ 165 | \$ 169 |
| Equipment | 133 | 32 | 16 |
| | 336 | 197 | 185 |
| Other assets | 57 | 57 | 51 |
| | \$393 | \$ 254 | \$ 236 |

Depreciation expense in 1998 was \$20 million (1997: \$15 million).

6. BANK INDEBTEDNESS

The bank indebtedness represents cheques issued before the end of the year which are outstanding, net of the cash balance. The WSIB maintains a \$150 million line of credit with a commercial bank, which is unsecured.

The fair value of the fund at December 31 is as follows:

(\$ millions)

| | 1998 | 1997 |
|---------------------------|--------|--------|
| Cash | \$ 4 | \$ 0 |
| Bonds | 114 | 106 |
| Equities - Domestic | 91 | 66 |
| - Foreign Global | 51 | 38 |
| Money market instruments | 11 | 9 |
| Accrued investment income | 2 | 2 |
| | \$ 273 | \$ 221 |

In 1998, the net increase in the Injured Workers' Retirement Fund was \$52 million (1997: \$48 million). This net increase resulted from funds set aside pursuant to section 44 of the *Act* in the amount of \$44 million (1997: \$43 million), together with \$15 million (1997: \$10 million) earned on its investments, less \$7 million (1997: \$5 million) paid as retirement pensions.

7. MORTGAGE PAYABLE

The WSIB is a 75 per cent participant in the co-ownership agreement of its head office building. To partially fund the development and construction of the building, the WSIB entered into a long-term mortgage loan agreement in 1993. The mortgage loan is secured by the building and matures in the year 2015. The interest rate is fixed at 10.25 per cent per annum, compounded semi-annually.

8. BENEFITS LIABILITY AND BENEFIT COSTS

Benefits liability represents an actuarially determined provision for future benefit payments relating to incurred claims that were discounted to present value at the assumed net investment returns as shown below. Estimates of future benefit payments refer to both reported and unreported claims which have arisen from work-related injuries and occupational diseases that occurred on or before December 31, 1998 and are based on the level and nature of entitlement, as prescribed by legislation

enacted January 1, 1998, and on adjudication practices in effect at December 31, 1998.

The benefits liability was determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

The actuarial present value of future benefit payments reflects long-term estimates of economic and actuarial assumptions and methods, which were based upon past experience, modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of future benefit payments. The following key long-term economic

assumptions were used in the actuarial valuation of the benefits liability:

| | 1998 | 1997 |
|--|------|------|
| Inflation rate | 4% | 4% |
| Rate of indexation of benefits | | |
| - Fully indexed | 4% | 4% |
| - Partially indexed | 1% | 1% |
| Net investment return | | |
| - Fully indexed | 3% | 3% |
| - Partially indexed | 6% | 6% |
| Wage and health care costs escalation rate | 5% | 5% |

Benefits liability provision for benefit costs and benefit costs paid in 1998 were as follows:

| | 1998 | | | | | | | 1997 |
|--|----------------------|-----------------------|------------------------------------|-----------------------|-------------|-------------------|----------|----------|
| | Long-term Disability | Labour Income Support | Market Re-entry External Providers | Short-term Disability | Health Care | Survivor Benefits | Total | Total |
| Benefits liability, beginning of year | \$11,401 | \$1,052 | \$213 | \$453 | \$1,129 | \$1,437 | \$15,685 | \$17,425 |
| Benefit costs | 1,353 | (64) | 37 | 317 | 371 | 163 | 2,177 | 2,294 |
| Changes legislated by Bill 99 | | | | | | | | (1,785) |
| | | | | | | | 17,862 | 17,934 |
| Benefit costs paid during the year | | | | | | | | |
| - Schedule 1 | (1,198) | (185) | (42) | (241) | (206) | (173) | (2,045) | (2,034) |
| - Schedule 2 | (109) | (13) | (3) | (41) | (23) | (21) | (210) | (210) |
| - Injured Workers' Retirement Fund | (7) | | | | | | (7) | (5) |
| | (1,314) | (198) | (45) | (282) | (229) | (194) | (2,262) | (2,249) |
| Benefits liability, end of year | \$11,440 | \$790 | \$205 | \$488 | \$1,271 | \$1,406 | \$15,600 | \$15,685 |

Benefit costs paid include the following:

| | Schedule 1 | | Schedule 2 | |
|-------------------------------|------------|----------|------------|--------|
| | 1998 | 1997 | 1998 | 1997 |
| Long-term disability | | | | |
| - Worker pensions | \$ 578 | \$ 583 | \$ 63 | \$ 66 |
| - Supplements | 251 | 254 | 18 | 19 |
| - Future economic loss | 290 | 268 | 19 | 17 |
| - Non-economic loss | 79 | 91 | 9 | 11 |
| | 1,198 | 1,196 | 109 | 113 |
| Labour market re-entry | | | | |
| - Income support | 185 | 252 | 13 | 18 |
| - External providers | 42 | 53 | 3 | 3 |
| | 227 | 305 | 16 | 21 |
| Short-term disability | 241 | 229 | 41 | 41 |
| Health care | | | | |
| - Health care | 188 | 196 | 21 | 23 |
| - Medical reports | 18 | 18 | 2 | 2 |
| | 206 | 214 | 23 | 25 |
| Survivor benefits | 173 | 90 | 21 | 10 |
| | \$ 2,045 | \$ 2,034 | \$ 210 | \$ 210 |

WORKPLACE SAFETY AND INSURANCE BOARD

Mortality was estimated based on the WSIB's mortality experience of 1991 - 1995 for injured workers and on the Ontario Life Tables adjusted on the basis of WSIB's mortality projections for survivors of deceased workers. Full provision has been made for the effect of future increases in the covered earnings ceiling and indexation of benefits.

Management believes the amount provided for future payments of incurred claims to be adequate. Long-term economic and actuarial assumptions and methods are reviewed annually at December 31 of each year, when independent actuarial valuations are performed. The actuarial cost of claims for reported and unreported work-related accidents that occurred in the year are recorded under benefit costs, together with adjustments, if any, resulting from the continuous review of entitlements, experience, or from changes in legislation, assumptions or methods.

Effective January 1, 1998, Bill 99 introduced the labour market re-entry program for 1998 and future claims, to replace a part of the vocational rehabilitation program. Accordingly, the benefits liability for rehabilitation of \$1,265 million as at December 31, 1997 has been allocated to its component liabilities of provisions for income support (\$1,052 million) and external providers (\$213) million to reflect the changes in legislation.

9. ADMINISTRATIVE AND OTHER EXPENSES

Administrative and other expenses consist of the following:

| (\$ millions) | 1998 | 1997 |
|--|--------|--------|
| Salaries and employee benefits | \$ 227 | \$ 218 |
| Equipment depreciation and maintenance | 22 | 19 |
| Occupancy | 29 | 28 |
| Communication | 11 | 10 |
| Supplies and services | 16 | 12 |
| Miscellaneous | 12 | 8 |
| Travel and vehicle maintenance | 5 | 4 |
| Year 2000 project | 8 | 0 |
| | 330 | 299 |
| Restructuring | 6 | 42 |
| | \$ 336 | \$ 341 |

10. RELATED PARTY TRANSACTIONS

Legislated obligations and commitments

Under the *Workplace Safety and Insurance Act, 1997*, the WSIB is required to reimburse the Government of Ontario for the administrative cost of the *Occupational Health and Safety Act*. In 1998 the WSIB was required to fund the operating costs of the Workplace Safety and Insurance Appeals Tribunal, the Offices of the Worker and Employer Adviser and the mine rescue stations. The amounts of reimbursements and funding are determined and approved by the Minister of Labour and, in certain instances, the WSIB is directed by the Lieutenant Governor, through Orders in Council, to make these payments. The WSIB is also committed to provide funding for the Institute for Work and Health, Farm Safety

Association and Safe Workplace Associations. The total amount of funding provided under these legislated obligations and commitments in 1998 was \$125 million (1997: \$117 million).

Investments

Included in investments are marketable fixed income securities issued by the Ontario provincial government and related corporations of \$298 million (1997: \$283 million).

Other

In addition to the legislated obligations and accident prevention expenses, the financial statements include amounts resulting from transactions conducted in the normal course of operations, with various Ontario government-controlled ministries, agencies, and Crown corporations with which the WSIB may be considered related. Such transactions are conducted on terms and conditions similar to those transactions with unrelated parties. Account balances resulting from these transactions are not significant.

11. COMMITMENTS AND CONTINGENCIES

Operating leases

At December 31, 1998, the WSIB was committed under non-cancellable operating leases requiring future minimum payments of approximately \$8 million per year over the next 5 years and aggregating to \$40 million thereafter.

Legal actions

The WSIB is party to various claims and lawsuits which are being contested. In the opinion of management, the outcome of such claims and lawsuits will not have a material effect on the WSIB.

Year 2000 Issue

The Year 2000 Issue arises from computing and microchip circuitry that use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900, or some other date, resulting in errors when calculations using Year 2000 are performed. In addition, similar problems may arise in some systems that use certain dates in 1999 to represent something other than a date. The effect of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and if not addressed, the impact on operations and financial reporting may range from minor errors to significant system malfunctions that could affect an entity's ability to conduct normal business operations. It is also not possible to be certain that all aspects of the Year 2000 Issue affecting the WSIB, including those related to the efforts of its customers, suppliers, or other third parties will be fully resolved.

12. PENSION PLANS

The WSIB has two pension plans for its employees and employees of the Safe Workplace Associations: the WSIB Employees' Pension Plan and the WSIB Employees' Supplementary Pension Plan.

The WSIB Employees' Pension Plan

This is a contributory defined benefit pension plan which provides for partially indexed pensions based on years of service and earnings rates near retirement. The investment activities and the administrative and accounting matters of the pension plan are administered by the WSIB.

An independent actuarial valuation performed as of December 31, 1998 has determined that the pension plan is in a surplus position. The accrued pension obligations of the contributory defined benefit plan reflect management's estimates of salary escalations, investment rate of return, mortality of members, terminations, and the ages at which members will retire.

As at December 31, 1998 the pension plan's funded status was as follows:

| | | |
|-----------------------------|--------|--------|
| (\$ millions) | | |
| | 1998 | 1997 |
| Pension assets | \$ 962 | \$ 867 |
| Accrued pension obligations | \$ 701 | \$ 651 |

The WSIB Employees' Supplementary Pension Plan

This contributory defined benefit plan became effective on September 1, 1998 and was created to ensure that employees of the WSIB whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the *Income Tax Act* (Canada) receive pension benefits based on their total earnings. The investment activities and the administrative and accounting matters of the supplementary pension plan are administered by the WSIB.

An independent actuarial valuation was performed as at December 31, 1998. The accrued pension obligations of the contributory defined benefit plan reflect management's estimates of salary escalations, investment rate of return, mortality of members, terminations, and the ages at which members will retire.

As at December 31, 1998 the pension plan's funded status was as follows:

| | |
|-----------------------------|--------|
| (\$ millions) | |
| | 1998 |
| Pension assets | \$ 0.2 |
| Accrued pension obligations | \$ 5.0 |

Responsibility for financial reporting

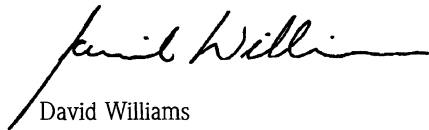
The accompanying financial statements were prepared by management in accordance with generally accepted accounting principles, consistently applied, and include some amounts based upon management's best estimates and judgements. Any financial information contained elsewhere in the Annual Report is consistent with these financial statements.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss. The Board of Directors has established an Audit Committee, to ensure that management fulfils these responsibilities. The Audit Committee meets periodically with management, internal auditors and external auditors to ensure that their responsibilities are properly discharged with respect to financial statement presentation, disclosure and recommendations on internal control.

The Internal Audit Branch performs audits designed to test the adequacy and consistency of the WSIB's internal controls, practices and procedures.

The external auditors, KPMG LLP, working under the direction of the Provincial Auditor, have performed an independent audit of the financial statements of the WSIB in accordance with generally accepted auditing standards. Their report outlines the scope of this independent audit and their opinion on the financial statements of the WSIB.

Eckler Partners Ltd., the independent consulting actuaries to the WSIB, express an opinion on the adequacy and appropriateness of the valuation of the WSIB's benefits liability.



David Williams
President and
Chief Executive Officer



Thomas Chan
Vice-President,
Finance and Corporate Services
and Chief Financial Officer

March 3, 1999

Auditors' report

*To the Workplace Safety and Insurance Board,
the Minister of Labour,
and to the Provincial Auditor*

Pursuant to the *Workplace Safety and Insurance Act* which provides that the accounts of the Workplace Safety and Insurance Board (WSIB) shall be audited by the Provincial Auditor or under his direction by an auditor appointed by the Lieutenant Governor in Council for that purpose, we have audited the balance sheet of the WSIB as at December 31, 1998 and the statements of operations and unfunded liability and cash flows for the year then ended. These financial statements are the responsibility of WSIB management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the WSIB as at December 31, 1998 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Toronto, Ontario
March 3, 1999

WORKPLACE SAFETY AND INSURANCE BOARD

Consulting actuaries' report

Eckler Partners Ltd.

*Consulting Actuaries' Report on the Valuation of the
Benefits Liabilities of the Schedule 1 Insurance Fund of
The Workplace Safety and Insurance Board of Ontario as at December 31, 1998*

We have determined the estimated present value as at December 31, 1998 of future payments for short-term disability, long-term disability, labour market re-entry, survivor benefits, health care and retirement income benefits under Schedule 1 on account of accidents that occurred on or before that date to be \$15,600 million. We have examined the data upon which the calculations were based and found them to be sufficient and reliable for the purposes of the valuation and consistent with the WSIB's financial statements. We consulted with the Chief Actuary in selecting appropriate assumptions and methods for the valuation. As in previous valuations, the present value does not include provision for future claims related to occupational disease or for future expenses of administration.

The present value reported above includes the liability for benefits under Bill 162 which came into effect as of January 2, 1990. In last year's valuation, we modified our assumptions regarding the average percentage of permanent impairment of workers becoming eligible for compensation for non-economic loss under section 42, of the average percentage wage loss of workers becoming eligible for compensation for future loss of earnings under section 43, and of the portions of compensation for future loss of earnings under section 43 and of supplemental pensions under section 147(4) of the *Act* which will be continued following the reviews 24 months and 60 months after the benefits commence, to reflect actual experience to date. For the purpose of this valuation, we continue to use the same assumptions as in the last valuation.

The present value also takes into account the provisions of Bill 165 which came into effect as of January 1, 1995, which affected the indexing of compensation and which provided for additional pension for certain categories of injured worker.

The present value also takes into effect the amendments to the *Act* contained in Bill 99, which came into effect as of January 1998, which affects the indexing of compensation, provides for reinstatement of benefits to survivors whose benefits were terminated for reason of remarriage prior to April 1, 1985 and affects the level of compensation and the level of payments for loss of retirement income in respect of accidents which occurred on and after January 1, 1998.

The valuation was based on the provisions of the *Workplace Safety and Insurance Act* and on the WSIB's administrative practices in effect as of January 1, 1999. Full provision has been made for potential future increases in the covered earnings ceiling and in the level of compensation as provided under the *Act* by using a net investment return assumption of 3 per cent per annum with respect to fully indexed benefits and 6 per cent per annum with respect to partially indexed benefits. The rates of net investment return were determined on the assumption that investment income in excess of these rates will be required to finance indexation of those benefits related to inflation. The long-term rate of general price inflation assumed in the valuation was 4 per cent per annum, and the rate of indexation of benefits was therefore assumed to be 4 per cent per annum for fully indexed benefits and 1 per cent per annum for partially indexed benefits.

It was assumed that survival on loss of earnings benefits will follow WSIB experience for the years 1991-1996, modified after one year so that 6 per cent of lost-time accidents will still be receiving benefits after two years, decreasing at an average annual rate of 10 per cent until it reaches 60 per cent after six years from the date of the accident.

Except as described above, the methods and assumptions employed in the valuation were consistent with those used in the previous valuation, after taking account of changes in claim patterns. A complete description of the methods and assumptions employed in the valuation will be provided in our detailed report to the Board on the valuation.

In our opinion, the assumptions made in this valuation are appropriate, the methods employed are in accordance with sound actuarial principles and the amount of \$15,600 million as at December 31, 1998 makes reasonable provision for future payments for short-term disability, long-term disability, labour market re-entry, survivor benefits, health care and retirement income benefits under Schedule 1 on account of accidents that occurred on or before December 31, 1998.



David A. Short, F.S.A., F.C.I.A.
Actuaries with the firm of Eckler Partners Ltd.



Jill M. Ficht, F.S.A., F.C.I.A.

March 3, 1998

WORKPLACE SAFETY AND INSURANCE BOARD

Ten-year history

Workplace Safety and Insurance Board Ten-Year Summary of the Statements of Operations and Unfunded Liability

(\$ millions)

| | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 | 1989 |
|--|---------|---------|----------|----------|----------|----------|----------|----------|---------|---------|
| REVENUES | | | | | | | | | | |
| Premiums for current year (see note below) | \$1,722 | \$1,886 | \$1,917 | \$1,953 | \$1,864 | \$1,969 | \$2,171 | \$2,505 | \$2,596 | \$2,678 |
| Investment | 997 | 849 | 711 | 593 | 499 | 521 | 453 | 450 | 440 | 409 |
| | 2,719 | 2,735 | 2,628 | 2,546 | 2,363 | 2,490 | 2,624 | 2,955 | 3,036 | 3,087 |
| EXPENSES | | | | | | | | | | |
| Benefits paid | 2,262 | 2,249 | 2,371 | 2,385 | 2,331 | 2,435 | 2,444 | 2,342 | 2,059 | 1,782 |
| Net increase (decrease) in benefits liability | (85) | (1,740) | 50 | (150) | (75) | 400 | 760 | 1,440 | 1,220 | 2,117 |
| Net increase in the Injured Workers' Retirement Fund | 52 | 48 | 49 | 49 | 29 | 30 | 14 | 2 | - | - |
| | 2,229 | 557 | 2,470 | 2,284 | 2,285 | 2,865 | 3,218 | 3,784 | 3,279 | 3,899 |
| Administrative and other | 336 | 341 | 321 | 339 | 331 | 343 | 347 | 343 | 323 | 281 |
| Legislated obligations | 125 | 117 | 98 | 113 | 104 | 100 | 97 | 87 | 53 | 26 |
| | 2,690 | 1,015 | 2,889 | 2,736 | 2,720 | 3,308 | 3,662 | 4,214 | 3,655 | 4,206 |
| EXCESS/(DEFICIENCY) OF REVENUES OVER EXPENSES | 29 | 1,720 | (261) | (190) | (357) | (818) | (1,038) | (1,259) | (619) | (1,119) |
| Premiums for unfunded liability (see note below) | 930 | 683 | 693 | 700 | 487 | 314 | 357 | - | - | - |
| Excess of revenues over expenses - applied to reduce the unfunded liability | 959 | 2,403 | 432 | 510 | 130 | (504) | (681) | (1,259) | (619) | (1,119) |
| Unfunded Liability beginning of year | 8,057 | 10,460 | 10,892 | 11,402 | 11,532 | 11,028 | 10,347 | 9,088 | 8,469 | 7,350 |
| Unfunded Liability end of year | \$7,098 | \$8,057 | \$10,460 | \$10,892 | \$11,402 | \$11,532 | \$11,028 | \$10,347 | \$9,088 | \$8,469 |

Note: Premiums were not segregated into current and unfunded liability components for 1989 to 1991.

| | | | | | | | | | | |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| OTHER STATISTICS | 1998 | 1997 | 1996 | 1995 | 1994 | 1993 | 1992 | 1991 | 1990 | 1989 |
| Schedule 1 | | | | | | | | | | |
| Average rate of assessment (per \$100 of payroll) | \$2.59 | \$2.85 | \$3.00 | \$3.00 | \$3.01 | \$2.95 | \$3.16 | \$3.20 | \$3.18 | \$3.12 |
| Total assessable payroll (\$ millions) | \$96,205 | \$91,497 | \$86,844 | \$86,065 | \$82,818 | \$84,243 | \$83,048 | \$80,727 | \$80,352 | \$79,475 |
| Number of WSIB employees as at December 31 | 4,057 | 3,966 | 4,373 | 4,597 | 4,603 | 4,751 | 4,909 | 5,139 | 5,138 | 4,611 |
| Number of registered claims | 342,687 | 341,178 | 345,606 | 371,837 | 370,444 | 368,485 | 377,019 | 409,946 | 473,407 | 467,212 |

WORKPLACE SAFETY AND INSURANCE BOARD

Public sector salary disclosure 1998

| Name | Position | Taxable Earnings | Benefits | Total Earnings |
|---------------------|-----------------------|---------------------|----------|-------------------|
| Abrams, Brenda | Legal Counsel II | \$102,599.92 | \$185.25 | \$102,785.17 |
| Appleton, Clayton | VP, HR * | \$122,326.25 | \$40.78 | \$122,367.03 |
| Adamo, Valerie | CIO | \$142,714.52 | \$152.57 | \$142,867.09 |
| Aillingham, Richard | Dir, Research | \$104,557.83 | \$150.17 | \$104,708.00 |
| Anstey, Calvin | Dir, Transportation | \$101,618.35 | \$179.23 | \$101,797.58 |
| Argue, Robert | Dir, IS | \$105,254.65 | \$123.81 | \$105,378.46 |
| Aronsham, Masha | Med Advisor | \$115,444.92 | \$152.61 | \$115,597.53 |
| Arvais, James | Med Advisor | \$114,686.61 | \$152.57 | \$114,839.18 |
| Belanger, Adele | Legal Counsel II | \$109,171.27 | \$196.01 | \$109,367.28 |
| Bishop, Margaret | Med Advisor | \$115,444.92 | \$152.61 | \$115,597.53 |
| Bodasing, Deomanie | Exec/Med Dir* | \$141,962.27 | \$152.58 | \$142,114.85 |
| Boga, Amirali | Med Co-ord | \$127,699.54 | \$152.58 | \$127,852.12 |
| Bowman Leslie | Med Co-ord | \$129,422.94 | \$152.58 | \$129,575.52 |
| Brown, Elizabeth | Legal Counsel II | \$107,425.93 | \$192.95 | \$107,618.88 |
| Burton, Neil | Dir, IS | \$104,378.92 | \$78.90 | \$104,457.82 |
| Cantlie, George | Med Co-ord | \$127,699.54 | \$222.51 | \$127,922.05 |
| Chain, Marybelle | Med Advisor | \$114,686.84 | \$200.68 | \$114,887.52 |
| Chan, Thomas | VP Finance | \$124,856.03 | \$148.48 | \$125,004.51 |
| Colaco, Carmen | Med Co-ord | \$127,699.54 | \$152.58 | \$127,852.12 |
| Courtinho, Jude | Med Advisor | \$100,382.35 | \$183.67 | \$100,566.02 |
| Cude, Beverly | Dir, IS | \$104,250.55 | \$177.21 | \$104,427.76 |
| De Demeter, Dorit | Med Consultant | \$122,987.38 | \$148.44 | \$123,135.82 |
| De Domenico, Ivan | Med Advisor | \$115,944.91 | \$164.16 | \$116,109.07 |
| Djan, Patrick | Med Advisor | \$105,218.49 | \$172.45 | \$105,390.94 |
| Douglas, Colin | Legal Counsel II | \$109,171.27 | \$196.01 | \$109,367.28 |
| Douglas, Richard | Dir, ER | \$123,365.46 | \$187.46 | \$123,552.92 |
| D'Souza, Irene | Med Advisor | \$109,800.04 | \$152.55 | \$109,952.59 |
| Flynn, Miriam E | Legal Counsel II | \$104,114.07 | \$189.03 | \$104,303.10 |
| Frame, Joy | Legal Counsel II | \$109,171.27 | \$152.54 | \$109,323.81 |
| Garg, Swarn | Med Advisor | \$115,444.92 | \$204.99 | \$115,649.91 |
| Geary, Judy | GM, Specialized Serv. | \$116,631.52 | \$179.39 | \$116,810.91 |
| Germansky, Martin | Med Advisor | \$115,444.92 | \$204.99 | \$115,649.91 |
| Gibbs, Henry | VP, Investments | \$209,684.53 | \$152.59 | \$209,837.12 |
| Gregoire, Jean | Chief Actuary | \$141,319.54 | \$216.71 | \$141,536.25 |
| Hadjiski, Anna | Med Consultant | \$127,936.14 | \$205.78 | \$128,141.92 |
| Hall, Nick M | Dir, Automotive | \$101,843.47 | \$184.46 | \$102,027.93 |
| Heckadon, Robert | Med Co-ord | \$128,946.18 | \$0.00 | \$128,946.18 |
| Hickman, Robert | Med Advisor | \$105,140.20 | \$190.26 | \$105,330.46 |
| Ho, Michael | Clinical Training | \$128,354.58 | \$152.58 | \$128,507.16 |
| Holness, D Linn | Chief Medical Officer | \$167,557.73 | \$270.59 | \$167,828.32 |
| Holyoke, Paul | VP, Legal | \$158,334.13 | \$236.00 | \$158,570.13 |
| Horseman, Brock C | Sr. VP, Operations | \$197,115.58 | \$205.75 | \$197,321.33 |
| Jolley, Linda | VP, Policy | \$157,542.27 | \$234.38 | \$157,776.65 |
| Karr, A. Wm. | Med Advisor | \$115,444.92 | \$152.61 | \$115,597.53 |
| Kelly, J. Brian | Med Co-ord | \$127,699.54 | \$152.58 | \$127,852.12 |

| Name | Position | Taxable Earnings | Benefits | Total Earnings |
|------------------------|-------------------------|---------------------|----------|-------------------|
| Kosmidis, Elizabeth | Legal Counsel II | \$109,123.69 | \$195.96 | \$109,319.65 |
| Lamanna, Pat | Dir, Small Bus | \$100,903.21 | \$152.57 | \$101,055.78 |
| Lamoureux, Linda | Dir, Special Invest. | \$127,082.74 | \$221.19 | \$127,303.93 |
| Leshchysyn, Dana | Dir, Construction | \$103,875.09 | \$175.46 | \$104,050.55 |
| Londry, David | Dir, IS | \$106,374.21 | \$70.38 | \$106,444.59 |
| Longmore, Robert | Med Co-ord | \$112,449.28 | \$0.00 | \$112,449.28 |
| Luck, Mary | Dir, Service | \$104,721.78 | \$459.20 | \$105,180.98 |
| MacArthur, Angus | Med Consultant | \$127,699.54 | \$222.51 | \$127,922.05 |
| Maehle, Waldemar | Med Advisor | \$108,954.60 | \$192.25 | \$109,146.85 |
| Malayil, Ammini | Med Consultant | \$127,699.54 | \$152.58 | \$127,852.12 |
| Mastrilli, Arcangelo | Med Advisor | \$115,444.92 | \$152.61 | \$115,597.53 |
| McKenna-Boat, Patricia | Med Advisor | \$103,776.37 | \$53.10 | \$103,829.47 |
| Mitchell, William | Dir, IS | \$120,907.73 | \$70.41 | \$120,978.14 |
| Painvin, Catherine | Dir, Clinical Resources | \$136,713.50 | \$152.57 | \$136,866.07 |
| Preradovic, Nikola | Med Advisor | \$115,444.92 | \$152.61 | \$115,597.53 |
| Pritchett, Barry | Med Advisor | \$115,444.92 | \$152.61 | \$115,597.53 |
| Roy, Marie | Med Co-ord | \$123,586.61 | \$152.58 | \$123,739.19 |
| Schofield, Michel | Co-ordr Special Clinic | \$127,392.81 | \$222.04 | \$127,614.85 |
| Sgro, Joseph | Dir, Quality | \$102,243.77 | \$216.85 | \$102,460.62 |
| Shapiro, Gary | Med Advisor | \$115,444.92 | \$152.61 | \$115,597.53 |
| Sherwin, Linda | Med Advisor | \$107,806.80 | \$152.59 | \$107,959.39 |
| Simmons, Wayne | Dir, Investments | \$164,159.49 | \$152.59 | \$164,312.08 |
| Slinger, John | Dir, Appeals | \$114,762.14 | \$193.92 | \$114,956.06 |
| Stasila, Dave | Board Auditor | \$116,346.44 | \$202.64 | \$116,549.08 |
| Sutherland, Doris | Pension Med Consult | \$127,699.54 | \$152.58 | \$127,852.12 |
| Tabesh, Ali | Med Co-ord | \$127,699.54 | \$222.51 | \$127,922.05 |
| Taraschuk, Ihor | Med Advisor | \$100,538.59 | \$183.79 | \$100,722.38 |
| Thakur, Ranasree | Med Co-ordinator | \$127,699.54 | \$152.58 | \$127,852.12 |
| Thomson, Garry | GM, Industry | \$135,429.95 | \$205.78 | \$135,635.73 |
| Todorovic, Slavica | Dir, Benefit Policy | \$101,961.69 | \$152.54 | \$102,114.23 |
| Walker, John | Med Advisor | \$114,385.15 | \$203.54 | \$114,588.69 |
| Weatherbee, Wayne | GM, Small Bus | \$137,160.70 | \$152.59 | \$137,313.29 |
| Welton, Ian | Dir, Revenue Policy | \$104,557.83 | \$123.81 | \$104,681.64 |
| Williams, David | President & CEO | \$265,877.00 | \$183.28 | \$266,060.28 |
| Wright, Glen | Chair | \$244,442.00 | \$0.00 | \$244,442.00 |
| Yeandle-Hignell, James | Med Co-ordinator | \$129,083.12 | \$222.30 | \$129,305.42 |

* No longer with the WSIB on December 31, 1998.

The amount shown as earnings in this disclosure statement may not represent the individual's actual annual rate of salary. The earnings required to be made public under the *Public Sector Salary Disclosure Act, 1996* reflect the amount reported to Revenue Canada on the employer's T4 slip for an employee. The earnings shown in this statement may therefore include non-recurring payments in 1998 for retroactive pay from a reclassification or a grievance settlement or a payout upon retirement. The earnings shown may be less than the individual's annual rate of salary if the individual worked only part of the year.

ONTARIO HYDRO

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE

YEAR ENDED DECEMBER 31, 1998

AND THE

THREE MONTHS ENDED MARCH 31, 1999

ONTARIO HYDRO
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998 & THREE MONTHS ENDED MARCH 31, 1999

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MANAGEMENT REPORT

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Ontario Hydro are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. Ontario Hydro chooses accounting principles appropriate to its circumstances. The significant accounting policies followed by Ontario Hydro are described in the Summary of Significant Accounting Policies contained in note 2 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 23, 1999.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable financial information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluated the effectiveness of these internal controls on an ongoing basis and reported its findings to management and the Audit Committee of the Ontario Hydro Board of Directors.

The financial statements have been examined by Ernst & Young LLP independent external auditors appointed by the Lieutenant Governor in Council of Ontario. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted

accounting principles. The Auditors' Report, which appears below, outlines the scope of their examination and their opinion.

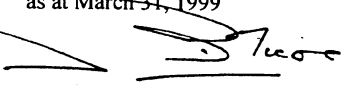
For the three months ended March 31, 1999 and year ended December 31, 1998, the Ontario Hydro Board of Directors, through the Audit Committee, was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls. The Audit Committee met periodically with management, the internal auditors and the external auditors to satisfy itself that each group had properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The external auditors had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Ontario Hydro's financial reporting and the effectiveness of the system of internal controls.

As at April 1, 1999 the Board of Directors of Ontario Hydro was dissolved and Ontario Hydro continues as the Ontario Electricity Financial Corporation (OEFC) with a new Board of Directors appointed pursuant to the Electricity Act, 1998.

On behalf of Ontario Hydro Management



President & Chief Executive Officer, Ontario Hydro,
as at March 31, 1999


Chief Financial Officer, Ontario Hydro,
as at March 31, 1999

Toronto, Canada,
June 23, 1999

AUDITORS' REPORT

**TO THE BOARD OF DIRECTORS OF ONTARIO
ELECTRICITY FINANCIAL CORPORATION:**

We have audited the consolidated statement of financial position of Ontario Hydro as at March 31, 1999 and December 31, 1998 and the consolidated statements of operations and (deficit) retained earnings, and cash flows for the three months ended March 31, 1999 and year ended December 31, 1998. These financial statements are the responsibility of Ontario Hydro's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we 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 management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Ontario Hydro as at March 31, 1999 and December 31, 1998 and the results of its operations and its cash flows for the three months ended March 31, 1999 and year ended December 31, 1998 in accordance with generally accepted accounting principles.

Ontario Hydro's accounting policies differ from those followed by enterprises that are not rate-regulated as described in note 2(a) to these financial statements.

Ernst & Young LLP

Chartered Accountants

Toronto, Canada,
June 23, 1999

A-1

CONSOLIDATED STATEMENT OF OPERATIONS AND (DEFICIT) RETAINED EARNINGS

| <i>(millions of dollars)</i> | Three Months Ended March 31 | Year Ended December 31 | |
|--|-----------------------------|------------------------|----------------|
| | <u>1999</u> | <u>1998</u> | <u>1997</u> |
| Revenues | | | |
| Primary power and energy | | | |
| Municipal utilities | 1,790 | 6,019 | 5,874 |
| Retail customers | 456 | 1,588 | 1,638 |
| Direct industrial customers | 265 | 917 | 924 |
| | <u>2,511</u> | <u>8,524</u> | <u>8,436</u> |
| Secondary power and energy (note 3) | 21 | 148 | 173 |
| Other revenues | 62 | 307 | 316 |
| | <u>2,594</u> | <u>8,979</u> | <u>8,925</u> |
| Costs | | | |
| Operation, maintenance and administration | 619 | 2,178 | 2,191 |
| Fuel used for electric generation | 141 | 350 | 697 |
| Power purchased | 232 | 845 | 839 |
| Provincial government levies (note 4) | 69 | 274 | 277 |
| Depreciation and amortization (note 5) | 402 | 1,512 | 1,578 |
| | <u>1,463</u> | <u>5,159</u> | <u>5,582</u> |
| Income before financing charges, corporate write-offs and deferred pension asset adjustment | 1,131 | 3,820 | 3,343 |
| Financing charges (note 6) | 687 | 2,876 | 3,089 |
| Income before corporate write-offs and Deferred pension asset adjustment | 444 | 944 | 254 |
| Corporate write-offs (note 7) | - | - | (6,580) |
| Deferred pension asset adjustment (note 18) | - | 887 | - |
| Net income (loss) | <u>444</u> | <u>1,831</u> | <u>(6,326)</u> |
| Opening (deficit) retained earnings | (3,166) | (4,537) | 2,552 |
| Other post-employment benefits (note 16) | - | (460) | (763) |
| Net refunds on annexation by municipalities | (16) | - | - |
| Closing deficit | <u>(2,738)</u> | <u>(3,166)</u> | <u>(4,537)</u> |

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (millions of dollars) | As at March 31 | As at December 31 | |
|--|----------------|-------------------|---------------|
| | 1999 | 1998 | 1997 |
| ASSETS | | | |
| Fixed assets (note 8) | | | |
| Fixed assets in service | 50,441 | 50,447 | 49,678 |
| Less accumulated depreciation | <u>16,473</u> | <u>16,158</u> | <u>14,934</u> |
| | 33,968 | 34,289 | 34,744 |
| Construction in progress | <u>1,107</u> | <u>1,023</u> | <u>1,248</u> |
| | <u>35,075</u> | <u>35,312</u> | <u>35,992</u> |
| Current assets | | | |
| Temporary investments | 245 | 225 | - |
| Accounts receivable | 1,106 | 1,113 | 1,104 |
| Fuel for electric generation (note 10) | 374 | 456 | 367 |
| Materials and supplies, at cost | <u>342</u> | <u>359</u> | <u>322</u> |
| | <u>2,067</u> | <u>2,153</u> | <u>1,793</u> |
| Other assets | | | |
| Deferred debt costs | 1,176 | 1,267 | 971 |
| Deferred pension asset (note 18) | 972 | 979 | 112 |
| Long-term accounts receivable and other assets | <u>310</u> | <u>312</u> | <u>313</u> |
| | <u>2,458</u> | <u>2,558</u> | <u>1,396</u> |
| | <u>39,600</u> | <u>40,023</u> | <u>39,181</u> |

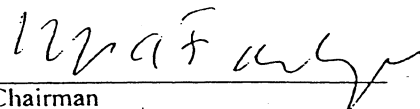
See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(millions of dollars)

| | As at March 31 | As at December 31 | |
|--|----------------|-------------------|----------------|
| | 1999 | 1998 | 1997 |
| LIABILITIES | | | |
| Long-term debt (note 11) | <u>26,194</u> | <u>25,856</u> | <u>24,920</u> |
| Current liabilities | | | |
| Bank indebtedness | 10 | 60 | 37 |
| Accounts payable and accrued charges | 1,315 | 1,255 | 1,233 |
| Short-term notes payable | 2,751 | 2,837 | 2,870 |
| Accrued interest | 744 | 687 | 725 |
| Long-term debt payable within one year (note 11) | <u>1,572</u> | <u>2,468</u> | <u>3,301</u> |
| | <u>6,392</u> | <u>7,307</u> | <u>8,166</u> |
| Other liabilities | | | |
| Other post-employment benefits | 1,316 | 1,292 | 760 |
| Unamortized swaption premiums (note 13) | 11 | 21 | 92 |
| Long-term accounts payable and accrued charges | 593 | 608 | 548 |
| Accrued fixed asset removal and used nuclear fuel disposal costs (note 14) | 3,307 | 3,201 | 2,842 |
| Provision for future costs (note 7) | <u>4,525</u> | <u>4,904</u> | <u>6,390</u> |
| | <u>9,752</u> | <u>10,026</u> | <u>10,632</u> |
| CONTINGENCIES & COMMITMENTS | | | |
| (notes 12&15) | | | |
| DEFICIENCY | | | |
| Deficit (note 16) | <u>(2,738)</u> | <u>(3,166)</u> | <u>(4,537)</u> |
| | <u>39,600</u> | <u>40,023</u> | <u>39,181</u> |

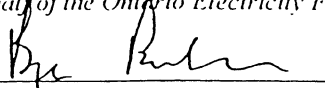
Signed only as to the year ended December 31, 1998
on behalf of the Ontario Hydro Board of Directors


Chairman

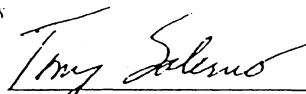
Toronto, Canada
February 25, 1999


President & Chief Executive Officer

Signed only as to the three months ended March 31, 1999
on behalf of the Ontario Electricity Financial Corporation Board of Directors


Chair

Toronto, Canada
June 23, 1999


Vice-Chair

ONTARIO HYDRO

CONSOLIDATED STATEMENT OF CASH FLOWS

| (millions of dollars) | Three Months Ended March 31 | Year Ended December 31 | |
|---|-----------------------------|------------------------|--------------|
| | 1999 | 1998 | 1997 |
| Operating activities | | | |
| Net income (loss) | 444 | 1,831 | (6,326) |
| Adjust for non-cash items | | | |
| Depreciation and amortization | 402 | 1,512 | 1,578 |
| Corporate write-offs | - | - | 6,580 |
| Deferred pension asset adjustment | - | (887) | - |
| Amortization of foreign exchange gains and losses | 25 | 113 | 125 |
| Provision for used nuclear fuel disposal costs | 23 | 52 | 55 |
| Interest on accrued provisions | 45 | 160 | 164 |
| Other | 12 | 96 | (34) |
| | <u>507</u> | <u>1,046</u> | <u>8,468</u> |
| | <u>951</u> | <u>2,877</u> | <u>2,142</u> |
| Provision for future costs | | | |
| Change in NAOP provision | (326) | (1,231) | - |
| Change in other provisions | (53) | (255) | - |
| | <u>(379)</u> | <u>(1,486)</u> | <u>-</u> |
| | 572 | 1,391 | 2,142 |
| Net change in non-cash balances related to operations (note 17) | 234 | 97 | (116) |
| | <u>806</u> | <u>1,488</u> | <u>2,026</u> |
| Investing activities | | | |
| Fixed assets | (136) | (865) | (852) |
| Other assets | (13) | (78) | (109) |
| | <u>(149)</u> | <u>(943)</u> | <u>(961)</u> |
| Change in cash position before financing activities | 657 | 545 | 1,065 |
| Financing activities | | | |
| Debt for long-term financing | | | |
| Issued | 1,000 | 5,698 | 2,321 |
| Retired | (1,587) | (5,899) | (3,257) |
| Net financing activities | (587) | (201) | (936) |
| Re-issuance of debt for long-term financing previously redeemed | - | - | 770 |
| Cash paid on settlement of swaptions | - | (142) | (292) |
| | <u>(587)</u> | <u>(343)</u> | <u>(458)</u> |
| Net change in cash and cash equivalents | 70 | 202 | 607 |
| Cash and cash equivalents at beginning of period | 165 | (37) | (644) |
| Cash and cash equivalents at end of period (note 9) | <u>235</u> | <u>165</u> | <u>(37)</u> |

See accompanying notes to financial statements.

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SUPPLEMENTARY STATEMENT*

**RESTATEMENT OF CONSOLIDATED STATEMENT OF OPERATIONS AND (DEFICIT) RETAINED
EARNINGS
(Isolating the effect of 1997 provision for future costs)**

| <i>(millions of dollars)</i> | Three Months Ended March 31 | Year Ended December 31 | |
|---|------------------------------------|-------------------------------|----------------|
| | <u>1999</u> | <u>1998</u> | <u>1997</u> |
| Revenues | | | |
| Primary power and energy | | | |
| Municipal utilities | 1,790 | 6,019 | 5,874 |
| Retail customers | 456 | 1,588 | 1,638 |
| Direct industrial customers | 265 | 917 | 924 |
| | <u>2,511</u> | <u>8,524</u> | <u>8,436</u> |
| Secondary power and energy | 21 | 148 | 173 |
| Other revenues | 62 | 307 | 316 |
| | <u>2,594</u> | <u>8,979</u> | <u>8,925</u> |
| Costs | | | |
| Operation, maintenance and administration | 763 | 2,767 | 2,191 |
| Fuel used for electric generation | 308 | 1,040 | 697 |
| Power purchased | 259 | 923 | 839 |
| Provincial government levies | 69 | 274 | 277 |
| Depreciation and amortization | 418 | 1,595 | 1,578 |
| | <u>1,817</u> | <u>6,599</u> | <u>5,582</u> |
| Income before financing charges, corporate write-offs, deferred pension asset adjustment and transfer to 1997 provision for future costs | 777 | 2,380 | 3,343 |
| Financing charges | 712 | 2,922 | 3,089 |
| Income before corporate write-offs, deferred pension asset adjustment and transfer to 1997 provision or future costs | 65 | (542) | 254 |
| Corporate write-offs | | - | (6,580) |
| Deferred pension asset adjustment | - | 887 | - |
| Transfer to 1997 provision for future costs | 379 | 1,486 | - |
| Net income (loss) | 444 | 1,831 | (6,326) |
| Opening (deficit) retained earnings | (3,166) | (4,537) | 2,552 |
| Other post-employment benefits (note 16) | - | (460) | (763) |
| Net refunds on annexation by municipalities | (16) | - | - |
| Closing deficit | <u>(2,738)</u> | <u>(3,166)</u> | <u>(4,537)</u> |

In 1997, Ontario Hydro's Board of Directors used its rate-setting authority to establish a provision for future costs against which certain expenditures, primarily related to the nuclear recovery program, would be charged as incurred from 1998 to 2001. This Supplementary Statement isolates the effect upon the 1999 and 1998 results of operations of charging certain costs of the year to the 1997 provision for future costs.

NOTES TO FINANCIAL STATEMENTS

1. RESTRUCTURING OF THE ONTARIO ELECTRICITY INDUSTRY AND EVENTS SUBSEQUENT TO MARCH 31, 1999

The North American electrical utility industry has undertaken initiatives to move away from traditional monopolies towards competitive models that are more conducive to customer choice. On October 30, 1998, the Government of Ontario (Government) enacted The Energy Competition Act, 1998 (ECA) to restructure the Ontario electricity industry and introduce competition during the year 2000.

Prior to the restructuring, Ontario Hydro was a vertically integrated, rate-regulated electricity utility. On April 1, 1999 Ontario Hydro was restructured into a number of 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 business environment;
- Independent Electricity Market Operator (IMO) is a non-profit corporation, which is the independent system co-ordinator responsible for directing system operations and operating the electricity market;
- Electrical Safety Authority (ESA) is a non-profit corporation, which will carry out electrical inspections previously conducted by Ontario Hydro; and
- Ontario Electricity Financial Corporation (OEFC) is the continued Ontario Hydro entity with the objectives of managing debt, administering assets, liabilities, rights and obligations not transferred to a successor entity, and acting as administrator of the existing pension plan until arrangements are completed to transfer assets and liabilities to the new pension plans of the successor entities.

On April 1, 1999 each successor entity acquired Ontario Hydro's respective business operations in exchange for debt and equity securities equal to the fair values. The fair values were based on the present value of expected future operating results. Ontario Hydro's debt remained with OEFC.

Stranded debt is defined as debt that the successor entities could not service as commercial entities in a competitive market. Stranded debt has been determined, on a preliminary basis, by assigning fair values to OPG, OHSC, and the IMO, and subtracting these values from Ontario Hydro's total debt and liabilities. Using this methodology, the stranded debt is estimated at \$21 billion as per the Ministry of Finance announcement of April 1, 1999. The actual stranded debt will be known once a final determination can be made for other items; principally valuing power purchase obligations (note 15).

The Government has identified that certain of the OEFC's revenue streams in the new electricity market (e.g. payments-in-lieu of corporate income and capital taxes made by the new restructured companies and local distribution utilities) will be dedicated to service stranded debt.

The Province of Ontario (Province) continues to guarantee all existing Ontario Hydro debt.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles in Canada, applied on a basis consistent with that of the preceding year. The significant accounting policies followed by Ontario Hydro are described below.

a) Rate setting

Up to March 31, 1999, Ontario Hydro had broad powers to generate, supply and deliver electric power throughout the Province of Ontario. The Corporation operated under the Power Corporation Act (PCA) and was subject to the provisions of the Ontario Energy Board Act.

Under the provisions of the PCA, the price payable by municipal and other Ontario power customers was the cost of supplying the power. Such cost was defined in the PCA to include the cost of operating and maintaining the power system, the cost of energy conservation programs, depreciation, interest and the annual amounts for statutory debt retirement (SDR) and stabilization of rates and contingencies.

Under the provisions of the Ontario Energy Board Act, a public hearing before the Ontario Energy Board (OEB) was required to review any changes in electricity rates proposed by Ontario Hydro which affect its municipal utilities, direct industrial customers, or, if the Minister of Energy so directed, rural retail customers. The OEB tabled its recommendations with the Minister of Energy, Science and Technology. After considering the recommendations of the OEB, Ontario Hydro's Board of Directors, under the authority of the PCA, established the electricity rates to be charged to customers.

The Board of Directors may have specified for rate-setting purposes that an amount be included in the determination of the operating results of a period which differed from the period in which it would have been recognized under generally accepted accounting principles for enterprises operating in a non-rate-regulated environment. If so, the accounting treatment given the amount was the same as its treatment for rate-setting purposes. This authority of the Board of Directors could have been used in respect of a specific transaction or an accounting policy.

Ontario Hydro's accounting policies relating to the deferral of discounts and premiums arising from the acquisition of debt prior to maturity and foreign exchange gains and losses on United States dollar-denominated short-term financing replacing United States dollar-denominated long-term debt, which has been redeemed prior to maturity, reflected the rate-setting treatment of these items as specified by the Board of Directors. Under generally accepted accounting principles for enterprises operating in a non-rate-regulated environment, these amounts would have been included as gains or losses of the current period (see note 2 g).

In 1994, the Board of Directors used its rate-setting authority to specify that costs of the rehabilitation program for steam generators at Pickering A and B and Bruce A Nuclear Generating Stations be deferred for recovery in future periods. Under generally accepted accounting principles for enterprises operating in a non-rate-regulated environment these costs would have been expensed as incurred.

In 1996, the Board of Directors used its rate-setting authority to charge the nuclear recovery expenditures planned to be incurred over the period 1997 to 2001 to operations in 1996. In 1997, as a result of the Nuclear Asset Optimization Plan (NAOP), which included the planned nuclear recovery expenditures, the Board of Directors used its rate-setting authority to specify that the incremental costs associated with improving nuclear performance, specifically NAOP and other related costs, to be incurred over the period 1998 to 2001, be charged to operations in 1997. This rate-setting treatment was selected to enable Ontario Hydro to meet its SDR requirement over the period 1998 to 2001. As a result of the Board's decision, the related costs were not recovered through rates and represented a loss which was provided for in 1997. Under generally accepted accounting principles for enterprises operating in a non-rate-regulated environment, these costs would have been expensed as incurred (see note 7).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Directors also used its rate-setting authority to specify that certain additional future costs be charged to operations in 1997 (see note 7). Under generally accepted accounting principles for enterprises operating in a non-rate-regulated environment, these costs would have been expensed as incurred.

b) Consolidation

The consolidated financial statements include the financial statements of Ontario Hydro and its wholly-owned subsidiaries Ontario Hydro International Inc. (OHI Inc.) and Ontario Hydro Interconnected Markets Inc. (OHIM Inc.). OHI Inc. was incorporated under the Business Corporations Act (Ontario) and was established as a subsidiary of Ontario Hydro in September, 1993. OHIM Inc. was incorporated on July 9, 1996 under the General Corporation Law of the State of Delaware in the United States. Both OHI Inc. and OHIM Inc. publish separate financial statements.

c) Fixed assets

Fixed assets in service include operating facilities, non-operating reserve facilities, and heavy water contained in nuclear generating stations. Construction in progress includes fixed assets under construction.

Fixed assets are capitalized at cost which comprises material, labour, engineering costs, overheads, depreciation on service equipment, interest applicable to capital construction activities, and for new facilities, the costs of training initial operating staff. In the case of generating facilities, the cost also includes the net cost of commissioning which comprises the cost of start-up less the value attributed to energy produced by generation facilities during their commissioning period. For multi-unit facilities, a proportionate share of the cost of common facilities is placed in service with each major operating unit. The cost of heavy water comprises the direct cost of production plus applicable overheads, as well as interest and depreciation on the heavy water production facilities and the estimated removal costs of these facilities. Leases which transfer the benefits and risks of ownership of assets to Ontario Hydro are capitalized.

Interest is capitalized on construction in progress at rates, which approximate the average cost of long-term debts, as follows:

| | |
|------|------|
| 1999 | 9.2% |
| 1998 | 9.4% |
| 1997 | 9.6% |

If the construction period of a project is extended and the construction activities are continued, interest is capitalized during the period of extension provided that the project has a reasonable expectation of being completed.

If a project is deferred as a result of a management decision and there is a reasonable expectation of completion, interest capitalization ceases and amortization for any loss in value commences.

If a project is cancelled or deferred indefinitely with a low probability of construction being resumed, all costs, including the costs of cancellation, are written off to operations.

If fixed assets are removed from operations and mothballed for future use, mothballing costs are charged to operations. These assets are classified as non-operating reserve facilities.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**d) Depreciation**

The capital costs of fixed assets in service are depreciated on a straight-line basis. Depreciation rates for the various classes of assets are based on their estimated service lives. Major components of fossil and nuclear generating stations are depreciated over the lesser of the service life expectancy of the major component or the remaining service life of the associated generating station. Hydroelectric generating stations are assumed to have a perpetual life. Major components of hydroelectric generating stations are depreciated over the service life expectancy of the component, ranging from 25 to 100 years. Heavy water in nuclear generating stations is depreciated over the remaining service life of the associated station with the exception of heavy water in Pickering Nuclear Generating Station (NGS) A, which is depreciated to the year 2032, since this heavy water is planned to be used to maintain operating levels in the remaining nuclear plants once Pickering NGS A has completed its useful life. The estimated service lives of assets in the major classes are:

| | | |
|--|-----------|-----------------|
| Generating stations | - fossil | 40 years |
| | - nuclear | 40 years |
| Transmission and distribution facilities | | 10 to 100 years |
| Administration and service facilities | | 5 to 50 years |

In accordance with group depreciation practices, the costs of normal fixed asset retirements are charged to accumulated depreciation. However, gains and losses on sales of fixed assets and losses on premature retirements are charged to operations as adjustments to depreciation expense.

When the net costs of removal of fixed assets can be reasonably estimated and are significant, provisions for these costs are charged to depreciation expense on an annuity basis prospectively over the remaining service life of the related fixed assets. Removal costs that are provided for include the estimated costs of decommissioning nuclear and fossil stations and the estimated costs of removing certain nuclear reactor fuel channels. Other removal costs are charged to depreciation expense as incurred.

The estimated service lives of fixed assets and the significant assumptions underlying the estimates of fixed asset removal costs are subject to periodic review. Any changes arising out of such a review are implemented on a remaining service life basis from the year the changes can first be reflected in electricity prices.

Non-operating reserve facilities are amortized so that any estimated loss in value during the non-operating period is charged to depreciation expense on a straight-line basis over their expected non-operating period.

e) Fuel for electric generation

Fuel used for electric generation comprises the average inventory costs of fuel consumed, less the value attributed to energy produced during the commissioning phase of placing a new or refurbished unit (i.e. after replacement of fuel channels or steam generators) in service, plus provisions for disposal of nuclear fuel used during the period. The cost of fuel inventory comprises fuel purchases, transportation and handling costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The provision for disposal of used nuclear fuel is charged to operations based on estimated future expenditures and interest accumulating to the estimated date of disposal. Effective January 1, 1998, estimates of disposal costs which do not vary with the amount of fuel to be disposed of ("fixed" disposal costs) are charged to operations on an annuity basis over the estimated service lives of the associated nuclear stations. Estimates of disposal costs which vary with the amount of fuel to be disposed of ("variable" disposal costs) are charged to operations based on the present value of the future estimated disposal costs attributable to the fuel bundles used in that period. Prior to 1998, nuclear fuel provisions were charged to operations based on the present value of the future estimated disposal costs, fixed and variable, attributable to the fuel bundles used in that period. The impact of this change is an increase in costs of approximately \$83 million per year plus interest on the increase in accumulated provision.

Estimates of expenditures, interest and escalation rates, and the date of disposal are subject to periodic review. Adjustments resulting from changes in any of these factors are charged to operations on an annuity basis prospectively over the remaining years the nuclear units will be in operation.

f) Foreign currency translation

Current monetary assets and liabilities denominated in foreign currencies are translated to Canadian currency at year-end rates of exchange and the resulting exchange gains or losses are credited or charged to operations. Long-term debt payable in foreign currencies is translated to Canadian currency at year-end rates of exchange. Resulting unrealized exchange gains or losses are deferred and included in deferred debt costs, and are amortized to operations on an annuity basis over the remaining life of the related debt.

Foreign exchange gains or losses on hedges of long-term debt payable in foreign currencies are deferred and included in deferred debt costs. The deferred gains or losses on hedges are amortized to operations on an annuity basis in the periods the hedges provide benefit.

Foreign exchange gains or losses on early redemption of long-term debt, including subsequent gains and losses on short-term replacement financing, are deferred and included in deferred debt costs if the exposure in the foreign currency related to the redeemed debt is continued by refinancing the redeemed debt in the same currency. These deferred gains or losses are amortized on an annuity basis over the period to the original maturity date of the redeemed debt (see note 2a).

If the foreign currency exposure is reduced as a result of the early redemption of debt, the resulting foreign exchange gains or losses related to the redeemed debt are credited or charged to operations.

g) Deferred debt costs

Deferred debt costs include the unamortized amounts related to unrealized foreign exchange gains or losses resulting from the translation of foreign currency long-term debt; deferred foreign exchange gains or losses on hedges; deferred foreign exchange gains or losses on the early redemption of long-term debt; discounts or premiums arising from the issuance of debt or the acquisition of debt prior to maturity; discounts or premiums accrued on foreign currency hedges; and net unamortized premiums on settled, exercised or expired swaption contracts.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Discounts or premiums arising from the issuance of debt are amortized over the period to maturity of the debt on an annuity basis when the term of the debt exceeds one year and on a straight-line basis when the term is one year or less. Discounts or premiums on debt acquired prior to the date of maturity are amortized on an annuity basis over the period from the acquisition date to the original maturity date of the debt (see note 2a). Discounts or premiums on foreign currency hedges are credited or charged to operations on an annuity basis over the terms of the individual hedges. Net unamortized premiums on settled, exercised or expired swaption contracts are amortized on an annuity basis over the period from the settlement, exercise or expiry date to the original maturity date of the related debt.

h) Pension plan

The pension plan is a contributory, defined benefit plan covering all regular employees of Ontario Hydro. Pension costs for accounting purposes are actuarially determined using the projected benefit method prorated on services and based on assumptions that reflect management's best estimate of the effect of future events on the actuarial present value of accrued pension benefits. Pension plan assets are valued using current fair values and pension plan adjustments are amortized on a straight-line basis over the expected average remaining period of service of the employees covered by the Ontario Hydro pension plan (see note 18).

In the last quarter of 1998, Ontario Hydro adopted the new method of accounting for pension costs recently approved by the Canadian Institute of Chartered Accountants (CICA). The effect of this was to change the discount rate used to determine pension costs and obligations from a long-term average rate to a current market settlement rate. This change had no significant impact on the financial statements for the year ended December 31, 1998.

i) Other post-employment benefits

In addition to pension benefits, Ontario Hydro provides group life insurance and health-care benefits to its retired employees and, in certain cases, their surviving spouses and unmarried dependents. As well, Ontario Hydro provides long-term disability benefits to qualifying employees during extended absences from work due to sickness or injury.

Prior to January 1, 1997, the costs of other post-employment benefits (OPEB) were charged to operations as the benefits were paid. Effective January 1, 1997, Ontario Hydro implemented accrual accounting for OPEB whereby the expected costs of providing those benefits are charged to operations as employees render services. Accordingly, the costs of OPEB are actuarially determined for accounting purposes based on assumptions that reflect management's best estimates of the effect of future events on the actuarial present value of the accrued benefits. The transition obligation arising on conversion to accrual accounting was charged to retained earnings on January 1, 1997 (see note 16). In 1998, the Corporation changed the discount rate used to measure the OPEB obligation from a long-term average rate to a current market settlement rate. The transition amount resulting from this change was charged to the deficit in 1998 (see note 16).

j) Research and development

Research and development (R&D) costs related directly to the design or construction of a specific fixed asset are capitalized as part of the cost of the asset. R&D costs incurred to discharge long-term obligations, and for which specific provision has already been made, are charged to the related provision. All other R&D costs are charged to operations in the year incurred.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**k) Applications software and the Year 2000 expenditures**

Ontario Hydro capitalizes major applications software acquisition costs when future benefit is reasonably assured. Expenditures incurred to address the Year 2000 Issue are charged to operations as incurred, unless existing assets are replaced with new versions or completely new systems. In this case, the expenditures are capitalized consistent with the accounting for any acquisition project.

3. SECONDARY POWER AND ENERGY

Secondary power and energy revenues include \$10 million for the three months ended March 31, 1999 (1998: \$111 million, 1997: \$158 million) from sales of electricity to United States utilities.

4. PROVINCIAL GOVERNMENT LEVIES (millions of dollars)

| | Three Months Ended March 31 | Year Ended December 31 | |
|-------------------------------|------------------------------------|-------------------------------|-------------|
| | <u>1999</u> | <u>1998</u> | <u>1997</u> |
| Provincial water rentals | 30 | 119 | 121 |
| Provincial debt guarantee fee | <u>39</u> | <u>155</u> | <u>156</u> |
| | <u>69</u> | <u>274</u> | <u>277</u> |

Provincial water rentals are paid to the Province for the use of water for hydroelectric generation. The debt guarantee fee, equal to one half of one percent on the total debt guaranteed by the Province outstanding as of the preceding December 31, is a legislated payment made by Ontario Hydro to the Province.

5. DEPRECIATION AND AMORTIZATION (millions of dollars)

| | Three Months Ended March 31 | Year Ended December 31 | |
|---|------------------------------------|-------------------------------|--------------|
| | <u>1999</u> | <u>1998</u> | <u>1997</u> |
| Depreciation of fixed assets in service | 398 | 1,447 | 1,438 |
| Fixed asset removal costs | <u>4</u> | <u>65</u> | <u>140</u> |
| | <u>402</u> | <u>1,512</u> | <u>1,578</u> |

6. FINANCING CHARGES (*millions of dollars*)

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| | Three Months Ended March 31 | Year Ended December 31 | |
|--|-----------------------------|------------------------|--------------|
| | 1999 | 1998 | 1997 |
| Interest on bonds, notes and other debt - long-term | 611 | 2,603 | 2,778 |
| - short-term | 34 | 155 | 114 |
| Interest on accrued fixed asset removal and used nuclear fuel disposal costs | 45 | 160 | 164 |
| | <u>690</u> | <u>2,918</u> | <u>3,056</u> |
| Less: | | | |
| Interest charged to | | | |
| - construction in progress | 7 | 39 | 51 |
| - fuel for electric generation | - | - | 1 |
| Interest earned on investments | 14 | 33 | 33 |
| | <u>21</u> | <u>72</u> | <u>85</u> |
| Interest charged to operations | 669 | 2,846 | 2,971 |
| Foreign exchange | 18 | 30 | 118 |
| | <u>687</u> | <u>2,876</u> | <u>3,089</u> |

7. CORPORATE WRITE-OFFS (*millions of dollars*)

| | Year Ended December 31 |
|--|------------------------|
| | 1997 |
| Nuclear recovery | 4,595 |
| Other future expenditures | 1,495 |
| Staff reduction and employee relocation costs | 238 |
| Bruce Nuclear Generating Station A | 170 |
| Surplus buildings and equipment and associated business exit costs | 82 |
| | <u>6,580</u> |

There were no corporate write-offs during the three months ended March 31, 1999 and year ended December 31, 1998. In 1997, the Board of Directors of Ontario Hydro approved a number of charges and write-offs to operations, totalling \$6,580 million, to 1997 operations. Two of these charges were for future costs expected to be incurred over the 1998 to 2001 period, which, under GAAP for enterprises operating in a non-rate-regulated environment, would be expensed as incurred. Accordingly, these charges required use of the Board's rate-setting authority, to establish a provision for future costs. The first such charge was for additional future costs associated with improving nuclear performance, specifically the Nuclear Asset Optimization Plan (NAOP) and other related costs such as replacement energy and interest. While Ontario Hydro expects to incur additional costs of \$4,895 million for the improvement of nuclear performance, the charge to 1997 operations was \$4,595 million, before using a \$300 million provision made in a previous year for planned nuclear recovery expenditures. The second charge, of \$1,495 million, was for additional future costs associated with transmission and distribution assets, nuclear decommissioning and used fuel disposal provisions.

7. CORPORATE WRITE-OFFS (*millions of dollars*)

The remaining \$490 million in charges to 1997 operations did not require use of the Board's rate-setting authority and related to the following:

- A charge of \$238 million to cover the costs associated with a targetted reduction of 850 staff, including those expected to become surplus to Corporate needs before the end of 1998, and costs associated with the large-scale staff relocations required under the NAOP.
- A write-off of \$170 million in capital project expenditures associated with the three units of Bruce Nuclear Generating Station A that were laid-up in 1998. Management's assessment was that the related capital projects would have no future benefit due to the lengthy duration of the lay-up.
- A write-off of \$82 million associated with certain buildings and equipment identified as surplus due to Hydro's transition toward a more competitive environment and to reflect the wind-up of several small ancillary business ventures.

The following table shows the extent to which the provision for future costs was used in 1998 and the three months ended March 31, 1999.

| | Three months ended March 31 | Year ended December 31 |
|---|--------------------------------|---------------------------|
| | <u>1999</u> | <u>1998</u> |
| Opening balance | 4,904 | 6,390 |
| Charges | | |
| Operation, maintenance and administration | 144 | 589 |
| Fuel used for electric generation | 167 | 690 |
| Power purchased | 27 | 78 |
| Depreciation and amortization | 16 | 83 |
| Financing charges | 25 | 46 |
| | <u>379</u> | <u>1,486</u> |
| Closing balance | <u>4,525</u> | <u>4,904</u> |

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8. FIXED ASSETS (*millions of dollars*)

| | | As at March 31 1999 | | As at December 31 | | | |
|---|---------------|------------------------|-----------------------------|-------------------|-----------------------------|--------|-----------------------------|
| | | | | 1998 | | 1997 | |
| | | Cost | Accumulated Depreciation | Cost | Accumulated Depreciation | Cost | Accumulated Depreciation |
| Generating Stations | Hydroelectric | 2,755 | 901 | 2,755 | 881 | 2,723 | 898 |
| | Fossil | 5,462 | 2,896 | 5,457 | 2,854 | 5,377 | 2,658 |
| | Nuclear | 24,868 | 6,984 | 24,850 | 6,792 | 24,591 | 6,082 |
| Heavy Water | | 3,946 | 986 | 3,946 | 961 | 3,946 | 863 |
| Transmission & distribution facilities | | 11,493 | 3,674 | 11,525 | 3,615 | 11,252 | 3,094 |
| Administration & service facilities | | 1,917 | 1,032 | 1,914 | 1,055 | 1,789 | 1,339 |
| Fixed Assets in Service | | 50,441 | 16,473 | 50,447 | 16,158 | 49,678 | 14,934 |

Nuclear steam generator rehabilitation costs (*millions of dollars*)

Ontario Hydro has undertaken a major program to rehabilitate steam generators at the Pickering A and B Nuclear Generating Stations. The costs of the program, which will continue until 2001, are being deferred and amortized over the remaining service lives of the individual generators commencing as each generator is returned to service.

The deferred nuclear steam generator rehabilitation amounts included in fixed assets, construction in progress and accumulated depreciation are detailed as follows:

| | As at March 31 1999 | As at December 31 1998 | As at December 31 1997 |
|--------------------------------|------------------------|---------------------------|---------------------------|
| Fixed Assets | 152 | 152 | 116 |
| Less: Accumulated Depreciation | <u>23</u> | <u>19</u> | <u>14</u> |
| Subtotal | 129 | 133 | 102 |
| Construction in Progress | <u>-</u> | <u>-</u> | <u>24</u> |
| Total | <u>129</u> | <u>133</u> | <u>126</u> |

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9. CASH AND CASH EQUIVALENTS *(millions of dollars)*

Cash and cash equivalents consist of investments in money market instruments (temporary investments with original maturities of less than three months), and outstanding cheques (bank indebtedness). Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

| | As at March 31 1999 | As at December 31 1998 | 1997 |
|-----------------------|------------------------|---------------------------|-------------|
| Temporary investments | 245 | 225 | - |
| Bank indebtedness | <u>(10)</u> | <u>(60)</u> | <u>(37)</u> |
| | <u>235</u> | <u>165</u> | <u>(37)</u> |

10. FUEL FOR ELECTRIC GENERATION *(millions of dollars)*

| | As at March 31 1999 | As at December 31 1998 | 1997 |
|-----------------------|------------------------|---------------------------|------------|
| Inventories - uranium | 154 | 151 | 161 |
| - coal | 187 | 261 | 188 |
| - oil | <u>33</u> | <u>44</u> | <u>18</u> |
| | <u>374</u> | <u>456</u> | <u>367</u> |

11. LONG-TERM DEBT *(millions of dollars)*

| | As at March 31 1999 | As at December 31 1998 | 1997 |
|------------------------------|------------------------|---------------------------|---------------|
| Bonds and notes payable | 27,735 | 28,291 | 28,188 |
| Capital lease obligations | <u>31</u> | <u>33</u> | <u>33</u> |
| | 27,766 | 28,324 | 28,221 |
| Less payable within one year | <u>1,572</u> | <u>2,468</u> | <u>3,301</u> |
| | <u>26,194</u> | <u>25,856</u> | <u>24,920</u> |

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11. LONG-TERM DEBT (millions of dollars)

Bonds and notes payable, expressed in millions of Canadian dollars, are summarized by years of maturity in the following table:

| Years of Maturity | As at March 31 1999 | | | | As at December 31 | | | | | |
|-------------------|------------------------|---------|--------|---|-------------------|---------|--------|---|--------------------------|---|
| | Principal Outstanding | | | Weighted Average Interest Rate | 1998 | | | Weighted Average Interest Rate | 1997 | |
| | CDN | Foreign | Total | | CDN | Foreign | Total | | Principal Outstanding | Weighted Average Interest Rate |
| | | | | percent | | | | Percent | Total | Percent |
| 1 year | 1,150 | 419 | 1,569 | | 2,050 | 415 | 2,465 | | 3,297 | |
| 2 years | 2,077 | 153 | 2,230 | | 1,551 | - | 1,551 | | 2,504 | |
| 3 years | 2,000 | 755 | 2,755 | | 1,525 | 932 | 2,457 | | 1,552 | |
| 4 years | 3,097 | - | 3,097 | | 4,448 | - | 4,448 | | 2,426 | |
| 5 years | 1,148 | 64 | 1,212 | | 1,398 | - | 1,398 | | 4,447 | |
| Subtotal | 9,472 | 1,391 | 10,863 | 9.2 | 10,972 | 1,347 | 12,319 | 9.1 | - | |
| 6 - 10 years | 5,198 | 1,132 | 6,330 | 7.0 | 4,198 | 1,216 | 5,414 | 7.2 | 14,226 | 8.9 |
| 11 - 15 years | 2,164 | 1,132 | 3,296 | 9.9 | 2,164 | 1,148 | 3,312 | 9.9 | 2,363 | 8.5 |
| 16 - 20 years | 648 | - | 648 | 10.0 | 648 | - | 648 | 10.0 | 3,219 | 10.6 |
| 21 - 25 years | 3,633 | - | 3,633 | 10.0 | 3,633 | - | 3,633 | 10.0 | 1,997 | 8.9 |
| 26 years and over | 2,965 | - | 2,965 | 8.9 | 2,965 | - | 2,965 | 8.9 | 2,675 | 10.3 |
| | 24,080 | 3,655 | 27,735 | 8.9 | 24,580 | 3,711 | 28,291 | 8.9 | 3,708 | 9.1 |
| | | | | | | | | | 28,188 | 9.3 |

The weighted average interest rate represents the effective rate of interest on fixed-rate bonds and notes and the current interest rate in effect at March 31, 1999 for floating-rate bonds and notes, all before considering the effect of derivative financial instruments used to manage interest rate risk. Bonds and notes payable are either held, or guaranteed as to principal and interest, by the Province.

Bonds and notes payable include:

| | As at March 31 1999 | As at December 31 1998 | 1997 |
|----------------------------------|------------------------|---------------------------|-------|
| Bonds and Notes Payable | | | |
| Ontario Hydro bonds ¹ | | | |
| Canadian | 1,500 | 500 | - |
| US | - | - | 193 |
| Callable Bonds ² | | | |
| Canadian | 2,765 | 2,765 | 3,116 |
| US | - | - | 253 |
| Weighted average coupon rates | 11.5% | 11.7% | 11.4% |

¹ These are held by the Province having terms identical with those of the Province of Ontario issues sold on behalf of Ontario Hydro.

² Bonds callable by Ontario Hydro are at fixed prices on dates before their stated maturities, which are over the period 2002 to 2012. These bonds are callable at a weighted average call price equal to 100% of the bond's principal amounts callable on specific dates within the period 1999 to 2005.

As described in note 12, Ontario Hydro has used various derivative financial instruments to hedge the foreign exchange exposure related to long-term debt denominated in foreign currencies and to manage the interest rate risk associated with its outstanding long-term debt.

12. DERIVATIVE FINANCIAL INSTRUMENTS

Ontario Hydro has used a variety of derivative financial instruments to manage foreign exchange and interest rate risk. The table below summarizes outstanding positions in foreign exchange derivative financial instruments:

| (millions of stated currency) | | March 31 1999 | | | December 31 1998 | | | 1997 |
|--|--------|---------------------------------|---------------------------------|-----------|---------------------------------|---------------------------------|-----------|--------------------------------------|
| | | Maturing within 12 months | Maturing beyond 12 months | Total | Maturing within 12 months | Maturing beyond 12 months | Total | Notional Principal Outstanding |
| Forward exchange contracts | | | | | | | | |
| <i>Purchased forward</i> | US \$ | - | - | - | 95 | - | US\$95 | US\$1,242 |
| | CHF | 7 | - | CHF 7 | 10 | - | CHF 10 | CHF 11 |
| <i>Sold forward</i> | US \$ | - | - | - | 51 | - | US\$51 | US\$ 55 |
| Cross-currency swap contracts | | | | | | | | |
| Ontario Hydro receives: | | | | | | | | |
| <i>United States dollar</i> | US \$ | 202 | 105 | US \$307 | 202 | 105 | US\$ 307 | US\$ 307 |
| <i>Swiss franc</i> | CHF | - | 150 | CHF 150 | - | 150 | CHF 150 | CHF 150 |
| <i>Japanese yen</i> | ¥ | - | 5,000 | ¥ 5,000 | - | 5,000 | ¥5,000 | ¥5,000 |
| <i>New Zealand dollar</i> | NZ \$ | - | - | - | - | - | - | NZ\$ 100 |
| <i>Australian dollar⁽¹⁾</i> | AU \$ | 568 | - | AU \$568 | 568 | - | AU\$ 568 | AU\$ 568 |
| <i>Canadian dollar</i> | Cdn \$ | - | 423 | Cdn \$423 | - | 423 | Cdn\$ 423 | Cdn\$ 423 |
| Ontario Hydro pays: | | | | | | | | |
| <i>United States dollar</i> | US \$ | 441 | 363 | US \$804 | 441 | 363 | US\$ 804 | US\$ 873 |
| <i>Australian dollar⁽¹⁾</i> | AU \$ | 260 | - | AU \$260 | 260 | - | AU\$ 260 | AU\$ 260 |
| <i>Canadian dollar</i> | Cdn \$ | - | 279 | Cdn \$279 | - | 279 | Cdn\$ 279 | Cdn\$ 280 |

⁽¹⁾ Periodic swaps denominated in Japanese yen

Forward exchange contracts. Ontario Hydro has entered into forward exchange contracts to hedge against the impact of a potential decline in the value of the Canadian dollar in 1999, and to manage the foreign exchange risk associated with its long-term debt. Forward exchange contracts have also been entered into to hedge firm commitments for future purchases and sales denominated in a foreign currency.

Cross currency swap contracts. Ontario Hydro has entered into cross currency swap contracts to effectively convert principal and interest payments on selected debt issues into Canadian or United States dollars.

The following table summarizes the currencies in which Ontario Hydro's long-term debt, bank indebtedness and short-term notes are payable, before and after giving effect to Ontario Hydro's foreign exchange risk management activities related to debt:

| (millions of dollars) | March 31 1999 | | December 31 1998 | | December 31 1997 | |
|-----------------------------------|--|------------------|--|------------------|--|------------------|
| | Principal Outstanding millions of dollars | | Principal Outstanding millions of dollars | | Principal Outstanding millions of dollars | |
| | Before Hedging | After Hedging | Before Hedging | After Hedging | Before Hedging | After Hedging |
| Canadian dollars | 26,311 | 26,147 | 26,941 | 26,786 | 26,691 | 26,817 |
| United States dollars | 3,704 | 4,380 | 3,756 | 4,435 | 3,865 | 4,311 |
| Australian dollars ⁽¹⁾ | 295 | - | 289 | - | 287 | - |
| Swiss francs | 153 | - | 167 | - | 147 | - |
| New Zealand dollars | - | - | - | - | 83 | - |
| Japanese yen | 64 | - | 68 | - | 55 | - |
| | 30,527 | 30,527 | 31,221 | 31,221 | 31,128 | 31,128 |

⁽¹⁾ Coupon payments denominated in Japanese yen.

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12. DERIVATIVE FINANCIAL INSTRUMENTS**Interest rate risk management instruments**

The following table summarizes outstanding positions in interest rate derivative financial instruments:

| (millions of stated currency) | March 31 1999 | | | December 31 1998 | | | 1997 |
|--------------------------------------|--------------------------------|---------------------------|-------------------------|--------------------------------|---------------------------|-------------------------|--------------------------------|
| | Notional principal outstanding | | | Notional principal outstanding | | | Notional principal outstanding |
| | | | | | | | |
| | Maturing within 12 months | Maturing beyond 12 months | Total | Maturing within 12 months | Maturing beyond 12 months | Total | Total |
| Swaption contracts sold | | | | | | | |
| Ontario Hydro potentially pays fixed | Cdn\$ - US\$ - | Cdn\$496 - | Cdn\$496 - | Cdn\$100 - | Cdn\$496 - | Cdn\$596 - | Cdn\$692 US\$193 |
| Interest rate swap contracts | | | | | | | |
| Ontario Hydro receives fixed | Cdn\$ Cdn\$765 US\$ US\$323 | Cdn\$1,648 US\$403 | Cdn\$2,413 US\$726 | Cdn\$765 US\$323 | Cdn\$1,648 US\$403 | Cdn\$2,413 US\$726 | Cdn\$3,591 US\$826 |
| Ontario Hydro pays fixed | Cdn\$ Cdn\$726 US\$ US\$466 | Cdn\$2,433 US\$613 | Cdn\$3,159 US\$1,079 | Cdn\$2,576 US\$466 | Cdn\$2,487 US\$613 | Cdn\$5,063 US\$1,079 | Cdn\$7,215 US\$1,893 |
| Forward rate agreements | | | | | | | |
| Ontario Hydro pays forward | Cdn\$ - US\$ - | - | - | - US\$175 | - | - US\$175 | Cdn\$450 US\$850 |
| Bond options purchased | Cdn\$ - US\$ - | - | - | - | - | - | Cdn\$150 US\$105 |
| Forward bond purchases | Cdn\$ - | - | - | Cdn\$160 | - | Cdn\$160 | - |

Swaption contracts: In 1993, Ontario Hydro converted future potential interest savings, related to call options embedded in certain of its bonds, to cash by selling offsetting swaption contracts. These contracts permit holders to require Ontario Hydro to enter into interest rate swaps commencing on the call date. If exercised, the swaptions result in Ontario Hydro making payments based on a fixed interest rate equal to the related bonds' coupon rates, and receiving floating rate payments.

United States dollar-denominated swaptions may be cash settled on their exercise dates. Premiums received from the sale of these contracts are being amortized to income, as a reduction of interest expense, over the remaining terms of the related bond issues.

Interest rate swap contracts: As at March 31, 1999, the outstanding receive-fixed interest rate swap contracts have effectively converted fixed interest rates on long-term debt to floating interest rates. These contracts have maturity dates over the period 1999 to 2026 (1998: 1999 to 2026; 1997: 1998 to 2026). The outstanding pay-fixed interest rate swap contracts have effectively converted floating interest rates on outstanding debt into fixed interest rates. These contracts have maturity dates over the period 1999 to 2027 (1998: 1999 to 2027; 1997: 1998 to 2027).

Forward rate agreements: Prior to 1999, Ontario Hydro had entered into forward rate agreements to manage its exposure to short-term interest rates.

Bond options: Prior to 1999, Ontario Hydro had purchased options to buy long-term government bonds to mitigate the adverse impact of a potential decline in long-term interest rates on its fixed-rate debt.

Forward bond purchases: Prior to 1999, Ontario Hydro had entered into forward purchase contracts for Government of Canada bonds to manage its exposure to short-term interest rates.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The following table summarizes the total amount of long-term debt, short-term notes and bank indebtedness maturing or subject to interest rate resetting within one year and after one year, before and after giving effect to Ontario Hydro's interest rate risk management activities:

| <i>(millions of dollars)</i> | <i>As at March 31, 1999</i> | | | |
|------------------------------|---|--|--|--|
| | Before interest rate risk management activities | Weighted average interest rate (percent) | After interest rate risk management activities | Weighted average interest rate (percent) |
| Matures or reprices | | | | |
| - within one year | 4,334 | 6.2 | 3,232 | 6.3 |
| - after one year | 26,193 | 9.1 | 27,295 | 9.3 |
| | 30,527 | 8.7 | 30,527 | 8.9 |

| <i>(millions of dollars)</i> | <i>As at December 31, 1998</i> | | | |
|------------------------------|---|--|--|--|
| | Before interest rate risk management activities | Weighted average interest rate (percent) | After interest rate risk management activities | Weighted average interest rate (percent) |
| Matures or reprices | | | | |
| - within one year | 5,365 | 5.8 | 4,273 | 5.8 |
| - after one year | 25,856 | 9.1 | 26,948 | 9.2 |
| | 31,221 | 8.5 | 31,221 | 8.7 |

| <i>(millions of dollars)</i> | <i>As at December 31, 1997</i> | | | |
|------------------------------|---|--|--|--|
| | Before interest rate risk management activities | Weighted average interest rate (percent) | After interest rate risk management activities | Weighted average interest rate (percent) |
| Matures or reprices | | | | |
| - within one year | 7,104 | 5.8 | 3,619 | 6.6 |
| - after one year | 24,024 | 9.6 | 27,509 | 9.0 |
| | 31,128 | 8.7 | 31,128 | 8.7 |

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13. FAIR VALUE OF FINANCIAL INSTRUMENTS AND CREDIT RISK (*millions of dollars*)**Fair Value**

The following table presents the carrying amounts and fair values of Ontario Hydro's financial instruments:

| | As at March 31 | | As at December 31 | | | |
|-------------------------------|----------------|---------------------------|-------------------|---------------------------|----------------|---------------------------|
| | 1999 | | 1998 | | 1997 | |
| | Carrying Value | Fair Value ⁽¹⁾ | Carrying Value | Fair Value ⁽¹⁾ | Carrying Value | Fair Value ⁽¹⁾ |
| Financial Assets | | | | | | |
| Forward exchange contracts | - | - | - | - | 53 | 55 |
| Cross currency swap contracts | 69 | 79 | 93 | 116 | 53 | 55 |
| Interest rate swap contracts | 33 | 222 | 25 | 258 | 33 | 238 |
| Bond options | - | - | - | - | - | 1 |
| Financial Liabilities | | | | | | |
| Forward exchange contracts | - | 1 | 1 | 1 | - | - |
| Long-term debt | 27,735 | 34,062 | 28,291 | 35,073 | 28,188 | 34,700 |
| Swaption contracts | 11 | 63 | 21 | 97 | 92 | 245 |
| Cross currency swap contracts | 197 | 131 | 224 | 193 | 188 | 129 |
| Interest rate swap contracts | 98 | 458 | 94 | 503 | 111 | 428 |
| Forward rate agreements | - | - | - | 1 | - | 1 |

⁽¹⁾Period-end and Year-end quoted market prices for specific or similar instruments are used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value. For over-the-counter derivative financial instruments, the fair value is determined using pricing models that take into account the current value of the underlying instruments, the time value of money, and mid-market yield curve and volatility factors. The carrying values of cash, temporary investments, accounts receivable, bank indebtedness, short-term notes payable and accounts payable and accrued charges approximate fair value because of the short maturity of those instruments.

Credit Risk

Financial assets expose Ontario Hydro to credit risk and concentration of credit risk. As at March 31, 1999, there were no significant concentrations of credit risk with respect to any class of financial assets. Derivative financial instruments expose Ontario Hydro to credit risk, since there is a risk of counter party default. This risk is limited to the cost of replacing contracts in which Ontario Hydro has an unrealized gain.

Credit risk is monitored and minimized by dealing only with a diverse group of highly rated counter parties. In addition, as a means of further reducing its credit exposure on derivative financial instruments, Ontario Hydro enters into master netting agreements with its counter parties to enable it to settle derivative financial assets and liabilities with the counter party on a net basis in the event that the counter party defaults. The existence of these master netting agreements had the effect of reducing Ontario Hydro's current credit risk exposure on derivative financial assets from \$437 million to \$86 million as at March 31, 1999 (1998: from \$374 million to \$152 million; 1997: from \$349 million to \$142 million).

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14. ACCRUED FIXED ASSET REMOVAL AND USED NUCLEAR FUEL DISPOSAL COSTS (millions of dollars)

| | As at March 31 | As at December 31 | |
|--|----------------|-------------------|--------------|
| | <u>1999</u> | <u>1998</u> | <u>1997</u> |
| Accrued fixed asset removal costs | | | |
| accrued decommissioning costs | 1,059 | 1,042 | 962 |
| accrued fuel channel removal costs | <u>699</u> | <u>674</u> | <u>616</u> |
| | 1,758 | 1,716 | 1,578 |
| Accrued used nuclear fuel disposal costs | <u>1,549</u> | <u>1,485</u> | <u>1,264</u> |
| | <u>3,307</u> | <u>3,201</u> | <u>2,842</u> |

Accrued fixed asset removal costs

Accrued fixed asset removal costs are the costs of decommissioning nuclear and fossil generating stations and heavy water production facilities after the end of their service lives, and the costs of removing certain fuel channels and steam generators, which are expected to be replaced during the life of the nuclear reactors. The significant assumptions used in estimating future fixed asset removal costs are consistent with 1998:

- decommissioning of nuclear generating stations in the 2042 to 2071 period on a deferred dismantlement basis (dismantlement following storage with surveillance for a 30-year period after shutdown of the reactors), and an average transportation distance of 1,000 kilometres from nuclear generating facilities to disposal facilities;
- interest and cost escalation rates through to 2071 ranging from:

| | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|-----------------------|-------------|-------------|-------------|
| Interest Rates | 6% to 8% | 6% to 8% | 6% to 9% |
| Cost Escalation Rates | 2% to 4% | 2% to 4% | 2% to 5% |

- removal and replacement of certain fuel channels and steam generators in nuclear generating stations during the following periods:

| | As at March 31 | As at December 31 | |
|---------------------|----------------|-------------------|-------------|
| | <u>1999</u> | <u>1998</u> | <u>1997</u> |
| Bruce "A" Units 3&4 | 2001-2008 | 2006-2008 | 2005-2008 |
| Pickering "B" | 2008-2012 | 2009-2014 | 2013-2017 |
| Bruce "B" | 2010-2013 | 2011-2017 | 2015-2018 |
| Darlington | 2016-2019 | 2016-2022 | 2022-2024 |

- decommissioning of fossil generating stations in the 2006 to 2025 period.

The significant assumptions underlying the estimates of accrued fixed asset removal costs are subject to periodic review. These assumptions, as well as the existing methods and technology used for decommissioning, fuel channel removal and replacement, and steam generator replacement are subject to change which could result in changes to these costs.

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14. ACCRUED FIXED ASSET REMOVAL AND USED NUCLEAR FUEL DISPOSAL COSTS**Accrued used nuclear fuel disposal costs**

The significant assumptions used in estimating the future used nuclear fuel disposal costs are consistent with 1998:

- an in-service date of the year 2025 for permanent disposal facilities;
- an average transportation distance of 1,000 kilometres from nuclear generating facilities to disposal facilities;

| | <u>1999</u> | <u>1998</u> | <u>1997</u> |
|-----------------------|-------------|-------------|-------------|
| Interest Rates | 6% to 8% | 6% to 8% | 6% to 9% |
| Cost Escalation Rates | 2% to 4% | 2% to 4% | 2% to 5% |

The significant assumptions underlying the estimates of accrued used nuclear fuel disposal costs are subject to periodic review. These assumptions, as well as the existing methods and technology used for used fuel disposal, are subject to change which could result in changes to these costs.

15. CONTINGENCIES & COMMITMENTS (*millions of dollars*)**Uncertainty due to the Year 2000 Issue**

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in 1999 in some systems which use the digits "99" in a date field to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations.

The Corporation is in the process of completing a significant program designed to upgrade or replace affected systems on which it and its customers depend, prior to the year 2000. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting Ontario Hydro, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Renewable Energy Technology Program Class Action

In 1997, a class action suit was commenced on behalf of all bidders in the renewable energy technology program based on allegations of misrepresentation and bad faith in requesting bids and carrying on discussions with bidders prior to cancellation of the project. The plaintiffs named Ontario Hydro, as well as, certain individual officers of Ontario Hydro as defendants. The plaintiffs seek declaratory relief and damages in the amount of \$250 million for loss of income and profits, loss of opportunity, conversion of trade secrets, and exemplary, aggravated and punitive damages. A motion to certify the class was argued in November, 1998 and in December the Court refused to certify the action. Subject to appeal rights, the action may now proceed as a claim by the named plaintiff, and the damages claimed would be reduced substantially. At this time, the outcome of this claim is not determinable, and as such, no provision has been accrued in Ontario Hydro's financial statements with respect to any amounts in dispute. However, Ontario Hydro believes it has no liability, and that the damages claimed are, in any event, excessive.

15. CONTINGENCIES & COMMITMENTS (*millions of dollars*)**Municipal electric utilities' lawsuit**

On April 24, 1997 three municipal electric utilities (Applicants) issued a notice of application against Ontario Hydro for which they have since received certification as a class proceeding on behalf of all municipal electric utilities in Ontario. No supporting affidavit materials have been served. The Applicants seek declarations that certain rates and pricing options offered by Ontario Hydro to corporations contravene the provisions of the PCA and, that these rates and pricing options have improperly increased costs to the municipal electric utilities who purchase their power from Ontario Hydro. They also seek recovery of these increased costs in the amount of \$145 million. They further seek a declaration that Ontario Hydro has improperly diverted, from revenues derived from the sale of power to municipal electric utilities, monies, of an indeterminate amount, which should have been used to reduce the cost of power being supplied to these municipal electric utilities. They are also seeking declarations that Ontario Hydro has breached legislative provisions prescribing the operation of the Reserve for Stabilization of Rates and Contingencies and the equity account, and an order requiring Ontario Hydro to replenish the equity account in the amount of \$5.0 billion. Ontario Hydro has denied the allegations, and believes that it has valid and meritorious defences against such allegations and will, in due course, file responding materials. At this time, the outcome of these claims is not determinable.

Bruce Nuclear Generating Station A

As a result of the NAOP, Ontario Hydro laid-up the three operating units at Bruce Nuclear Generating Station A over the Spring of 1998. Consistent with the phased recovery approach adopted for NAOP, these three units plus Bruce A Unit 2, which was shut down in 1995, are currently planned to be returned to service within the period 2003 to 2009.

In the event that a future decision is made not to return the four Bruce A units to service, a loss would have to be recognized. The current estimate of such a loss is about \$1,050 million, which takes into account the undepreciated book value of the generating and heavy water assets, the carrying value of remaining construction in progress amounts, and the impact of recognizing unaccrued net fixed asset removal provisions.

Power purchase agreements (*millions of dollars*)

Ontario Hydro committed to the purchase of a portion of its electricity requirements, pursuant to long-term contractual Power Purchase Agreements (PPAs), with various power producers.

The PPAs expire on various dates from 1999 to 2048. Other details are:

| | As at March 31 | As at December 31 | |
|--|----------------|-------------------|-------|
| | 1999 | 1998 | 1997 |
| In-service Capacity (megawatts) | 1,670 | 1,864 | 1,584 |
| Net present value of purchase obligations over 20 years (\$) | 6,689 | 6,910 | 6,203 |

Estimated annual payments for purchase obligations range from \$755 million to \$865 million over the next five years.

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15. CONTINGENCIES & COMMITMENTS (*millions of dollars*)

Deliveries in the aggregate for the first three months of 1999 account for approximately 8.0% of Ontario Hydro's total electric energy requirements (1998: 7.6%, 1997: 7.2%). The amount of energy received and the total payments made under these agreements are:

| | Three Months ended March 31 | Year ended December 31 | |
|------------------------|-----------------------------|------------------------|---------------|
| | <u>1999</u> | <u>1998</u> | <u>1997</u> |
| Gigawatthours received | <u>3,043</u> | <u>11,108</u> | <u>10,366</u> |
| Power Purchases (\$) | <u>217</u> | <u>680</u> | <u>642</u> |

Ontario Hydro has issued a Request for Expressions of Interest for the financial restructuring of its power purchase contracts with independent power producers in Ontario.

Loan Guarantees

Ontario Hydro is contingently liable under guarantees given to third-party lenders who have provided long-term financing to certain independent power producers. These guarantees total approximately \$157 million as at March 31, 1999 (1998: \$160 million, 1997: \$171 million).

Fuel used for electric generation

Ontario Hydro has entered into firm fuel supply agreements, some of which extend beyond 2000. The future obligation as at March 31, 1999, under these agreements for the remainder of 1999 is estimated to be \$504 million. Beyond 1999, the estimated amount is \$228 million (1998: \$639 million).

16. (DEFICIT) RETAINED EARNINGS

On January 1, 1997, the opening retained earnings balance of \$2,552 million was reduced by \$763 million as a result of charging the transition obligation associated with the change in accounting for other post-employment benefits (see note 2i). The change was introduced as a first step to the early implementation of accounting recommendations from the Canadian Institute of Chartered Accountants (CICA), effective January 1, 2000. The future OPEB obligation was discounted using a long-term average rate, consistent with the rate used to determine pension costs and obligations.

In 1998, the CICA approved new recommendations on accounting for employees' future benefits. To complete the implementation of the new accounting recommendations, the Corporation changed the discount rate used to measure the OPEB obligation from a long-term average rate to a current market settlement rate. As a result, a transition amount of \$460 million was charged to the deficit in 1998.

17. CONSOLIDATED STATEMENT OF CASH FLOWS (*millions of dollars*)

The changes in non-cash balances related to operations consisted of the following:

| | As at March 31 | As at December 31 | |
|--|----------------|-------------------|--------------|
| | 1999 | 1998 | 1997 |
| Accounts receivable - (increase) | 7 | (9) | (22) |
| Fuel for electric generation, materials and supplies - (increase) | 99 | (126) | (10) |
| Accounts payable and accrued charges - increase | 47 | 68 | 200 |
| Accrued interest - (decrease) | 57 | (38) | (47) |
| Long-term accounts payable and accrued charges - increase (decrease) | 24 | 202 | (237) |
| | <u>234</u> | <u>97</u> | <u>(116)</u> |
| Interest paid | <u>606</u> | <u>2,772</u> | <u>2,903</u> |
| Interest received | <u>9</u> | <u>29</u> | <u>14</u> |

18. BENEFIT PLANS**Pension Plan** (*millions of dollars*)

Effective November 7, 1998, certain sections of the Electricity Competition Act, 1998, came into force whereby Ontario Hydro and its successor entities were allowed to adopt funding practices that are more consistent with Canadian business practices. The Plan has a substantial surplus. As agreed in the Union negotiation processes, Ontario Hydro ceased remitting employer contributions effective April 1, 1998. Also, commencing November 7, 1998, the direct costs of investment management and administration of the Plan have been absorbed as a cost of the Plan.

Information about Ontario Hydro's pension plan is as follows:

| | As At March 31 | As At December 31 | |
|---|----------------|-------------------|-----------|
| | 1999 | 1998 | 1997 |
| Pension costs | 7 | 23 | 116 |
| Pension costs charged to operations | 7 | 18 | 93 |
| Pension costs capitalized as part of fixed assets | - | 5 | 23 |
| Pension fund assets at fair market value | 10,853 | 10,816 | 10,173 |
| Accrued pension benefits at actuarial present value | 9,830 | 9,707 | 6,455 |
| Plan surplus for accounting purposes | 1,023 | 1,109 | 3,718 |
| Deferred pension asset | 972 | 979 | 112 |
| Expected return on plan assets | 7.25% | 9% | 9% |
| Rate used to discount future pension benefits | 6% | 6% | 8.25% |
| Salary schedule escalation rate | 3.5% | 3.5% | 3.5% |
| Rate of cost of living increases to pensions | 2.5% | 2.5% | 1.88% |
| Average remaining service life for employee (years) | 12 | 12 | <u>14</u> |

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18. BENEFIT PLANS (*millions of dollars*)

The actuarial present value of the accrued pension benefits was based on a projection of the valuation at December 31, 1997. Estimated accrued pension benefits increased dramatically in 1998 as a result of an accounting change. The Canadian Institute of Chartered Accountants has recommended that the rate used for discounting future pension benefits should be based on the current market interest rate. Previously, Ontario Hydro used its best estimate as to the long-term average interest rate of corporate bonds for this computation.

The deferred pension asset of \$972 million as at March 31, 1999 (1998: \$979 million, 1997: \$112 million) represents the cumulative difference between funding contributions and pension costs. The \$7 million decline to March 31, 1999, is the pension cost charged to operations. The \$887 million increase to the deferred pension asset in 1998 results from recognizing the access to the pension fund surplus. Ontario Hydro also recognized a corresponding credit to the 1998 operating statement.

The \$51 million difference as at March 31, 1999, (1998: \$130 million) between the \$1,023 million pension fund surplus and the \$972 million deferred pension asset represents experience gains and losses, which will be amortized over the average remaining service period of employees.

The Ontario Electricity Pension Services Corporation was established effective April 1, 1999 to assume transitional responsibility, as an agent for OEFC, for administering the pension benefits and investing pension assets on behalf of the successor entities of Ontario Hydro.

Group life insurance, health care plans, and other post-employment benefits (*millions of dollars*)

Ontario Hydro's costs are detailed as follows:

| | March 31 | December 31 | |
|--|-----------------|--------------------|-------------|
| | 1999 | 1998 | 1997 |
| Group life insurance premiums | | | |
| basic coverage | 1 | 5 | 4 |
| Health Care plan | 13 | 60 | 58 |
| Post-employment benefits | | | |
| retiree group life insurance & health-care | 26 | 92 | 71 |
| long-term disability | 10 | 32 | 17 |

Group life premiums for additional coverage, if requested, are remitted by the employee.

In certain cases, retiree group life insurance and health care costs include payments for surviving spouses, as well as, unmarried dependents. Long-term disability applies to qualifying employees in extended absence from work due to sickness or injury.

19. RESEARCH AND DEVELOPMENT (*millions of dollars*)

Research and development costs are detailed as follows:

| | As at March 31 <u>1999</u> | As at December 31 <u>1998</u> | <u>1997</u> |
|-------------------------------|-------------------------------|----------------------------------|-------------|
| Charged to operations | 18 | 58 | 80 |
| Capitalized | - | 3 | 2 |
| Charged to accrued provisions | <u>2</u> | <u>7</u> | <u>19</u> |
| | <u>20</u> | <u>68</u> | <u>101</u> |

20. FEDERAL ENVIRONMENTAL REVIEW PANEL

On March 13, 1998, a Federal Government panel issued its report (known as the Seaborn Report) on Atomic Energy of Canada Limited's concept for nuclear waste disposal. On December 3, 1998, the Federal Government responded to the Panel's recommendations, concurring with the Panel's major recommendations that:

- the search for a specific disposal site not proceed at this time because broad public support has not been demonstrated;
- a separately incorporated waste management organization be formed by waste producers to manage used fuel;
- a segregated fund be established; and
- a study of alternatives for long-term disposal be commissioned.

The Federal Government has defined the parameters within which each of these recommendations will be implemented, and has charged Natural Resources Canada with initiating and, reporting back on a consultative process with the appropriate stakeholders to develop options to meet the key objectives of:

- establishing a dedicated fund;
- specifying the reporting relationships between the government, the waste management organization and stakeholders; and,
- establishing a federal review and approval mechanism to provide oversight and access to funds.

Note 14 outlines Ontario Hydro's estimation of future costs and timing of used nuclear fuel disposals.

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21. SEGMENT INFORMATION

Ontario Hydro's reportable segments are generation (Generation); transmission, distribution and other electricity services (Distribution); and all other activities (Other). The reportable segments are strategic business units that produce or deliver the same product to the customer. The production of the product is managed separately from the transmission and distribution of the product. The accounting policies followed by the segments are the same as those described in the summary of significant accounting policies (see note 2).

Ontario Hydro accounts for intersegment sales and transfers at cost. These segments are confirmed by the Government of Ontario through its passage of Energy Competition Act, 1998, which establishes five successor entities as described in Note 1.

21. SEGMENT INFORMATION

March 31, 1999

| | Generation | Distribution | Other | Total Company |
|--|------------|--------------|-------|---------------|
| Revenue from external customers | 1,758 | 817 | 19 | 2,594 |
| Intersegment revenue | 264 | 31 | - | 295 |
| Depreciation and amortization | 338 | 76 | 4 | 418 |
| Operations, maintenance & administration | 551 | 185 | 27 | 763 |
| Segment profit before use of 1997 provision for future costs | (64) | 151 | (22) | 65 |
| Use of 1997 provision for future costs | 365 | 14 | - | 379 |
| Segment profit | 301 | 165 | (22) | 444 |
| Segment assets | 30,204 | 9,203 | 193 | 39,600 |

December 31, 1998

| | Generation | Distribution | Other | Total Company |
|--|------------|--------------|-------|---------------|
| Revenue from external customers | 5,879 | 2,896 | 204 | 8,979 |
| Intersegment revenue | 1,159 | 127 | - | 1,286 |
| Depreciation and amortization | 1,267 | 304 | 24 | 1,595 |
| Operations, maintenance & administration | 1,861 | 676 | 230 | 2,767 |
| Segment profit before deferred pension asset adjustment and use of 1997 provision for future costs | (824) | 364 | (82) | (542) |
| Use of 1997 provision for future costs | 1,389 | 96 | 1 | 1,486 |
| Segment profit before deferred pension asset adjustment | 563 | 462 | (81) | 944 |
| Segment assets | 30,412 | 9,436 | 175 | 40,023 |

December 31, 1997

| | Generation | Distribution | Other | Total Company |
|--|------------|--------------|-------|---------------|
| Revenue from external customers | 5,990 | 2,809 | 126 | 8,925 |
| Intersegment revenue | 1,225 | 127 | - | 1,352 |
| Depreciation and amortization | 1,263 | 282 | 33 | 1,578 |
| Operations, maintenance & administration | 1,418 | 570 | 203 | 2,191 |
| Segment profit before corporate write-offs | (45) | 295 | 4 | 254 |
| Segment assets | 29,947 | 9,059 | 175 | 39,181 |

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21. SEGMENT INFORMATION**Reconciliation of reportable segment revenues, segment profit and segment assets**

| | Three Months March 31, 1999 | 1998 | 1997 |
|---|--------------------------------|---------------|---------------|
| <i>Revenues</i> | | | |
| Total revenues for reportable segments | 2,870 | 10,061 | 10,151 |
| Other revenues | 19 | 204 | 126 |
| Elimination of intersegment revenues | (295) | (1,286) | (1,352) |
| Total Company revenues | <u>2,594</u> | <u>8,979</u> | <u>8,925</u> |
| <i>Profit</i> | | | |
| Total profit for reportable segments, before deferred pension asset adjustment | 444 | 944 | 254 |
| <i>Assets</i> | | | |
| Total assets for reportable segments | 39,407 | 39,848 | 39,006 |
| Other assets | 193 | 175 | 175 |
| Company total | <u>39,600</u> | <u>40,023</u> | <u>39,181</u> |

22. COMPARATIVE FIGURES

Certain of the 1998 and 1997 comparative figures in the financial statements have been reclassified to conform with the March 31, 1999 financial statement presentation.

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|-----------|------------|--|----------------|------------------|
| Ont. Hydro | ABLACK | A | Mechanical Maintainer Journeyperson | \$101,578.00 | \$358.00 |
| Ont. Hydro | ACCHIONE | PN | Manager, Programming | \$107,527.00 | \$10,377.00 |
| Ont. Hydro | ACKERMAN | D | Transaction Coordinator | \$111,864.00 | \$913.00 |
| Ont. Hydro | ACTON | J | Customer Operations Manager | \$103,374.00 | \$1,067.00 |
| Ont. Hydro | ADAMS | RJ | Manager, Operations Production | \$107,327.00 | \$28,414.00 |
| Ont. Hydro | AGOPIAN | H | Section Head - Administration & Quality | \$104,924.00 | \$521.00 |
| Ont. Hydro | AGOSTINO | J | Solicitor | \$111,778.00 | \$10,793.00 |
| Ont. Hydro | AITCHISON | G | Shift Unit Supervisor | \$104,529.00 | \$419.00 |
| Ont. Hydro | AITKEN | RB | Shift Maintenance Supervisor-Mechanical | \$109,803.00 | \$463.00 |
| Ont. Hydro | AKEY | G | Maintenance Coordinator | \$109,911.00 | \$575.00 |
| Ont. Hydro | ALBON | R | Inspection and Maintenance Technician II | \$109,788.00 | \$370.00 |
| Ont. Hydro | ALBOTA | D | Shift Maintenance Supervisor-Multi-Funct | \$112,127.00 | \$498.00 |
| Ont. Hydro | ALCOCK | R | Shift Maintenance Supervisor-Multi-Funct | \$103,396.00 | \$537.00 |
| Ont. Hydro | ALEXANDER | C | Section Mgr, Structural Analysis | \$100,432.00 | \$571.00 |
| Ont. Hydro | ALFRED | P | Construction Technician - Mech | \$107,952.00 | \$311.00 |
| Ont. Hydro | ALIDINA | M | Manager, Finance | \$100,902.00 | \$11,724.00 |
| Ont. Hydro | ALLEN | S | Project Manager | \$107,017.00 | \$566.00 |
| Ont. Hydro | ALLEN | N | Manager, Programming | \$100,995.00 | \$9,512.00 |
| Ont. Hydro | ALLEN | MI | Intermediate Mail and Services Clerk | \$100,884.00 | \$266.00 |
| Ont. Hydro | AMANTEA | F | Technical Superintendent | \$140,236.00 | \$555.00 |
| Ont. Hydro | ANDERSON | WA | Inspection and Maintenance Technician I | \$100,561.00 | \$330.00 |
| Ont. Hydro | ANDOGNINI | C | Exec VP & Chief Nuclear Officer | \$1,275,448.00 | \$30,000.00 |
| Ont. Hydro | ANDREEFF | T | Technical Superintendent | \$111,748.00 | \$493.00 |
| Ont. Hydro | ANDREW | DJ | Senior Engineer/Scientist/Tech Offcr | \$103,349.00 | \$423.00 |
| Ont. Hydro | ANDREWS | JS | Technical Supervisor | \$126,482.00 | \$500.00 |
| Ont. Hydro | ANGER | R | Mechanical Maintainer Journeyperson | \$102,027.00 | \$358.00 |
| Ont. Hydro | ANKRETT | D | Manager, Central Territory Services | \$102,807.00 | \$45,908.00 |
| Ont. Hydro | ANNESLEY | SC | Authorized Nuclear Operator | \$102,599.00 | \$436.00 |
| Ont. Hydro | ANTONETTE | B | Mechanical Maintainer Journeyperson | \$109,214.00 | \$358.00 |
| Ont. Hydro | APPLETON | G | Shift Control Technician | \$103,621.00 | \$374.00 |
| Ont. Hydro | ARBIQUE | M | Level 1A Operator | \$101,590.00 | \$401.00 |
| Ont. Hydro | ARIFULLAH | M | Project Leader-Nuclear Safety | \$109,540.00 | \$6,864.00 |
| Ont. Hydro | ARISS | DG | Manager, Accounting Policy & Reporting | \$103,064.00 | \$40,980.00 |
| Ont. Hydro | ARMITAGE | RA | Authorized Nuclear Operator | \$103,503.00 | \$2,263.00 |
| Ont. Hydro | ARMOUR | DC | Mgr, Real Estate & Special Situations | \$128,119.00 | \$19,272.00 |
| Ont. Hydro | ARNOLD | R | SM, Radiation Safety | \$114,009.00 | \$505.00 |
| Ont. Hydro | ARNONE | M | Project Leader | \$109,343.00 | \$468.00 |
| Ont. Hydro | ARNOTT | KJ | Shift Superintendent | \$152,311.00 | \$632.00 |
| Ont. Hydro | ARPIN | J | Authorized Nuclear Operator | \$104,920.00 | \$436.00 |
| Ont. Hydro | ARSENAULT | I | Authorized Nuclear Operator | \$107,949.00 | \$436.00 |
| Ont. Hydro | ASSAL | S | Design Engineer - Specialist | \$102,264.00 | \$498.00 |
| Ont. Hydro | ASSELIN | J | Shift Maintenance Supervisor-Multi-Funct | \$117,630.00 | \$498.00 |
| Ont. Hydro | ATKINSON | M | Inspection and Maintenance Technician II | \$107,919.00 | \$370.00 |
| Ont. Hydro | AUSTIN | K | Shift Supervisor | \$114,369.00 | \$549.00 |
| Ont. Hydro | AYOUB | M | Planning Supervisor | \$118,749.00 | \$552.00 |
| Ont. Hydro | BABICHUK | BG | Director, Year 2000 Corp Prog | \$103,253.00 | \$25,896.00 |
| Ont. Hydro | BAGSHAW | JL | Manager, Performance Assurance | \$138,661.00 | \$86,339.00 |
| Ont. Hydro | BAILEY | B | Manager, Maintenance Production | \$121,327.00 | \$610.00 |
| Ont. Hydro | BAIRD | K | Inspection and Maintenance Technician II | \$112,750.00 | \$370.00 |
| Ont. Hydro | BAKSH | A | Information Systems Analyst | \$111,477.00 | \$413.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|------------|------------|--|--------------|------------------|
| Ont. Hydro | BALCOMBE | F | Regional Maintainers I - Lines | \$105,554.00 | \$397.00 |
| Ont. Hydro | BALLARD | J | Administration Superintendent | \$110,375.00 | \$598.00 |
| Ont. Hydro | BALOG | G | Supervising Design Engineer | \$100,284.00 | \$453.00 |
| Ont. Hydro | BANNER | SA | Manager, Materials Management | \$100,329.00 | \$1,307.00 |
| Ont. Hydro | BANNON | GE | Mechanical Maintainer Union Trades Supv | \$106,102.00 | \$419.00 |
| Ont. Hydro | BARGER | HS | Sr. Assistant Exchange Coordinator | \$103,090.00 | \$457.00 |
| Ont. Hydro | BARLOW | R | Regional Line Supervisor | \$113,216.00 | \$458.00 |
| Ont. Hydro | BARMSTONE | C | Trades Mangement Supervisor - Hydroelect | \$103,254.00 | \$438.00 |
| Ont. Hydro | BARNEY | GV | Construction Technician - Civil | \$109,575.00 | \$349.00 |
| Ont. Hydro | BARON | JA | Mgr, Marketing & Technical Spp | \$101,768.00 | \$9,140.00 |
| Ont. Hydro | BARRIE | D | Gnrl Mgr, Trans Network Asset | \$161,514.00 | \$35,219.00 |
| Ont. Hydro | BARRIE | J | Mechanical Maintainer Journeyperson | \$101,648.00 | \$358.00 |
| Ont. Hydro | BARRON | J | Supervising Information Analyst | \$105,670.00 | \$507.00 |
| Ont. Hydro | BARTON | B | Customer Operations Manager | \$101,627.00 | \$483.00 |
| Ont. Hydro | BASSERMANN | R | Mgr, Performance Engineering | \$101,545.00 | \$7,680.00 |
| Ont. Hydro | BAST | D | Mechanical Maintainer Journeyperson | \$106,636.00 | \$773.00 |
| Ont. Hydro | BASU | S | Project Manager | \$121,618.00 | \$565.00 |
| Ont. Hydro | BATEMAN | WJ | Shift Operating Supervisor (Authorized) | \$116,392.00 | \$558.00 |
| Ont. Hydro | BATES | G | Regional Maintainer - Lines Uts Level 3 | \$115,714.00 | \$377.00 |
| Ont. Hydro | BATOFF | P | Customer Service Representative A Uts | \$101,833.00 | \$684.00 |
| Ont. Hydro | BATTE | JA | Mechanical Maintainer Union Trades Supv | \$102,731.00 | \$653.00 |
| Ont. Hydro | BATTISTONE | A | Pay & Benefits Systems Dev. Analyst | \$109,101.00 | \$730.00 |
| Ont. Hydro | BATTY | F | Mechanical Maintainer Journeyperson | \$101,176.00 | \$358.00 |
| Ont. Hydro | BAUER | R | Shift Superintendent | \$124,900.00 | \$589.00 |
| Ont. Hydro | BAUMBACH | JM | Mechanical Maintainer Journeyperson | \$104,280.00 | \$769.00 |
| Ont. Hydro | BEATON | K | Chief Information Officer | \$185,420.00 | \$3,677.00 |
| Ont. Hydro | BEATON | D | Senior Design Specialist | \$100,680.00 | \$438.00 |
| Ont. Hydro | BEATTIE | BB | Mechanical Maintainer Journeyperson | \$108,727.00 | \$543.00 |
| Ont. Hydro | BEECH | S | Authorized Nuclear Operator | \$117,000.00 | \$1,998.00 |
| Ont. Hydro | BEISCHLAG | P | Senior Encon Engineer | \$103,473.00 | \$828.00 |
| Ont. Hydro | BELFON | J | Engineer/Officer-Shift Control | \$100,965.00 | \$438.00 |
| Ont. Hydro | BELL | R | Senior Protection and Control | \$103,450.00 | \$395.00 |
| Ont. Hydro | BELL | M | Manager, Customer Power | \$100,283.00 | \$7,255.00 |
| Ont. Hydro | BELLINGHAM | W | Mechanical Maintainer Union Trades Supv | \$112,359.00 | \$419.00 |
| Ont. Hydro | BENCH | P | Shift Maintenance Supervisor-Multi-Funct | \$110,807.00 | \$513.00 |
| Ont. Hydro | BENNETT | BL | General Auditor | \$137,629.00 | \$29,923.00 |
| Ont. Hydro | BERANEK | M | Mgr, Performance Engineering | \$101,842.00 | \$28,317.00 |
| Ont. Hydro | BERENYI | P | Technical Specialist | \$100,995.00 | \$559.00 |
| Ont. Hydro | BERGER | SD | Assistant General Counsel, Nuclear | \$133,977.00 | \$7,028.00 |
| Ont. Hydro | BERNDT | BG | Training Superintendent | \$100,646.00 | \$449.00 |
| Ont. Hydro | BERNIER | J | Senior Engineer/Scientist/Tech Officer | \$106,448.00 | \$392.00 |
| Ont. Hydro | BERRIE | F | Production Supervisor - Commissioning | \$105,765.00 | \$501.00 |
| Ont. Hydro | BIEBER | CG | Vice-President, Customer Care Services | \$142,655.00 | \$57,754.00 |
| Ont. Hydro | BIES | A | Shift Maintenance Supervisor | \$111,224.00 | \$446.00 |
| Ont. Hydro | BIGRAS | UA | Unauthorized First Operator | \$108,044.00 | \$411.00 |
| Ont. Hydro | BLACK | RK | Technical Supervisor | \$101,800.00 | \$531.00 |
| Ont. Hydro | BLACKWELL | B | Shift Maintenance Supervisor-Multi-Funct | \$105,693.00 | \$504.00 |
| Ont. Hydro | BLACKWOOD | RJ | Shift Supervisor | \$125,991.00 | \$570.00 |
| Ont. Hydro | BLACKWOOD | PI | Senior Shift Control Technician | \$101,223.00 | \$702.00 |
| Ont. Hydro | BLANK | C | Shift Unit Supervisor | \$105,891.00 | \$419.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|-------------|------------|--|--------------|------------------|
| Ont. Hydro | BLICK | G | Authorized Nuclear Operator | \$102,109.00 | \$436.00 |
| Ont. Hydro | BODACH | P | Section Head | \$103,596.00 | \$565.00 |
| Ont. Hydro | BODNAR | G | Trades Mgmt. Supervisor - Hydroelect | \$103,215.00 | \$437.00 |
| Ont. Hydro | BOHDAN | J | Authorized Nuclear Operator | \$109,830.00 | \$436.00 |
| Ont. Hydro | BOLAND | B | Manager, Regulatory Affairs | \$117,482.00 | \$12,645.00 |
| Ont. Hydro | BONNER | M | Authorization Training Supervisor | \$101,170.00 | \$583.00 |
| Ont. Hydro | BOOTH | B | General Foreman "A" - Lines | \$100,838.00 | \$1,140.00 |
| Ont. Hydro | BOSOMWORTH | J | Helicopter Pilot | \$106,266.00 | \$547.00 |
| Ont. Hydro | BOSS | R | Shift Operating Supervisor (Authorized) | \$135,376.00 | \$547.00 |
| Ont. Hydro | BOSSELLE | K | Senior Information Systems Analyst | \$105,833.00 | \$357.00 |
| Ont. Hydro | BOUMAN | R | Shift Site Supervisor | \$109,523.00 | \$429.00 |
| Ont. Hydro | BOWDEN | PS | Shift Maintenance Supervisor-Multi-Funct | \$103,952.00 | \$472.00 |
| Ont. Hydro | BOWMAN | J | Planning Supervisor | \$117,590.00 | \$469.00 |
| Ont. Hydro | BOYD | GD | Manager, Operations Production | \$102,013.00 | \$9,587.00 |
| Ont. Hydro | BOYD | BI | Director, Gen Resrce Mgmt Div | \$132,987.00 | \$33,274.00 |
| Ont. Hydro | BOYDELL | D | Section Manager, Oper. Proc. | \$134,628.00 | \$513.00 |
| Ont. Hydro | BOYER | R | Production Superintendent | \$113,267.00 | \$536.00 |
| Ont. Hydro | BOYES | C | Regional Maintainer - Lines Uts Level 3 | \$113,207.00 | \$377.00 |
| Ont. Hydro | BRADLEY | DL | Manager, Maintenance Support | \$105,321.00 | \$12,517.00 |
| Ont. Hydro | BRAND | MG | Shift Supervisor | \$113,109.00 | \$505.00 |
| Ont. Hydro | BRANNIGAN | T | Maintenance Assessor (Nuclear) | \$100,293.00 | \$380.00 |
| Ont. Hydro | BRASH | B | Senior Inspection and Maintenance Tech | \$105,996.00 | \$414.00 |
| Ont. Hydro | BRAUL | H | Shift Supervisor | \$106,810.00 | \$565.00 |
| Ont. Hydro | BRAUN | K | Senior Engineer/Scientist/Tech Officer | \$114,460.00 | \$480.00 |
| Ont. Hydro | BRAY | DA | Shift Mechanical Maintainer I | \$102,914.00 | \$1,023.00 |
| Ont. Hydro | BRECKON | M | Authorized Nuclear Operator | \$104,655.00 | \$436.00 |
| Ont. Hydro | BRENNAN | J | Authorized Nuclear Operator | \$107,554.00 | \$436.00 |
| Ont. Hydro | BREWER | S | Regional Maintainers I - Lines | \$107,288.00 | \$348.00 |
| Ont. Hydro | BRICK | DJ | Authorized Nuclear Operator | \$110,846.00 | \$983.00 |
| Ont. Hydro | BRIDGMAN | S | Regional Maintainer I - Cable Splicer | \$105,349.00 | \$348.00 |
| Ont. Hydro | BRINING | J | Maintenance Superintendent | \$120,512.00 | \$537.00 |
| Ont. Hydro | BRISIMITZIS | J | Vault Supervisor | \$114,861.00 | \$463.00 |
| Ont. Hydro | BROMLEY | CJ | Technical Superintendent | \$103,016.00 | \$565.00 |
| Ont. Hydro | BROOKSBANK | L | Dir, Cust Srvc Connectn Polics | \$113,767.00 | \$63,110.00 |
| Ont. Hydro | BROUWER | B | Senior Inspection and Maintenance Tech | \$118,717.00 | \$414.00 |
| Ont. Hydro | BROWN | GL | Manager, Small Hydro | \$106,863.00 | \$19,092.00 |
| Ont. Hydro | BROWN | J | VP Tech. Srvc & New Product Dev. | \$168,034.00 | \$34,802.00 |
| Ont. Hydro | BROWN | W | Authorized Nuclear Operator | \$120,747.00 | \$436.00 |
| Ont. Hydro | BROWN | SB | Design Draftsperson - Mechanical | \$114,034.00 | \$370.00 |
| Ont. Hydro | BROWN | HB | Shift Operating Supervisor (Authorized) | \$110,183.00 | \$871.00 |
| Ont. Hydro | BROWN | K | Senior Engineer/Scientist/Tech Officer | \$122,049.00 | \$556.00 |
| Ont. Hydro | BRUCE | D | Technical Superintendent | \$102,915.00 | \$565.00 |
| Ont. Hydro | BRYAN | KJ | Design Draftsperson - Mechanical | \$104,729.00 | \$371.00 |
| Ont. Hydro | BRYNIAK | BM | Vice-President, Generation Services | \$163,365.00 | \$23,411.00 |
| Ont. Hydro | BUCHANAN | B | Single Unit Shift Supervisor | \$119,877.00 | \$583.00 |
| Ont. Hydro | BUDGE | M | Senior Technical Engineer/Officer | \$108,281.00 | \$499.00 |
| Ont. Hydro | BUDGELL | J | Authorized Nuclear Operator | \$107,717.00 | \$436.00 |
| Ont. Hydro | BULFON | A | Design Draftsperson - Basic Layout | \$102,173.00 | \$414.00 |
| Ont. Hydro | BULL | WG | Shift Superintendent | \$110,907.00 | \$589.00 |
| Ont. Hydro | BURKE | L | Materials Systems Supervisor | \$100,052.00 | \$474.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|------------|------------|--|--------------|------------------|
| Ont. Hydro | BURKE | MG | Director, Operations & Maintenance | \$110,749.00 | \$13,907.00 |
| Ont. Hydro | BURKE | PJ | Mgr, Load Forecasting & Analysis | \$100,603.00 | \$16,396.00 |
| Ont. Hydro | BURMAN | BR | Dir, Distrib Systm & Sustainment | \$108,100.00 | \$3,870.00 |
| Ont. Hydro | BURNS | DH | Maintenance Coordinator | \$122,999.00 | \$576.00 |
| Ont. Hydro | BURPEE | B | General Manager, Fossil | \$212,500.00 | \$65,043.00 |
| Ont. Hydro | BURROUGHS | PR | Director, Nuclear Waste Facilities | \$119,038.00 | \$42,608.00 |
| Ont. Hydro | BURROWS | D | Shift Maintenance Supervisor | \$100,690.00 | \$528.00 |
| Ont. Hydro | BURSTON | GV | Senior Organization Consultant | \$107,085.00 | \$605.00 |
| Ont. Hydro | BUTORAJAC | M | Mechanical Maintainer Union Trades Supv | \$103,863.00 | \$419.00 |
| Ont. Hydro | BYRNES | G | Shift Superintendent | \$116,009.00 | \$610.00 |
| Ont. Hydro | CAIRD | B | SAP - Module Expert | \$107,096.00 | \$500.00 |
| Ont. Hydro | CAMERON | S | Shift Maintenance Supervisor | \$101,581.00 | \$515.00 |
| Ont. Hydro | CAMPAGNOLO | A | Shift Superintendent | \$123,894.00 | \$598.00 |
| Ont. Hydro | CAMPBELL | A | Shift Maintenance Supervisor-Multi-Funct | \$106,504.00 | \$494.00 |
| Ont. Hydro | CAMPBELL | DM | Mechanical Maintainer Journeyperson | \$105,114.00 | \$748.00 |
| Ont. Hydro | CAMPBELL | WM | Authorized Nuclear Operator | \$103,717.00 | \$436.00 |
| Ont. Hydro | CANNING | R | Mechanical Maintainer Journeyperson | \$108,023.00 | \$859.00 |
| Ont. Hydro | CARBAJALES | H | Senior Engineer/Scientist/Tech Officer | \$115,572.00 | \$472.00 |
| Ont. Hydro | CAREY | D | Shift Operating Supervisor (Authorized) | \$112,414.00 | \$539.00 |
| Ont. Hydro | CAREY | D | SM, Conventional H & S | \$100,064.00 | \$1,103.00 |
| Ont. Hydro | CARLETON | GA | Director, Financial & Business | \$103,483.00 | \$22,521.00 |
| Ont. Hydro | CARLSON | S | Senior Thermal Station Engineer | \$100,478.00 | \$472.00 |
| Ont. Hydro | CARNOCHAN | B | Regional Maintainer - Lines Uts Level 3 | \$101,459.00 | \$377.00 |
| Ont. Hydro | CARR | RE | Regional Line Supervisor | \$101,086.00 | \$446.00 |
| Ont. Hydro | CARRIERE | M | Supervising Nuclear Operator | \$100,564.00 | \$398.00 |
| Ont. Hydro | CARTER | P | Exchange Engineer/Officer | \$101,158.00 | \$571.00 |
| Ont. Hydro | CARTER | L | Shift Supervisor | \$119,275.00 | \$446.00 |
| Ont. Hydro | CASCIANO | JG | Mechanical Maintainer Union Trades Supv | \$105,879.00 | \$1,546.00 |
| Ont. Hydro | CASSELMAN | D | F.L.M. Production - Large Facilities | \$122,537.00 | \$541.00 |
| Ont. Hydro | CASTONGUAY | G | Regional Maintainer - Mechanical | \$113,348.00 | \$676.00 |
| Ont. Hydro | CEMBROWSKI | R | Shift Supervisor | \$112,364.00 | \$432.00 |
| Ont. Hydro | CHABOT | J | Regional Line Supervisor | \$110,450.00 | \$439.00 |
| Ont. Hydro | CHACINSKI | VW | Senior Technical Engineer/Officer | \$103,126.00 | \$499.00 |
| Ont. Hydro | CHAMBERS | G | Technical Superintendent | \$144,581.00 | \$537.00 |
| Ont. Hydro | CHAMPAGNE | D | Shift Maintenance Supervisor-Multi-Funct | \$108,498.00 | \$6,697.00 |
| Ont. Hydro | CHAN | N | Senior Technical Analyst | \$100,359.00 | \$395.00 |
| Ont. Hydro | CHAN | B | Senior Business Services Analyst | \$100,168.00 | \$494.00 |
| Ont. Hydro | CHAN | WK | Principal Research Engineer/Scientist | \$107,595.00 | \$543.00 |
| Ont. Hydro | CHANT | N | Regional Maintainers I - Lines | \$105,416.00 | \$348.00 |
| Ont. Hydro | CHARLEBOIS | M | SM, Construction Support | \$112,768.00 | \$380.00 |
| Ont. Hydro | CHARLEBOIS | P | Director, Station Engineering | \$118,374.00 | \$13,795.00 |
| Ont. Hydro | CHARLEBOIS | Y | Regional Maintainers I - Lines | \$103,394.00 | \$348.00 |
| Ont. Hydro | CHATTERTON | R | Production Superintendent | \$105,527.00 | \$616.00 |
| Ont. Hydro | CHAYKA | D | Engineer/Technical Off-Commercial & Res. | \$106,289.00 | \$1,606.00 |
| Ont. Hydro | CHESSELL | D | Regional Line Supervisor | \$101,335.00 | \$431.00 |
| Ont. Hydro | CHEUNG | M | Field Engineer | \$118,912.00 | \$408.00 |
| Ont. Hydro | CHEVERS | JN | Shift Operating Supervisor (Authorized) | \$130,092.00 | \$536.00 |
| Ont. Hydro | CHEVRIER | B | Ironworker Construction | \$128,888.00 | \$0.00 |
| Ont. Hydro | CHIAROTTO | F | Plant Manager, Lambton GS | \$112,342.00 | \$43,076.00 |
| Ont. Hydro | CHISHOLM | B | Senior Research Engineer/Scientist | \$107,281.00 | \$497.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|-------------|------------|--|--------------|------------------|
| Ont. Hydro | CHO | CH | Manager - Elec. & P&C Field Services | \$109,524.00 | \$5,062.00 |
| Ont. Hydro | CHOATE | A | Planning Supervisor | \$128,315.00 | \$361.00 |
| Ont. Hydro | CHOPCIAN | M | Senior Thermal Station Engineer | \$109,608.00 | \$464.00 |
| Ont. Hydro | CHOPEE | E | Regional Maintainer - Lines Uts Level 3 | \$137,746.00 | \$596.00 |
| Ont. Hydro | CHOPRA | DN | Vice-President, Finance | \$161,090.00 | \$101,939.00 |
| Ont. Hydro | CHORLTON | CR | Director, Executive Services | \$119,138.00 | \$21,993.00 |
| Ont. Hydro | CHOU | QB | Dir, Station Eng Projs & Prgms | \$133,843.00 | \$15,038.00 |
| Ont. Hydro | CHOW | RF | Director, System Development | \$105,583.00 | \$43,330.00 |
| Ont. Hydro | CHREPTYK | MC | Manager, Operations Support | \$113,662.00 | \$16,910.00 |
| Ont. Hydro | CHRISTENSEN | T | Materials Systems Supervisor | \$103,016.00 | \$568.00 |
| Ont. Hydro | CHRISTIE | W | Supervising Nuclear Operator | \$101,025.00 | \$398.00 |
| Ont. Hydro | CHU | FY | Director, Strategic R&D Prgms | \$108,032.00 | \$16,573.00 |
| Ont. Hydro | CHUN | RM | Manager, Nuclear Safety Project | \$100,381.00 | \$6,714.00 |
| Ont. Hydro | CLAIRMONT | D | Inspector Journeyman | \$102,674.00 | \$435.00 |
| Ont. Hydro | CLARENCE | RG | Mechanical Maintainer Union Trades Supv | \$101,163.00 | \$419.00 |
| Ont. Hydro | CLARK | VW | Director, Customer Care System | \$118,393.00 | \$5,644.00 |
| Ont. Hydro | CLARKE | RJ | Manager, Human Resources | \$100,727.00 | \$38,709.00 |
| Ont. Hydro | CLARKE | B | Quality Engineer/Officer | \$111,119.00 | \$467.00 |
| Ont. Hydro | CLARKE | RT | Supervising Nuclear Operator | \$101,012.00 | \$849.00 |
| Ont. Hydro | CLARKE | TR | Manager, Layup/Recovery | \$103,019.00 | \$26,506.00 |
| Ont. Hydro | CLELLAND | D | Area Distribution Engineering Technician | \$108,485.00 | \$349.00 |
| Ont. Hydro | CLIFT | SS | Authorized Nuclear Operator | \$119,468.00 | \$436.00 |
| Ont. Hydro | CLITHEROE | E | Exec VP & Managing Director | \$412,980.00 | \$110,396.00 |
| Ont. Hydro | CLUBBE | K | Authorized Nuclear Operator | \$107,935.00 | \$436.00 |
| Ont. Hydro | CLYDE | T | Site Project Engineer/Officer | \$109,159.00 | \$503.00 |
| Ont. Hydro | COFFIN | J | Technical Superintendent | \$138,622.00 | \$549.00 |
| Ont. Hydro | COGGIN | BE | Senior Human Resources Manager | \$110,386.00 | \$44,051.00 |
| Ont. Hydro | COGHLAN | BF | Manager, Southwestern Territory | \$102,815.00 | \$27,263.00 |
| Ont. Hydro | COLE | BW | Dir, Info Technology Services | \$125,099.00 | \$33,528.00 |
| Ont. Hydro | COLEBY | JM | Director, Site Support | \$125,429.00 | \$46,554.00 |
| Ont. Hydro | COLEMAN | K | Shift Maintenance Supervisor-Multi-Funct | \$104,277.00 | \$512.00 |
| Ont. Hydro | COLGROVE | G | Audit Associate | \$112,960.00 | \$5,479.00 |
| Ont. Hydro | COLLIER | M | Administration Superintendent | \$100,273.00 | \$3,663.00 |
| Ont. Hydro | COLLINS | D | Authorized Nuclear Operator | \$110,054.00 | \$436.00 |
| Ont. Hydro | COLLINS | WM | Nuclear Operator | \$105,100.00 | \$349.00 |
| Ont. Hydro | COLLINS | G | Trades Supervisor Maintenance | \$103,517.00 | \$439.00 |
| Ont. Hydro | COMEAU | D | Regional Maintainer - Electrical Uts | \$115,614.00 | \$749.00 |
| Ont. Hydro | COMISSIONG | D | Vice-President, Marketing & Sales | \$159,392.00 | \$38,836.00 |
| Ont. Hydro | CONCEPCION | D | Senior Information Systems Analyst | \$104,094.00 | \$499.00 |
| Ont. Hydro | CONWAY | BJ | Manager, Power Purchasing | \$102,596.00 | \$49,736.00 |
| Ont. Hydro | COOK | JE | Manager, Pension Fund Operations | \$208,985.00 | \$4,578.00 |
| Ont. Hydro | COOLMAN | S | Shift Maintenance Supervisor-Mechanical | \$116,785.00 | \$493.00 |
| Ont. Hydro | COOPER | S | Exchange Engineer/Officer | \$100,415.00 | \$561.00 |
| Ont. Hydro | COOPER | T | Authorized Nuclear Operator | \$119,447.00 | \$785.00 |
| Ont. Hydro | COOPER | K | Senior Shift Control Technician | \$100,112.00 | \$418.00 |
| Ont. Hydro | COOPER | R | Authorized Nuclear Operator | \$101,617.00 | \$436.00 |
| Ont. Hydro | COOPER | D | Authorized Nuclear Operator | \$109,106.00 | \$436.00 |
| Ont. Hydro | CORMIER | A | Mechanical Maintainer Journeyperson | \$100,625.00 | \$358.00 |
| Ont. Hydro | CORNBLUM | E | Senior Design Specialist | \$101,915.00 | \$535.00 |
| Ont. Hydro | CORNTHWAITE | D | President & CEO, OHT | \$200,000.00 | \$1,084.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|------------|------------|---|----------------|------------------|
| Ont. Hydro | CORREIA | R | Project Leader-Ohn Im Systems Strategy | \$116,242.00 | \$548.00 |
| Ont. Hydro | COSTA | MD | Senior Mgr, Special Projects | \$114,565.00 | \$38,968.00 |
| Ont. Hydro | COTNAM | G | Regional Line Supervisor | \$102,168.00 | \$439.00 |
| Ont. Hydro | COUGHLIN | L | Project Manager | \$100,093.00 | \$605.00 |
| Ont. Hydro | COULIS | J | Customer Operations Manager | \$103,144.00 | \$2,168.00 |
| Ont. Hydro | COULSON | J | Customer Care Team - Lead | \$110,620.00 | \$4,110.00 |
| Ont. Hydro | COULTER | B | Regional Maintainers I - Lines | \$116,264.00 | \$348.00 |
| Ont. Hydro | COULTHART | RD | Technical Superintendent | \$106,684.00 | \$554.00 |
| Ont. Hydro | COWBOURNE | DR | Chief Operations Officer | \$134,820.00 | \$37,348.00 |
| Ont. Hydro | COX | F | Authorized Nuclear Operator | \$108,481.00 | \$3,495.00 |
| Ont. Hydro | COYNE | T | Production Supervisor - Shift | \$103,165.00 | \$492.00 |
| Ont. Hydro | CRAIG | M | Senior Information Systems Analyst | \$121,868.00 | \$492.00 |
| Ont. Hydro | CRAIG | D | Technical Superintendent | \$116,319.00 | \$549.00 |
| Ont. Hydro | CRAIG | J | Supervising Nuclear Operator | \$122,577.00 | \$1,157.00 |
| Ont. Hydro | CRANE | M | Senior Thermal Station Engineer | \$103,939.00 | \$429.00 |
| Ont. Hydro | CRATE | SP | Regional Maintainer - Mechanical | \$100,263.00 | \$818.00 |
| Ont. Hydro | CRATT | L | Rigger Union Trades Supvr | \$113,304.00 | \$711.00 |
| Ont. Hydro | CRAWFORD | J | Safety Officer | \$111,368.00 | \$444.00 |
| Ont. Hydro | CRIST | JIME | VP, Nuclear Human Resources | \$141,309.00 | \$60,753.00 |
| Ont. Hydro | CROSBIE | C | Regional Maintainers I - Lines | \$113,395.00 | \$348.00 |
| Ont. Hydro | CROSS | A | Senior Shift Control Technician | \$100,051.00 | \$644.00 |
| Ont. Hydro | CROWN | RH | General Counsel, OHII | \$116,134.00 | \$57,453.00 |
| Ont. Hydro | CUMMING | D | Technical Engineer/Officer | \$103,947.00 | \$445.00 |
| Ont. Hydro | CUNLIFFE | LC | Authorized Nuclear Operator | \$100,972.00 | \$436.00 |
| Ont. Hydro | CURLE | B | Manager, Work Control | \$101,535.00 | \$14,548.00 |
| Ont. Hydro | CURLEY | DJ | Manager, Layup/Recovery | \$105,319.00 | \$10,300.00 |
| Ont. Hydro | CURTIS | N | Authorized Nuclear Operator | \$110,574.00 | \$1,190.00 |
| Ont. Hydro | DALE | PE | Senior Research Engineer/Scientist | \$105,465.00 | \$472.00 |
| Ont. Hydro | DALY | I | Technical Superintendent | \$100,301.00 | \$596.00 |
| Ont. Hydro | DANFORD | LE | Mechanical Maintainer Journeyperson | \$101,225.00 | \$358.00 |
| Ont. Hydro | D'ANGELO | J | Senior Research Engineer/Scientist | \$110,084.00 | \$444.00 |
| Ont. Hydro | DANYCHUK | PH | Section Manager, Mntce Program | \$104,820.00 | \$554.00 |
| Ont. Hydro | DARBISHIRE | D | Unit Operator | \$104,505.00 | \$349.00 |
| Ont. Hydro | D'ARCEY | MM | Gnrl Mgr, Engineering Services | \$142,257.00 | \$20,436.00 |
| Ont. Hydro | DARCY | B | Senior Technical Supervisor | \$107,566.00 | \$516.00 |
| Ont. Hydro | DAUTOVICH | DP | Program Manager, ITER | \$108,815.00 | \$10,666.00 |
| Ont. Hydro | DAVIDSON | DD | Manager, Common Services | \$120,796.00 | \$92,229.00 |
| Ont. Hydro | DAVIES | C | Mechanical Maintainer Journeyperson | \$106,709.00 | \$953.00 |
| Ont. Hydro | DAVIES | JA | Technical Superintendent | \$112,263.00 | \$534.00 |
| Ont. Hydro | DAVIES | TC | Director, Asset Sustainment | \$124,819.00 | \$28,839.00 |
| Ont. Hydro | DAVISON | WE | Proj Dir, Process Enhancement | \$127,491.00 | \$7,460.00 |
| Ont. Hydro | DAWSON | CW | Mgr, Civil & Geotechnologies | \$103,975.00 | \$31,132.00 |
| Ont. Hydro | DAY | M | Technical Supervisor | \$111,616.00 | \$519.00 |
| Ont. Hydro | DAY | VC | Production Superintendent | \$133,580.00 | \$579.00 |
| Ont. Hydro | DE GUZMAN | V | Maintenance Assessor (Nuclear) | \$106,262.00 | \$839.00 |
| Ont. Hydro | DE LORENZI | S | Shift Operating Supervisor (Authorized) | \$110,694.00 | \$539.00 |
| Ont. Hydro | DEANS | JJ | Principal Research Engineer/Scientist | \$116,061.00 | \$514.00 |
| Ont. Hydro | DEBS | B | Vice President | \$1,344,860.00 | \$9,720.00 |
| Ont. Hydro | DECHENE | D | Mechanical Maintainer Journeyperson | \$114,272.00 | \$522.00 |
| Ont. Hydro | DEFORGE | P | Site Project Manager | \$108,502.00 | \$592.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|---------------|------------|--|--------------|------------------|
| Ont. Hydro | DEMERS | J | Regional Line Supervisor | \$109,206.00 | \$756.00 |
| Ont. Hydro | DEMMER | W | Shift Mtce Suprv (Control or Mechanical) | \$122,203.00 | \$771.00 |
| Ont. Hydro | DEMONTMORENCY | MG | Lead Technologist | \$109,501.00 | \$414.00 |
| Ont. Hydro | DENIS | J | Senior Engineer/Scientist/Tech Officer | \$106,722.00 | \$464.00 |
| Ont. Hydro | DENNIS | P | Regional Maintainers I - Lines | \$103,290.00 | \$348.00 |
| Ont. Hydro | DENT | DJ | Team Leader, Management Policy | \$101,443.00 | \$28,942.00 |
| Ont. Hydro | DENT | WD | Supervising Nuclear Operator | \$105,723.00 | \$419.00 |
| Ont. Hydro | DERBY | C | Customer Operations Manager | \$102,010.00 | \$1,066.00 |
| Ont. Hydro | DERMARKAR | F | Project Manager, CMR | \$101,427.00 | \$5,241.00 |
| Ont. Hydro | DEROOS | BJ | Mechanical Maintainer Journeyperson | \$102,396.00 | \$449.00 |
| Ont. Hydro | DESILETS | DJ | Regional Line Supervisor | \$103,127.00 | \$439.00 |
| Ont. Hydro | DESORMEAUX | J | Industrial Hygiene Technologist | \$101,083.00 | \$390.00 |
| Ont. Hydro | DEUGO | D | Regional Maintainer I - Cable Splicer | \$103,317.00 | \$348.00 |
| Ont. Hydro | DEUTSCHMANN | A | Project Manager | \$117,803.00 | \$527.00 |
| Ont. Hydro | DEVLIN | D | Trades Supervisor Maintenance | \$103,759.00 | \$425.00 |
| Ont. Hydro | DEWAR | B | Shift Operating Supervisor (Authorized) | \$105,019.00 | \$537.00 |
| Ont. Hydro | DHIRANI | H | Design Engineer - Specialist - Power Equ | \$102,110.00 | \$507.00 |
| Ont. Hydro | DI GIAMBATTIS | G | Project Manager, ISO | \$102,258.00 | \$42,450.00 |
| Ont. Hydro | DICERNI | R | Sr VP, Corp & Environmental Affairs | \$251,120.00 | \$66,250.00 |
| Ont. Hydro | DIER | S | Regional Line Supervisor | \$114,810.00 | \$430.00 |
| Ont. Hydro | DILKS | J | Maintenance Assessor (Nuclear) | \$102,634.00 | \$378.00 |
| Ont. Hydro | DINGLE | J | Shift Supervisor in Training | \$104,279.00 | \$469.00 |
| Ont. Hydro | DION | J | Regional Maintainer - Lines Uts Level 3 | \$105,386.00 | \$377.00 |
| Ont. Hydro | DIONNE | D | Trades Management Supervisor-Hydroelect | \$117,877.00 | \$416.00 |
| Ont. Hydro | DIXON | JA | Regional Maintainers I - Lines | \$125,706.00 | \$348.00 |
| Ont. Hydro | DOBSON | PD | Manager, Financial Systems | \$100,829.00 | \$11,308.00 |
| Ont. Hydro | DODD | DJ | Director, Technology Services | \$126,420.00 | \$13,284.00 |
| Ont. Hydro | DOHERTY | J | Shift Maintenance Supervisor-Multi-Funct | \$102,042.00 | \$522.00 |
| Ont. Hydro | DOLAN | P | Regional Maintainers I - Lines | \$118,124.00 | \$348.00 |
| Ont. Hydro | DONADEL | R | Regional Maintainer - Electric | \$104,345.00 | \$690.00 |
| Ont. Hydro | DONNELLY | NA | Mgr, Labour Reltns, IMO/CMO/N- | \$100,813.00 | \$21,526.00 |
| Ont. Hydro | DOODY | R | Trades Supervisor Maintenance | \$101,828.00 | \$458.00 |
| Ont. Hydro | DORAN | TC | Manager, Business Services | \$103,062.00 | \$8,452.00 |
| Ont. Hydro | DORAN | L | General Manager, Hydroelectric | \$204,571.00 | \$45,615.00 |
| Ont. Hydro | DORCAS | DS | Site Physician | \$115,000.00 | \$1,085.00 |
| Ont. Hydro | DORN | CJ | Technical Superintendent | \$107,734.00 | \$548.00 |
| Ont. Hydro | DOUGLAS | JM | Supvg Construction Engr - Nucl & Thermal | \$104,437.00 | \$603.00 |
| Ont. Hydro | DOUGLAS | G | Mechanical Maintainer Journeyperson | \$103,139.00 | \$358.00 |
| Ont. Hydro | DOUGLAS | M | Mechanical Maintainer Journeyperson | \$105,340.00 | \$818.00 |
| Ont. Hydro | DOUGLAS | TJ | Mechanical Maintainer Journeyperson | \$119,020.00 | \$646.00 |
| Ont. Hydro | DOWSON | C | Maintenance Coordinator | \$128,796.00 | \$610.00 |
| Ont. Hydro | DOYLE | JV | Manager, Safety Services | \$106,016.00 | \$35,851.00 |
| Ont. Hydro | DRAESNER | C | Shift Supervisor | \$114,392.00 | \$475.00 |
| Ont. Hydro | DRISCOLL | B | Engineer/Technical Off-Commercial & Res. | \$118,314.00 | \$1,600.00 |
| Ont. Hydro | DUDLEY | D | Authorized Nuclear Operator | \$108,488.00 | \$436.00 |
| Ont. Hydro | DUFFY | A | Travelling Line Trades Supv | \$104,323.00 | \$516.00 |
| Ont. Hydro | DUKES | B | Trades Mgmt. Supervisor - Hydroelect | \$116,314.00 | \$861.00 |
| Ont. Hydro | DUNCAN | BF | Manager, Operations Support | \$103,765.00 | \$11,041.00 |
| Ont. Hydro | DUNCAN | RM | Shift Emergency Response Coordinator | \$101,486.00 | \$392.00 |
| Ont. Hydro | DUNLOP | JA | Senior Advisor/HR Manager | \$102,309.00 | \$5,914.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|-------------|------------|--|--------------|------------------|
| Ont. Hydro | DUTTON | JJ | Authorized Nuclear Operator | \$109,714.00 | \$436.00 |
| Ont. Hydro | DYCK | B | Production Supervisor - Technical/Chemic | \$104,265.00 | \$574.00 |
| Ont. Hydro | DYKE | T | Supervising Design Engineer | \$107,040.00 | \$555.00 |
| Ont. Hydro | EADY | K | Authorized Nuclear Operator | \$106,239.00 | \$1,766.00 |
| Ont. Hydro | EAMER | DL | Manager, Electrical Inspection | \$114,916.00 | \$65,273.00 |
| Ont. Hydro | EARL | TJ | Shift Operating Supervisor | \$101,043.00 | \$447.00 |
| Ont. Hydro | EASTMAN | LJ | Vice-President, Organization Development | \$143,917.00 | \$2,316.00 |
| Ont. Hydro | EATON | JE | Manager, Water Resources | \$103,467.00 | \$1,811.00 |
| Ont. Hydro | EBBEN | PM | Mechanical Maintainer Journeyperson | \$107,999.00 | \$789.00 |
| Ont. Hydro | EBY | RC | Manager, Business Support | \$107,915.00 | \$10,492.00 |
| Ont. Hydro | EDISON | G | Mechanical Maintainer Journeyperson | \$101,749.00 | \$358.00 |
| Ont. Hydro | EDWARDS | FG | Manager, Real Estate Services | \$100,539.00 | \$19,951.00 |
| Ont. Hydro | EGAN | F | Shift Unit Supervisor | \$100,160.00 | \$419.00 |
| Ont. Hydro | ELLIOTT | MM | Director, Operations & Maintenance | \$119,582.00 | \$9,338.00 |
| Ont. Hydro | ELLIS | JD | Authorized Nuclear Operator | \$137,658.00 | \$758.00 |
| Ont. Hydro | ELLIS | KR | Manager, Operations Production | \$102,900.00 | \$11,786.00 |
| Ont. Hydro | ELLIS | PJ | Section Mgr, Fuel Channel | \$114,450.00 | \$597.00 |
| Ont. Hydro | ELSAYED | EE | Vice President, Hydroelectric | \$119,069.00 | \$33,788.00 |
| Ont. Hydro | ELSTON | DH | Authorized Nuclear Operator | \$102,136.00 | \$1,339.00 |
| Ont. Hydro | ENG | M | Senior Pay Systems Analyst | \$149,654.00 | \$516.00 |
| Ont. Hydro | ENGELBERG | MP | Manager, Legal Services Retail Company | \$118,729.00 | \$26,747.00 |
| Ont. Hydro | ENS | JA | Manager, Business Services | \$100,359.00 | \$4,419.00 |
| Ont. Hydro | ERIKSEN | D | Construction Technician - Civil | \$103,141.00 | \$349.00 |
| Ont. Hydro | ESPIE | WA | Shift Trades Mgmt Supvr - Mech | \$105,560.00 | \$441.00 |
| Ont. Hydro | ETHELSTON | JD | Shift Maintenance Supervisor-Multi-Funct | \$109,788.00 | \$478.00 |
| Ont. Hydro | ETHERINGTON | L | Inspection and Maintenance Technician II | \$104,885.00 | \$370.00 |
| Ont. Hydro | EVANS | D | Millwright Foreman - Construction | \$102,243.00 | \$0.00 |
| Ont. Hydro | EVANS | GR | Senior Engineer/Scientist/Tech Officer | \$101,625.00 | \$538.00 |
| Ont. Hydro | EVANS | HA | Authorized Nuclear Operator | \$122,613.00 | \$436.00 |
| Ont. Hydro | EVANS | R | Human Resources Information Sys | \$114,246.00 | \$505.00 |
| Ont. Hydro | EVELEIGH | DJ | Mechanical Maintainer Union Trades Supv | \$114,418.00 | \$419.00 |
| Ont. Hydro | EVERDELL | RA | Senior Project Manager | \$101,521.00 | \$9,685.00 |
| Ont. Hydro | FABBRI | SG | Design Engineer - Specialist | \$102,297.00 | \$419.00 |
| Ont. Hydro | FAIRCHILD | J | Exchng Coord - Schedule/Resource/System | \$107,951.00 | \$531.00 |
| Ont. Hydro | FARLINGER | W | Chairman | \$291,667.00 | \$11,062.00 |
| Ont. Hydro | FARRELL | AV | Manager, Operations Support | \$103,448.00 | \$40,968.00 |
| Ont. Hydro | FARRELL | E | Mgr, Distribution Perf Mgmt | \$106,542.00 | \$7,537.00 |
| Ont. Hydro | FASKEN | D | Production Supervisor - Technical | \$121,667.00 | \$500.00 |
| Ont. Hydro | FAUVELLE | RW | Manager, Northern Territory | \$121,863.00 | \$76,894.00 |
| Ont. Hydro | FEHERVARI | J | Senior Engineer/Scientist/Tech Officer | \$117,658.00 | \$478.00 |
| Ont. Hydro | FENTON | TONYL | Manager, I/T Operations | \$107,422.00 | \$31,627.00 |
| Ont. Hydro | FERGUSON | B | Technical Supervisor | \$110,846.00 | \$598.00 |
| Ont. Hydro | FERGUSON | R | Vice President | \$453,384.00 | \$25,120.00 |
| Ont. Hydro | FETTERLY | GL | Mechanical Maintainer Union Trades Supv | \$126,659.00 | \$419.00 |
| Ont. Hydro | FIELDER | CL | Regional Maintainer - Mechanical Uts | \$115,850.00 | \$786.00 |
| Ont. Hydro | FINDLAY | JA | Customer Relations, Manager | \$116,567.00 | \$36,821.00 |
| Ont. Hydro | FINES | G | Regional Line Supervisor | \$111,696.00 | \$431.00 |
| Ont. Hydro | FINKBEINER | S | Customer Care Team Manager | \$106,080.00 | \$1,064.00 |
| Ont. Hydro | FINLEY | G | Authorized Nuclear Operator | \$120,667.00 | \$926.00 |
| Ont. Hydro | FINN | ER | Asst General Counsel, Legal Proceedings | \$126,846.00 | \$13,189.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|------------|------------|--|--------------|------------------|
| Ont. Hydro | FIRTH | G | Senior Planning Technician | \$111,784.00 | \$379.00 |
| Ont. Hydro | FISCH | HL | Exec Dir, Mrkt & New Bus Devlp | \$126,343.00 | \$38,250.00 |
| Ont. Hydro | FISCHER | P | Mechanical Maintainer Union Trades Supv | \$106,817.00 | \$419.00 |
| Ont. Hydro | FISHER | L | Supervising Nuclear Operator | \$100,455.00 | \$747.00 |
| Ont. Hydro | FITZGERALD | K | Mechanical Maintainer Journey person | \$100,006.00 | \$358.00 |
| Ont. Hydro | FITZSIMONS | D | Engineer/Technical Off-Commercial & Res. | \$121,837.00 | \$553.00 |
| Ont. Hydro | FIZELL | J | Authorized Nuclear Operator | \$108,716.00 | \$368.00 |
| Ont. Hydro | FLAHERTY | D | Regional Maintainers I - Lines | \$108,412.00 | \$643.00 |
| Ont. Hydro | FLAMAN | MT | Principal Research Engineer/Scientist | \$105,650.00 | \$549.00 |
| Ont. Hydro | FLETCHER | G | Regional Line Supervisor | \$103,872.00 | \$431.00 |
| Ont. Hydro | FLETCHER | G | Regional Line Supervisor | \$106,272.00 | \$439.00 |
| Ont. Hydro | FLORIO | M | Shift Unit Supervisor | \$109,116.00 | \$410.00 |
| Ont. Hydro | FONG | JY | Sr. Advisor, Investment Planning | \$101,706.00 | \$15,286.00 |
| Ont. Hydro | FORD | J | Supervising Equipment Engineer | \$101,824.00 | \$680.00 |
| Ont. Hydro | FORD | GL | Mgr, Power System Technologies | \$103,975.00 | \$7,553.00 |
| Ont. Hydro | FORMUSA | LI | Sr Solicitor | \$116,591.00 | \$15,313.00 |
| Ont. Hydro | FORREST | RJ | Plant Manager, Lennox GS | \$124,560.00 | \$31,545.00 |
| Ont. Hydro | FORTIER | P | Shift Maintenance Supervisor | \$106,743.00 | \$512.00 |
| Ont. Hydro | FOUNTAIN | GR | Mgr, Plant Design Engineering | \$101,132.00 | \$2,478.00 |
| Ont. Hydro | FOWLES | GA | Manager, Performance Assurance | \$100,359.00 | \$16,551.00 |
| Ont. Hydro | FOX | J | Exec VP & Managing Director, GENCO | \$411,220.00 | \$67,964.00 |
| Ont. Hydro | FRANK | SE | Dir, Wires Fnncl Integration | \$115,436.00 | \$18,535.00 |
| Ont. Hydro | FRANSKY | AF | Customer Operations Manager | \$104,245.00 | \$485.00 |
| Ont. Hydro | FRASER | C | Mechanical Maintainer Union Trades Supv | \$102,165.00 | \$419.00 |
| Ont. Hydro | FRASER | ND | VP, Performance Management | \$141,279.00 | \$23,392.00 |
| Ont. Hydro | FREISINGER | T | Senior Inspection and Maintenance Tech | \$103,825.00 | \$414.00 |
| Ont. Hydro | FREITAG | S | Assistant General Counsel | \$192,953.00 | \$10,316.00 |
| Ont. Hydro | FRIDAY | BD | Senior Advisor, Corporate Affairs | \$100,529.00 | \$2,072.00 |
| Ont. Hydro | FRIEDRICH | H | Shift Mechanical Maintainer I | \$100,531.00 | \$555.00 |
| Ont. Hydro | FRISINA | S | Senior Planning Technician | \$130,254.00 | \$414.00 |
| Ont. Hydro | FROATS | JP | Director, Station Engineering | \$114,897.00 | \$38,654.00 |
| Ont. Hydro | FROEBEL | P | Senior Technical Analyst | \$104,306.00 | \$478.00 |
| Ont. Hydro | FRYDAY | D | Operator Coordinator | \$102,474.00 | \$570.00 |
| Ont. Hydro | FULHAM | J | Section Manager, HW Shutdown | \$102,619.00 | \$573.00 |
| Ont. Hydro | FUNG | F | Senior Information Systems Analyst | \$105,696.00 | \$443.00 |
| Ont. Hydro | GAKHAL | B | Section Head - Information Management | \$102,324.00 | \$501.00 |
| Ont. Hydro | GALEA | D | Regional Maintainer - Electric | \$108,296.00 | \$684.00 |
| Ont. Hydro | GAMBLE | B | Shift Emergency Response Manag | \$107,287.00 | \$395.00 |
| Ont. Hydro | GARLOUGH | RP | Unauthorized First Operator | \$103,683.00 | \$3,882.00 |
| Ont. Hydro | GARRETT | DJ | Shift Operating Supervisor (Authorized) | \$108,902.00 | \$555.00 |
| Ont. Hydro | GARRETT | E | Inspection and Maintenance Technician II | \$102,480.00 | \$370.00 |
| Ont. Hydro | GARRIOCK | J | Trades Supervisor Maintenance | \$101,899.00 | \$467.00 |
| Ont. Hydro | GARROD | L | Shift Operating Supervisor | \$103,382.00 | \$529.00 |
| Ont. Hydro | GASCHO | RA | Senior Solicitor, Pension & Finance | \$108,678.00 | \$4,346.00 |
| Ont. Hydro | GATEMAN | P | Authorized Nuclear Operator | \$113,372.00 | \$431.00 |
| Ont. Hydro | GEFFS | B | Shift Production Technician - Planning | \$104,609.00 | \$392.00 |
| Ont. Hydro | GEORGE | D | Senior Planning Technician | \$142,912.00 | \$414.00 |
| Ont. Hydro | GERMANN | P | Regional Line Supervisor | \$104,210.00 | \$489.00 |
| Ont. Hydro | GERVAIS | GP | Mechanical Maintainer Union Trades Supv | \$113,293.00 | \$1,954.00 |
| Ont. Hydro | GEURTS | R | Shift Site Supervisor | \$102,785.00 | \$418.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|-------------|------------|--|--------------|------------------|
| Ont. Hydro | GUINDON | M | Safety Technician | \$109,906.00 | \$369.00 |
| Ont. Hydro | GUPTA | DR | Design Engineer Specialist - Electrical | \$143,952.00 | \$427.00 |
| Ont. Hydro | GYLES | C | Sr VP, Corporate Human Resources | \$305,600.00 | \$209,786.00 |
| Ont. Hydro | HAASNoot | A | Nuclear Operator | \$101,414.00 | \$1,160.00 |
| Ont. Hydro | HABEC | KM | Shift Operating Supervisor (Authorized) | \$110,214.00 | \$847.00 |
| Ont. Hydro | HAGHVERDIAN | L | Design Engineer - Specialist | \$111,167.00 | \$412.00 |
| Ont. Hydro | HAIRE | K | Authorized Nuclear Operator | \$113,384.00 | \$436.00 |
| Ont. Hydro | HALE | BM | Manager, Industrial Sales | \$107,127.00 | \$23,815.00 |
| Ont. Hydro | HALEY | A | Protection and Control Technologist | \$102,179.00 | \$392.00 |
| Ont. Hydro | HALPERIN | DT | Team Leader, Integration | \$107,215.00 | \$18,686.00 |
| Ont. Hydro | HALTRECHT | EJ | Director, Human Resources | \$110,948.00 | \$12,760.00 |
| Ont. Hydro | HAMANN | RR | Shift Operating Supervisor (Authorized) | \$104,732.00 | \$537.00 |
| Ont. Hydro | HAMILTON | B | Manager, Network Programming | \$102,229.00 | \$12,198.00 |
| Ont. Hydro | HAMILTON | J | Shift Unit Supervisor | \$110,548.00 | \$419.00 |
| Ont. Hydro | HAMMOND | C | Production Supervisor - Shift | \$102,144.00 | \$491.00 |
| Ont. Hydro | HANNAH | D | Trades Supervisor Maintenance | \$100,509.00 | \$790.00 |
| Ont. Hydro | HARDING | R | Senior Shift Control Technician | \$106,435.00 | \$734.00 |
| Ont. Hydro | HARDING | RE | Client Services Manager | \$101,946.00 | \$57,438.00 |
| Ont. Hydro | HARDING | T | Senior Technical Supervisor | \$113,061.00 | \$596.00 |
| Ont. Hydro | HARGREAVES | R | Shift Maintenance Supervisor-Multi-Funct | \$117,402.00 | \$522.00 |
| Ont. Hydro | HARJEE | M | Senior Information Systems Analyst | \$116,853.00 | \$480.00 |
| Ont. Hydro | HARPER | B | Authorized Nuclear Operator | \$107,254.00 | \$4,286.00 |
| Ont. Hydro | HARRIS | L | Regional Line Supervisor | \$113,508.00 | \$438.00 |
| Ont. Hydro | HARRIS | GA | Shift Supervisor | \$133,079.00 | \$583.00 |
| Ont. Hydro | HARRISON | BB | Manager, Programming | \$101,877.00 | \$28,937.00 |
| Ont. Hydro | HARRISON | S | Engineer/Technical Off-Commercial & Res. | \$110,687.00 | \$4,447.00 |
| Ont. Hydro | HARRISON | T | Mechanical Maintainer Union Trades Supv | \$110,798.00 | \$1,178.00 |
| Ont. Hydro | HARTEL | W | Mgr, Radioactive Materials Transport | \$101,820.00 | \$26,713.00 |
| Ont. Hydro | HARTLEY | PN | Authorized Nuclear Operator | \$111,258.00 | \$436.00 |
| Ont. Hydro | HARTNIG | P | Shift Unit Supervisor | \$102,667.00 | \$419.00 |
| Ont. Hydro | HARVEY | B | Operations Supervisor | \$116,370.00 | \$518.00 |
| Ont. Hydro | HASCAL | M | Sectn Mgr, Safety Devc & Equip | \$104,487.00 | \$46,511.00 |
| Ont. Hydro | HASTINGS | B | Sr Planning/Marketing/Reporting | \$115,027.00 | \$516.00 |
| Ont. Hydro | HATHOUT | I | Design Engr Spec-Lne Stuct, Lne Fndatn | \$118,653.00 | \$480.00 |
| Ont. Hydro | HAURANEY | P | Regional Maintainer - Lines Uts Level 3 | \$103,179.00 | \$377.00 |
| Ont. Hydro | HAUSER | G | Mechanical Maintainer Journeyperson | \$102,759.00 | \$302.00 |
| Ont. Hydro | HAWLEY | C | Authorized Nuclear Operator | \$103,481.00 | \$436.00 |
| Ont. Hydro | HAWLEY | T | Regional Maintainer - Lines Uts Level 3 | \$103,746.00 | \$377.00 |
| Ont. Hydro | HAY | D | Mechanical Maintainer Journeyperson | \$102,840.00 | \$358.00 |
| Ont. Hydro | HAY | L | Shift Superintendent | \$114,204.00 | \$609.00 |
| Ont. Hydro | HAYNES | MJ | Manager, Health Physics | \$100,089.00 | \$14,201.00 |
| Ont. Hydro | HEALEY | D | Mechanical Maintainer Journeyperson | \$100,573.00 | \$358.00 |
| Ont. Hydro | HEARTY | K | Mechanical Maintainer Journeyperson | \$101,614.00 | \$925.00 |
| Ont. Hydro | HEATH | DB | Plant Manager, Niagara | \$104,866.00 | \$32,642.00 |
| Ont. Hydro | HEBB | J | Human Resources Consultant | \$121,087.00 | \$1,460.00 |
| Ont. Hydro | HEDLEY | K | Construction Technician - Civil | \$102,925.00 | \$349.00 |
| Ont. Hydro | HEIMLICH | K | Design Engineer - Specialist | \$103,445.00 | \$490.00 |
| Ont. Hydro | HELFERTY | B | Mechanical Maintainer Union Trades Supv | \$100,632.00 | \$419.00 |
| Ont. Hydro | HENDERSON | T | Shift Superintendent | \$121,418.00 | \$598.00 |
| Ont. Hydro | HENDERSON | B | Manager, Forestry Services | \$107,107.00 | \$8,359.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|---------------|------------|---|--------------|------------------|
| Ont. Hydro | GIBSON | PG | Mgr, Site Implmntation Spprt, | \$100,477.00 | \$6,316.00 |
| Ont. Hydro | GIKE | RE | Engineer/Officer-Shift Control | \$106,233.00 | \$547.00 |
| Ont. Hydro | GILBERT | K | Shift Supervisor in Training | \$126,645.00 | \$528.00 |
| Ont. Hydro | GILBERTSON | L | Production Supervisor - Shift | \$102,375.00 | \$826.00 |
| Ont. Hydro | GILL | G | Shift Unit Supervisor | \$102,605.00 | \$419.00 |
| Ont. Hydro | GILLARD | B | Mechanical Maintainer Journeyperson | \$103,219.00 | \$358.00 |
| Ont. Hydro | GILLESPIE | MP | Director, Regulatory & Stakeholders | \$110,437.00 | \$29,146.00 |
| Ont. Hydro | GIRARD | RA | Regional Maintainers I - Lines | \$105,426.00 | \$348.00 |
| Ont. Hydro | GLEN | C | Shift Supervisor | \$109,843.00 | \$576.00 |
| Ont. Hydro | GLICKSMAN | JE | Director, Financial Plng & Rep | \$132,400.00 | \$18,452.00 |
| Ont. Hydro | GLOCKLER | O | Senior Engineer/Scientist/Tech Officer | \$109,292.00 | \$402.00 |
| Ont. Hydro | GLUMAC | PJ | Senior Planning Technician | \$114,105.00 | \$1,350.00 |
| Ont. Hydro | GOBIN | RR | Mechanical Maintainer Union Trades Supv | \$110,905.00 | \$419.00 |
| Ont. Hydro | GODFREY | K | Customer Operations Manager | \$100,055.00 | \$538.00 |
| Ont. Hydro | GOLDIE | TI | Vice-President, Human Resource | \$131,293.00 | \$20,232.00 |
| Ont. Hydro | GOOD | G | Shift Serviceworker (Thermal) | \$103,518.00 | \$433.00 |
| Ont. Hydro | GOODALL | B | Unit Operator | \$102,385.00 | \$349.00 |
| Ont. Hydro | GOODMAN | RM | Mgr, Performance Engineering | \$101,904.00 | \$6,993.00 |
| Ont. Hydro | GORDON | C | S Mgr, Benchmarking & Dec Support | \$100,387.00 | \$578.00 |
| Ont. Hydro | GORDON | J | Regional Line Supervisor | \$100,719.00 | \$431.00 |
| Ont. Hydro | GOULD | DL | Shift Superintendent | \$117,562.00 | \$620.00 |
| Ont. Hydro | GOULDING | D | Senior VP, Central Market Operations | \$223,200.00 | \$50,765.00 |
| Ont. Hydro | GOULOPOULOS | C | Telecommunications Systems Manager | \$111,054.00 | \$565.00 |
| Ont. Hydro | GOUSHLEFF | DC | Principal Research Engineer/Scientist | \$101,059.00 | \$535.00 |
| Ont. Hydro | GOWANS | W | Technical Superintendent | \$103,870.00 | \$536.00 |
| Ont. Hydro | GRABOWSKI | L | Maintenance Superintendent | \$101,099.00 | \$418.00 |
| Ont. Hydro | GRAHAM | M | Director, Policy & Standards | \$105,292.00 | \$16,013.00 |
| Ont. Hydro | GRAMMELHOFFER | PJ | Authorized Nuclear Operator | \$125,287.00 | \$436.00 |
| Ont. Hydro | GRANDE | L | Technical Supervisor | \$108,285.00 | \$531.00 |
| Ont. Hydro | GRANT | J | Regional Maintainers I - Lines | \$118,363.00 | \$744.00 |
| Ont. Hydro | GRANT | GD | Manager, Modifications | \$100,294.00 | \$32,757.00 |
| Ont. Hydro | GRANVILLE | S | Shift Superintendent | \$118,700.00 | \$585.00 |
| Ont. Hydro | GRAPER | BJ | Mechanical Maintainer Union Trades Supv | \$101,879.00 | \$419.00 |
| Ont. Hydro | GRAUL | L | Mechanical Maintainer Union Trades Supv | \$101,716.00 | \$1,130.00 |
| Ont. Hydro | GRAY | RH | Mechanical Maintainer Journeyperson | \$103,531.00 | \$404.00 |
| Ont. Hydro | GRAYBIEL | CA | Shift Supervisor | \$101,920.00 | \$562.00 |
| Ont. Hydro | GREATRIX | P | Regional Maintainers I - Lines | \$104,279.00 | \$348.00 |
| Ont. Hydro | GREBENJAK | FE | Mechanical Maintainer Union Trades Supv | \$110,252.00 | \$485.00 |
| Ont. Hydro | GREEN | J | Authorized Nuclear Operator | \$104,598.00 | \$761.00 |
| Ont. Hydro | GREEN | R | Regional Maintainers I - Lines | \$107,632.00 | \$348.00 |
| Ont. Hydro | GREGOIRE | JW | Authorized Nuclear Operator | \$102,222.00 | \$436.00 |
| Ont. Hydro | GREGOR | M | Shift Unit Supervisor | \$110,349.00 | \$419.00 |
| Ont. Hydro | GREGORY | B | First Line Manager - Human Res | \$101,289.00 | \$525.00 |
| Ont. Hydro | GRICE | DB | Senior Technical Engineer/Officer | \$116,172.00 | \$454.00 |
| Ont. Hydro | GRIFFITHS | RP | Shift Operating Supervisor | \$101,544.00 | \$504.00 |
| Ont. Hydro | GRILLS | MI | Technician | \$104,356.00 | \$371.00 |
| Ont. Hydro | GROVER | D | Sr Advisor, Dist Network Management | \$104,030.00 | \$51,409.00 |
| Ont. Hydro | GROVES | S | Senior Planning Technician | \$100,702.00 | \$392.00 |
| Ont. Hydro | GUENTCHEVA | D | Senior Design Engineer | \$101,274.00 | \$441.00 |
| Ont. Hydro | GUGLIELMI | F | Shift Superintendent | \$124,902.00 | \$542.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|--------------|------------|--|--------------|------------------|
| Ont. Hydro | HENDERSON | J | Shift Unit Supervisor | \$110,815.00 | \$419.00 |
| Ont. Hydro | HENDERSON | C | Shift Emergency Response Manag | \$106,353.00 | \$395.00 |
| Ont. Hydro | HENDRIE | C | Senior Production Supervisor | \$106,328.00 | \$543.00 |
| Ont. Hydro | HENNESSY | T | Shift Superintendent | \$114,923.00 | \$604.00 |
| Ont. Hydro | HERMAN | GR | Senior Protection and Control | \$105,271.00 | \$478.00 |
| Ont. Hydro | HERON | W | Regional Maintainer - Electric | \$104,549.00 | \$1,060.00 |
| Ont. Hydro | HESS | TE | Exchng Coord - Schedule/Resource/System | \$115,344.00 | \$568.00 |
| Ont. Hydro | HEY | IS | Manager, Work Control | \$102,726.00 | \$28,936.00 |
| Ont. Hydro | HICKS | R | Provincial Code Engineer | \$107,846.00 | \$600.00 |
| Ont. Hydro | HIERLIHY | RJ | Authorized Nuclear Operator | \$106,253.00 | \$459.00 |
| Ont. Hydro | HIGGINBOTTOM | PR | Mgr, Maintenance Production | \$117,694.00 | \$9,298.00 |
| Ont. Hydro | HILBIG | JE | Manager, Nuclear Safety | \$108,937.00 | \$7,747.00 |
| Ont. Hydro | HILL | K | Electrician Foreman Const | \$173,222.00 | \$0.00 |
| Ont. Hydro | HILL | D | Team Leader - Transmission Lines | \$105,526.00 | \$425.00 |
| Ont. Hydro | HINDMARCH | W | Engineer/Technical Off-Commerical & Res. | \$115,861.00 | \$547.00 |
| Ont. Hydro | HO | I | Senior Engineer/Scientist/Tech Officer | \$106,076.00 | \$498.00 |
| Ont. Hydro | HOBBS | KG | Prodn Mtnce Supervsr - Operations | \$105,997.00 | \$568.00 |
| Ont. Hydro | HODGSON | DW | Training Superintendent | \$116,153.00 | \$504.00 |
| Ont. Hydro | HOGAN | MD | Mechanical Maintainer Journeyperson | \$103,517.00 | \$997.00 |
| Ont. Hydro | HOGVEEN | WJ | Shift Emergency Response Coordinator | \$112,254.00 | \$392.00 |
| Ont. Hydro | HOGG | B | Senior Inspection and Maintenance Tech | \$119,184.00 | \$414.00 |
| Ont. Hydro | HOHENDORF | RJ | Manager, I&C Systems & Equipment | \$104,595.00 | \$22,262.00 |
| Ont. Hydro | HOLDITCH | AE | Authorized Nuclear Operator | \$100,489.00 | \$436.00 |
| Ont. Hydro | HOLMAN | M | Customer Communications Manager | \$101,399.00 | \$486.00 |
| Ont. Hydro | HOLME | DA | Outage Manager | \$103,581.00 | \$11,381.00 |
| Ont. Hydro | HOLMES | R | Regional Maintainer - Lines Uts Level 3 | \$105,128.00 | \$377.00 |
| Ont. Hydro | HOLT | AG | Director, Operations & Maintenance | \$137,943.00 | \$107,153.00 |
| Ont. Hydro | HOOGENDAM | P | Lead Technologist | \$126,617.00 | \$414.00 |
| Ont. Hydro | HOPKINS | F | Operations Coordinator | \$102,414.00 | \$809.00 |
| Ont. Hydro | HOSEIN | A | Maintenance Assessor (Nuclear) | \$100,179.00 | \$380.00 |
| Ont. Hydro | HOSICK | HO | Transaction Coordinator | \$141,285.00 | \$557.00 |
| Ont. Hydro | HOWARD | K | Technical Superintendent | \$103,896.00 | \$447.00 |
| Ont. Hydro | HOWAT | D | Group Leader - Transmission Lines | \$103,028.00 | \$491.00 |
| Ont. Hydro | HOWES | HA | Dir, Environmental Affairs | \$113,387.00 | \$11,915.00 |
| Ont. Hydro | HUDSON | J | Team Leader - Safety | \$109,607.00 | \$505.00 |
| Ont. Hydro | HUFFORD | K | Inspection and Maintenance Technician II | \$104,637.00 | \$370.00 |
| Ont. Hydro | HUGGARD | W | Shift Operating Supervisor (Authorized) | \$119,611.00 | \$555.00 |
| Ont. Hydro | HUGGINS | JW | Senior Engineer/Scientist/Tech Officer | \$110,126.00 | \$3,625.00 |
| Ont. Hydro | HUGGON | D | Maintenance Supervisor - Mechanical | \$104,552.00 | \$531.00 |
| Ont. Hydro | HUGHESAM | L | Finance Manager | \$100,165.00 | \$5,910.00 |
| Ont. Hydro | HUI | DT | Senior Financial Advisor | \$108,474.00 | \$43,849.00 |
| Ont. Hydro | HUMINLOWYCZ | YS | Acting Sr Advisor to the CFO | \$118,373.00 | \$19,214.00 |
| Ont. Hydro | HUMPHREY | G | Shift Operating Supervisor | \$100,646.00 | \$474.00 |
| Ont. Hydro | HUMPHRIES | AA | Mgr, System Operations & Mntce | \$103,769.00 | \$30,982.00 |
| Ont. Hydro | HUNT | T | Maintenance Superintendent | \$104,344.00 | \$604.00 |
| Ont. Hydro | HUNTER | C | Assistant Safety Officer | \$103,022.00 | \$452.00 |
| Ont. Hydro | HUPALO | W | Senior Shift Control Technician | \$102,585.00 | \$1,434.00 |
| Ont. Hydro | HUSAR | WO | Planning Supervisor | \$117,592.00 | \$416.00 |
| Ont. Hydro | HUSSEY | F | Mechanical Maintainer Union Trades Supv | \$113,091.00 | \$419.00 |
| Ont. Hydro | HUTCHINS | G | Mechanical Maintainer Union Trades Supv | \$104,731.00 | \$445.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|------------|------------|--|--------------|------------------|
| Ont. Hydro | HUTCHISON | G | Senior Technical Supervisor | \$104,878.00 | \$551.00 |
| Ont. Hydro | HWANG | J | Senior Technical Analyst | \$113,069.00 | \$482.00 |
| Ont. Hydro | HYNES | J | Senior Inspection and Maintenance Tech | \$113,961.00 | \$414.00 |
| Ont. Hydro | IAFRATE | D | Director, Site Support | \$120,327.00 | \$40,443.00 |
| Ont. Hydro | IMMS | BK | Dir, External Liaison Yr 2000 Project | \$104,666.00 | \$12,932.00 |
| Ont. Hydro | INDEWEY | R | Exchng Coord - Schedule/Resource/System | \$105,435.00 | \$536.00 |
| Ont. Hydro | INGRAM | ED | Construction Technician - Civil | \$104,463.00 | \$349.00 |
| Ont. Hydro | INKSTER | B | Authorized Nuclear Operator | \$112,373.00 | \$397.00 |
| Ont. Hydro | INNIS | IR | Manager, Planning & Reporting | \$103,413.00 | \$16,918.00 |
| Ont. Hydro | INWOOD | E | General Foreman "A" - Lines | \$102,739.00 | \$1,188.00 |
| Ont. Hydro | IPSEN | F | Contract Engineer/Administrator | \$101,495.00 | \$492.00 |
| Ont. Hydro | IRVINE | R | Planning Supervisor | \$145,665.00 | \$488.00 |
| Ont. Hydro | IRWIN | RW | Major Panel Operator | \$104,171.00 | \$364.00 |
| Ont. Hydro | IRWIN | B | Regional Maintainer - Lines Uts Level 3 | \$101,319.00 | \$377.00 |
| Ont. Hydro | IVANOFF | NV | SM, Fire Protection | \$119,366.00 | \$752.00 |
| Ont. Hydro | IWATA | SR | Mechanical Maintainer Union Trades Supv | \$105,279.00 | \$736.00 |
| Ont. Hydro | JACKSON | B | Project Leader-Ohn Im Systems Strategy | \$103,465.00 | \$558.00 |
| Ont. Hydro | JAGER | GA | Outage Manager | \$110,182.00 | \$18,100.00 |
| Ont. Hydro | JAKOV | I | Mechanical Maintainer Journeyperson | \$104,559.00 | \$358.00 |
| Ont. Hydro | JAMES | RA | Generation Planning Coordinator | \$113,293.00 | \$580.00 |
| Ont. Hydro | JANNAWAY | W | Computer, Telephony & Process Manager | \$104,167.00 | \$5,068.00 |
| Ont. Hydro | JARRETT | RL | Shift Operating Supervisor (Authorized) | \$110,660.00 | \$574.00 |
| Ont. Hydro | JAYAWEERA | C | Senior Engineer/Scientist/Tech Officer | \$110,563.00 | \$481.00 |
| Ont. Hydro | JELINSKI | E | Technical Superintendent | \$101,639.00 | \$540.00 |
| Ont. Hydro | JESSOP | RJ | Director, Project Management | \$102,592.00 | \$30,201.00 |
| Ont. Hydro | JIBB | ML | Mechanical Maintainer Union Trades Supv | \$112,638.00 | \$419.00 |
| Ont. Hydro | JOACHIM | J | Senior Information Systems Analyst | \$109,121.00 | \$482.00 |
| Ont. Hydro | JOHNSTON | JW | Mechanical Maintainer Journeyperson | \$102,967.00 | \$860.00 |
| Ont. Hydro | JOHNSTON | RC | Authorized Nuclear Operator | \$111,639.00 | \$1,323.00 |
| Ont. Hydro | JOHNSTONE | G | Authorized Nuclear Operator | \$104,650.00 | \$436.00 |
| Ont. Hydro | JONES | S | Regional Maintainers I - Lines | \$101,628.00 | \$348.00 |
| Ont. Hydro | JONES | RA | Plant Manager, Lakeview GS | \$117,813.00 | \$13,716.00 |
| Ont. Hydro | JONES | DR | Mechanical Maintainer Union Trades Supv | \$119,750.00 | \$419.00 |
| Ont. Hydro | JONES | D | Senior Shift Control Technician | \$112,578.00 | \$418.00 |
| Ont. Hydro | JONES | AM | Mechanical Maintainer Journeyperson | \$109,771.00 | \$563.00 |
| Ont. Hydro | KALINOVICH | M | Engineer/Officer-Shift Control | \$106,099.00 | \$531.00 |
| Ont. Hydro | KALLOO | J | Mechanical Maintainer Union Trades Supv | \$102,062.00 | \$419.00 |
| Ont. Hydro | KAMINSKI | J | Senior Technical Supervisor | \$111,320.00 | \$531.00 |
| Ont. Hydro | KAMZOL | SF | Business Development Manager | \$105,069.00 | \$10,356.00 |
| Ont. Hydro | KATSUYAMA | TT | Design Engineer Specialist - Instrumenta | \$106,729.00 | \$487.00 |
| Ont. Hydro | KAVANAUGH | D | Regional Line Supervisor | \$106,883.00 | \$409.00 |
| Ont. Hydro | KEELER | RJ | General Foreman - Mechanical | \$111,411.00 | \$573.00 |
| Ont. Hydro | KELLESTINE | R | Asst Mgr, Provincial Lines | \$111,193.00 | \$6,438.00 |
| Ont. Hydro | KELLY | RN | Unauthorized First Operator | \$107,152.00 | \$413.00 |
| Ont. Hydro | KELLY | JG | Authorized Nuclear Operator | \$102,401.00 | \$436.00 |
| Ont. Hydro | KELLY | J | Regional Line Supervisor | \$107,219.00 | \$438.00 |
| Ont. Hydro | KERNIUS | H | Senior Design Specialist | \$103,296.00 | \$775.00 |
| Ont. Hydro | KETCHABAW | W | Customer Operations Manager | \$105,448.00 | \$803.00 |
| Ont. Hydro | KEUNG | F | Senior Control Engineer | \$102,293.00 | \$504.00 |
| Ont. Hydro | KHANNA | M | Sr Mgr, Distribution Network Services | \$104,119.00 | \$17,448.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|-------------|------------|--|--------------|------------------|
| Ont. Hydro | KHOMARLOU | D | Senior Telecommunications Engineer/Offic | \$102,538.00 | \$435.00 |
| Ont. Hydro | KIES | GP | Authorized Nuclear Operator | \$118,342.00 | \$436.00 |
| Ont. Hydro | KIM | N | Technical Specialist | \$128,939.00 | \$535.00 |
| Ont. Hydro | KIMMERLE | L | Senior Engineer/Scientist/Tech Offcr | \$104,380.00 | \$441.00 |
| Ont. Hydro | KIMMETT | S | Authorized Nuclear Operator | \$104,842.00 | \$436.00 |
| Ont. Hydro | KIMPEL | DT | Shift Superintendent | \$128,222.00 | \$597.00 |
| Ont. Hydro | KING | DW | Mechanical Maintainer Journeyperson | \$100,695.00 | \$576.00 |
| Ont. Hydro | KING | J | Technical Superintendent | \$107,849.00 | \$562.00 |
| Ont. Hydro | KING | GE | Shift Supervisor | \$109,997.00 | \$598.00 |
| Ont. Hydro | KING | FK | Mgr, Nuclear Waste Disposal | \$103,530.00 | \$12,166.00 |
| Ont. Hydro | KINGSTON | R | Maintenance Assessor (Nuclear) | \$103,352.00 | \$905.00 |
| Ont. Hydro | KINITZ | EE | Authorized Nuclear Operator | \$112,712.00 | \$436.00 |
| Ont. Hydro | KINSELLA | K | Senior Thermal Station Engineer | \$108,739.00 | \$457.00 |
| Ont. Hydro | KIRKHAM | C | Planning Supervisor | \$107,047.00 | \$426.00 |
| Ont. Hydro | KIRKPATRICK | J | Transaction Coordinator | \$108,564.00 | \$399.00 |
| Ont. Hydro | KITSCHA | B | Mgr, Mechanical Systems & Equip | \$105,275.00 | \$29,083.00 |
| Ont. Hydro | KLAHSEN | P | Engineer/Officer-Shift Control | \$101,538.00 | \$525.00 |
| Ont. Hydro | KLOOSTRA | W | Mgr, Joint Use Agrmnts, H&S | \$100,113.00 | \$6,099.00 |
| Ont. Hydro | KNOLL | KJ | Authorized Nuclear Operator | \$103,678.00 | \$449.00 |
| Ont. Hydro | KNOLL | J | Shift Mechanical Maintainer I | \$108,524.00 | \$616.00 |
| Ont. Hydro | KNOTT | A | Shift Site Supervisor | \$102,802.00 | \$418.00 |
| Ont. Hydro | KOBAYASHI | MK | Mechanical Maintainer Journeyperson | \$121,189.00 | \$677.00 |
| Ont. Hydro | KOBER | K | Shift Control Technician | \$110,751.00 | \$600.00 |
| Ont. Hydro | KOMOSA | Z | Senior Technical Engineer/Officer | \$106,840.00 | \$473.00 |
| Ont. Hydro | KORTEKAAS | J | Technical Supervisor | \$100,942.00 | \$486.00 |
| Ont. Hydro | KOWALEWSKI | J | Principal Research Engineer/Scientist | \$109,781.00 | \$555.00 |
| Ont. Hydro | KRANE | R | Authorized Nuclear Operator | \$113,880.00 | \$436.00 |
| Ont. Hydro | KRANE | P | Supervising Nuclear Operator | \$123,696.00 | \$2,127.00 |
| Ont. Hydro | KRASZNAI | JP | Principal Research Engineer/Scientist | \$105,882.00 | \$558.00 |
| Ont. Hydro | KRETZ | S | Senior Inspection and Maintenance Tech | \$100,083.00 | \$414.00 |
| Ont. Hydro | KREZANOWSKI | SJ | Maintenance Superintendent | \$114,216.00 | \$527.00 |
| Ont. Hydro | KREZANOWSKI | J | Maintenance Superintendent | \$101,342.00 | \$590.00 |
| Ont. Hydro | KRUKOWSKI | M | Technical Superintendent | \$144,888.00 | \$566.00 |
| Ont. Hydro | KUNG | J | Shift Unit Supervisor | \$100,034.00 | \$410.00 |
| Ont. Hydro | KUPCIS | O.A. | President & CEO | \$942,959.00 | \$2,018.00 |
| Ont. Hydro | KVALTIN | DF | Senior Shift Control Technician | \$106,311.00 | \$418.00 |
| Ont. Hydro | KYPROS | A | Senior Protection and Control | \$104,892.00 | \$480.00 |
| Ont. Hydro | LAFLEUR | D | Level 1A Operator | \$116,800.00 | \$401.00 |
| Ont. Hydro | LAGAN | G | Maintenance Superintendent | \$107,841.00 | \$508.00 |
| Ont. Hydro | LAIRD | FJ | Shift Supervisor | \$116,741.00 | \$571.00 |
| Ont. Hydro | LAJOIE | RJ | Section Manager, BBSS Ops | \$128,534.00 | \$610.00 |
| Ont. Hydro | LALONDE | RG | Mgr, Components & Equipment | \$103,651.00 | \$13,988.00 |
| Ont. Hydro | LAM | SN | Senior Information Systems Analyst | \$107,917.00 | \$498.00 |
| Ont. Hydro | LAM | F | Technical Supervisor | \$103,688.00 | \$530.00 |
| Ont. Hydro | LAM | W | Assoc Engineer/Scientist/Tech Officer | \$147,754.00 | \$415.00 |
| Ont. Hydro | LAM | V | Senior Technical Analyst | \$100,928.00 | \$462.00 |
| Ont. Hydro | LAMONT | D | Lineman Foreman Construction | \$101,189.00 | \$0.00 |
| Ont. Hydro | LAMPI | RG | Mechanical Maintainer Journeyperson | \$110,307.00 | \$625.00 |
| Ont. Hydro | LANE | JOHN | Customer Operations Manager | \$106,118.00 | \$974.00 |
| Ont. Hydro | LANE | L | Authorized Nuclear Operator | \$112,910.00 | \$436.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|---------------|------------|--|--------------|------------------|
| Ont. Hydro | LANGEVINE | JK | Shift Maintenance Supervisor | \$102,592.00 | \$522.00 |
| Ont. Hydro | LANNIGAN | T | Regional Maintainers I - Lines | \$108,583.00 | \$348.00 |
| Ont. Hydro | LAPORTE | R | Shift Operating Supervisor | \$112,585.00 | \$477.00 |
| Ont. Hydro | LARATTA | E | Supervisor Environmental Studies | \$107,584.00 | \$537.00 |
| Ont. Hydro | LARIVIERE | JA | Shift Maintenance Supervisor-Multi-Funct | \$101,495.00 | \$504.00 |
| Ont. Hydro | LASKOWSKI | T | Trades Supervisor Maintenance | \$125,548.00 | \$467.00 |
| Ont. Hydro | LAST | MS | Senior Shift Control Technician | \$105,758.00 | \$418.00 |
| Ont. Hydro | LATIMER | R | Shift Supervisor in Training | \$103,843.00 | \$583.00 |
| Ont. Hydro | LAUCLAN | IE | Senior Project Manager | \$136,061.00 | \$38,100.00 |
| Ont. Hydro | LAUGHLIN | S | Plumber/Pipefitter Foreman - Const | \$107,976.00 | \$0.00 |
| Ont. Hydro | LAUZON | A | Technician V - Geotechnical | \$108,953.00 | \$392.00 |
| Ont. Hydro | LAVIGNE | R | Senior Planning Technician | \$106,761.00 | \$392.00 |
| Ont. Hydro | LAWRENCE | C | VP, Venture Development | \$166,250.00 | \$35,628.00 |
| Ont. Hydro | LAWRENCE | H | Shift Maintenance Supervisor-Multi-Funct | \$103,734.00 | \$497.00 |
| Ont. Hydro | LAWSON | BM | Authorized Nuclear Operator | \$115,660.00 | \$1,010.00 |
| Ont. Hydro | LAZENBY | LT | Human Resources Consultant | \$111,039.00 | \$18,128.00 |
| Ont. Hydro | LAZIC | M | S M, Piping Syst & Supp Des & Const. | \$109,150.00 | \$574.00 |
| Ont. Hydro | LEA | EE | Director, Public Affairs GENCO | \$103,564.00 | \$739.00 |
| Ont. Hydro | LEAVITT | R | Shift Superintendent | \$118,016.00 | \$617.00 |
| Ont. Hydro | LECLERC | A | Technician - Organic Analysis | \$101,476.00 | \$349.00 |
| Ont. Hydro | LEE | DT | Chief Information Officer | \$107,179.00 | \$8,392.00 |
| Ont. Hydro | LEE | W | Director, IT Strtgy & Policies | \$146,009.00 | \$45,151.00 |
| Ont. Hydro | LEES | AR | Mgr, Fuel Handling | \$102,432.00 | \$15,737.00 |
| Ont. Hydro | LEIFSO | B | Shift Operating Supervisor (Authorized) | \$108,885.00 | \$547.00 |
| Ont. Hydro | LEIGHTON | GR | Project Leader-Ohn Im Systems | \$103,336.00 | \$582.00 |
| Ont. Hydro | LEJAMBE | R | Thermal Technologist | \$100,529.00 | \$336.00 |
| Ont. Hydro | LENARDUZZI | J | Shift Maintenance Supervisor | \$100,772.00 | \$504.00 |
| Ont. Hydro | LEONOFF | L | Sr VP, General Counsel & Secretarial | \$246,720.00 | \$57,945.00 |
| Ont. Hydro | LESCHUK | BP | Manager, Procurement Strategy | \$102,878.00 | \$11,651.00 |
| Ont. Hydro | LEUNG | PK | Senior Information Systems Analyst | \$100,732.00 | \$510.00 |
| Ont. Hydro | LEUNG | D | Senior Engineer - Civ./Mech./Elect | \$103,077.00 | \$489.00 |
| Ont. Hydro | LEUNG | RK | Supervising Design Engineer | \$112,563.00 | \$571.00 |
| Ont. Hydro | LEWIS | RE | Director, Training & Simulator Serv | \$115,051.00 | \$317.00 |
| Ont. Hydro | LEWIS | N | Mechanical Maintainer Journeyperson | \$106,824.00 | \$358.00 |
| Ont. Hydro | LI | BS | Acting, Chief Operations Offcr | \$101,297.00 | \$13,222.00 |
| Ont. Hydro | LIBICH | S | Senior Industrial Hygienist | \$103,133.00 | \$549.00 |
| Ont. Hydro | LICHTENBERGER | PC | Manager, Material Technology | \$103,968.00 | \$39,021.00 |
| Ont. Hydro | LIMA | JM | Construction Technician - Civil | \$105,427.00 | \$349.00 |
| Ont. Hydro | LIPINSKI | A | Mechanical Maintainer Journeyperson | \$101,339.00 | \$358.00 |
| Ont. Hydro | LIPPERT | T | Authorized Nuclear Operator | \$108,381.00 | \$436.00 |
| Ont. Hydro | LLOYD | NE | Shift Emergency Response Coordinator | \$105,695.00 | \$431.00 |
| Ont. Hydro | LOCOCO | B | Trades Mgmt. Supervisor - Hydroelect | \$106,667.00 | \$431.00 |
| Ont. Hydro | LOFTUS | T | Technical Supervisor | \$105,595.00 | \$570.00 |
| Ont. Hydro | LOGIE | A | Senior Production Supervisor | \$108,112.00 | \$562.00 |
| Ont. Hydro | LONDON | I | Sr VP, Diversified Operations | \$210,600.00 | \$43,544.00 |
| Ont. Hydro | LONG | T | Authorized Nuclear Operator | \$110,273.00 | \$3,655.00 |
| Ont. Hydro | LONG | FG | Director, Financial Strategy & Policy | \$125,946.00 | \$32,419.00 |
| Ont. Hydro | LONGLEY | DC | Shift Maintenance Supervisor-Multi-Funct | \$130,246.00 | \$537.00 |
| Ont. Hydro | LONGMORE | M | General Foreman - Mechanical | \$118,641.00 | \$1,637.00 |
| Ont. Hydro | LOO | P | Section Head - Finance | \$102,241.00 | \$555.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|--------------|------------|--|--------------|------------------|
| Ont. Hydro | LOOTSMA | L | Performance Assurance | \$109,595.00 | \$529.00 |
| Ont. Hydro | LOPEZ | EM | Mgr, Electrical Systems & Equip | \$100,726.00 | \$7,577.00 |
| Ont. Hydro | LOTHMAN | E | Authorized Nuclear Operator | \$100,888.00 | \$436.00 |
| Ont. Hydro | LOUGHRAN | CC | Finance Manager | \$106,876.00 | \$43,425.00 |
| Ont. Hydro | LOW | P | Shift Supervisor | \$131,463.00 | \$594.00 |
| Ont. Hydro | LOWAS | OF | Chief Architect | \$103,924.00 | \$18,636.00 |
| Ont. Hydro | LUCENTE | J | Resident Construction Supervisor - Hydra | \$105,997.00 | \$983.00 |
| Ont. Hydro | LUCKAI | W | Construction Technician - Civil | \$107,685.00 | \$349.00 |
| Ont. Hydro | LUDWINSKI | RS | Mechanical Maintainer Union Trades Supv | \$102,995.00 | \$419.00 |
| Ont. Hydro | LUFFMAN | JS | Prod'n Mtnce Supervsr - Operations | \$106,896.00 | \$465.00 |
| Ont. Hydro | LUTZ | R | Authorized Nuclear Operator | \$100,872.00 | \$436.00 |
| Ont. Hydro | LUXAT | JC | Manager, Nuclear Safety Technology | \$101,733.00 | \$19,135.00 |
| Ont. Hydro | LYNCH | VJ | Director, Hydroelectric Production | \$129,082.00 | \$29,520.00 |
| Ont. Hydro | MAAHS | R | Maintenance Coordinator | \$111,310.00 | \$559.00 |
| Ont. Hydro | MACBAIN | T | Supervising Nuclear Operator | \$101,795.00 | \$398.00 |
| Ont. Hydro | MACDONALD | GG | Shift Superintendent | \$120,824.00 | \$615.00 |
| Ont. Hydro | MACDONALD | B | Shift Supervisor in Training | \$115,312.00 | \$583.00 |
| Ont. Hydro | MACDONALD | GE | Shift Superintendent | \$110,298.00 | \$620.00 |
| Ont. Hydro | MACDONALD | W | Mechanical Maintainer Journeyman | \$115,972.00 | \$381.00 |
| Ont. Hydro | MACDOUGALL | J | Dir, Perf Measurement & Benchmarking | \$104,768.00 | \$33,079.00 |
| Ont. Hydro | MACEDO | FX | Director, Transmission Operations | \$106,127.00 | \$33,787.00 |
| Ont. Hydro | MACFARLANE | T | Manager, Special Projects | \$154,649.00 | \$6,430.00 |
| Ont. Hydro | MACGILLIVRAY | E | Level 1A Operator | \$105,858.00 | \$401.00 |
| Ont. Hydro | MACGREGOR | BN | SM, Fuel Handling Operation | \$114,722.00 | \$569.00 |
| Ont. Hydro | MACHON | R | Vice President | \$789,625.00 | \$20,117.00 |
| Ont. Hydro | MACINTYRE | B | Shift Maintenance Supervisor | \$105,043.00 | \$511.00 |
| Ont. Hydro | MACKAY | S | Pay & Benefits Systems Dev. Analyst | \$117,331.00 | \$427.00 |
| Ont. Hydro | MACKENZIE | IB | Plant Manager, Northeast | \$100,161.00 | \$9,799.00 |
| Ont. Hydro | MACKINNON | B | Senior Technical Engineer/Officer | \$104,760.00 | \$440.00 |
| Ont. Hydro | MACKLIN | J | Authorized Nuclear Operator in Training | \$100,200.00 | \$436.00 |
| Ont. Hydro | MACLEAN | P | Trades Supervisor Maintenance | \$104,538.00 | \$452.00 |
| Ont. Hydro | MACLEOD | MJ | Manager, Common Services | \$100,499.00 | \$5,523.00 |
| Ont. Hydro | MACMILLAN | PD | Manager, Legal Services Corp Bus Dvlpmnt | \$114,159.00 | \$9,345.00 |
| Ont. Hydro | MACMILLAN | DC | Shift Operating Supervisor (Authorized) | \$127,577.00 | \$553.00 |
| Ont. Hydro | MACNAUGHTON | J | Area Distribution Engineering | \$108,700.00 | \$348.00 |
| Ont. Hydro | MACPHEE | D | Regional Maintainers I - Lines | \$106,337.00 | \$348.00 |
| Ont. Hydro | MACTAVISH | BD | VP, Regulatory Affairs | \$126,514.00 | \$43,918.00 |
| Ont. Hydro | MADAN | O | Training Superintendent | \$102,934.00 | \$573.00 |
| Ont. Hydro | MAGEE | D | Shift Production Technician Planning | \$104,557.00 | \$713.00 |
| Ont. Hydro | MAHADEO | KR | Shift Maintenance Supervisor | \$115,417.00 | \$547.00 |
| Ont. Hydro | MALES | R | Senior Protection and Control | \$109,496.00 | \$1,511.00 |
| Ont. Hydro | MALLETTE | GE | Shift Emergency Response Coordinator | \$119,016.00 | \$392.00 |
| Ont. Hydro | MALO | A | Sr Exchange Engineer/Officer | \$100,635.00 | \$603.00 |
| Ont. Hydro | MANLEY | B | Director, Human Resources | \$113,981.00 | \$43,732.00 |
| Ont. Hydro | MANNERS | R | Shift Supervisor in Training | \$103,518.00 | \$553.00 |
| Ont. Hydro | MARCUCCI | PA | Director, Employee Services | \$107,666.00 | \$16,625.00 |
| Ont. Hydro | MARCZAK | J | Technical Superintendent | \$126,182.00 | \$447.00 |
| Ont. Hydro | MARGERUM | BS | Authorized Nuclear Operator | \$104,050.00 | \$436.00 |
| Ont. Hydro | MARIA | GA | Protection & Control Technologist | \$102,993.00 | \$42,670.00 |
| Ont. Hydro | MARSALA | J | Technologist | \$134,225.00 | \$414.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|---------------|------------|--|--------------|------------------|
| Ont. Hydro | MARTIN | C | Senior Technical Supervisor | \$109,450.00 | \$525.00 |
| Ont. Hydro | MARTIN | K | Mechanical Maintainer Journeyperson | \$100,206.00 | \$358.00 |
| Ont. Hydro | MARTIN | L | Shift Maintenance Supervisor-Multi-Funct | \$101,735.00 | \$455.00 |
| Ont. Hydro | MARTIN | JE | Team Leader - Health & Safety | \$112,965.00 | \$542.00 |
| Ont. Hydro | MARTIN | T | Mechanical Maintainer Union Trades Supv | \$100,333.00 | \$419.00 |
| Ont. Hydro | MARTIN | R | Shift Unit Supervisor | \$112,218.00 | \$419.00 |
| Ont. Hydro | MARTIN | L | Regional Line Supervisor | \$103,792.00 | \$431.00 |
| Ont. Hydro | MARX | M | Exchng Coord - Schedule/Resources | \$100,385.00 | \$484.00 |
| Ont. Hydro | MASSEY | RE | Principal Research Engineer/Scientist | \$116,336.00 | \$543.00 |
| Ont. Hydro | MATHER | AJ | Shift Control Technician | \$101,676.00 | \$1,442.00 |
| Ont. Hydro | MATT | R | Senior Protection and Control | \$106,884.00 | \$451.00 |
| Ont. Hydro | MATTHEWS | J | Mechanical Maintainer Journeyperson | \$104,186.00 | \$358.00 |
| Ont. Hydro | MATTHEWS | R | Shift Trades Mgmt Supvr - Mech | \$100,306.00 | \$442.00 |
| Ont. Hydro | MAUGHAN | PR | Technical Superintendent | \$110,000.00 | \$547.00 |
| Ont. Hydro | MAURICE | CG | Lead Technologist | \$104,895.00 | \$414.00 |
| Ont. Hydro | MAYER | P | Principal Research Engineer/Scientist | \$102,332.00 | \$542.00 |
| Ont. Hydro | MAYER | DH | Training Officer | \$104,086.00 | \$488.00 |
| Ont. Hydro | MCARTHUR | S | Engineer/Technical Off-Commercial & Res. | \$104,679.00 | \$3,291.00 |
| Ont. Hydro | MCBRIEN | GR | Manager, Utility Commercial Relations | \$103,081.00 | \$37,952.00 |
| Ont. Hydro | MCCABE | C | Supervising Field Technician | \$125,057.00 | \$347.00 |
| Ont. Hydro | MCCABE | D | Senior Engineer/Scientist/Tech Officer | \$118,599.00 | \$474.00 |
| Ont. Hydro | MCCABE | B | Supervising Nuclear Operator | \$103,460.00 | \$398.00 |
| Ont. Hydro | MCCAFFERTY | J | Senior Operations Analyst | \$105,837.00 | \$470.00 |
| Ont. Hydro | MCCALLUM | RD | Regional Line Supervisor | \$128,750.00 | \$429.00 |
| Ont. Hydro | MCCAULEY | GF | Chief Physician | \$126,781.00 | \$1,567.00 |
| Ont. Hydro | MCCLEERY SCAN | B | Senior Information Systems Analyst | \$100,575.00 | \$461.00 |
| Ont. Hydro | MCCLELLAND | R | Project Mgr, Pay & Benefits | \$100,744.00 | \$7,294.00 |
| Ont. Hydro | MCCLEVIS | B | Regional Maintainer - Lines Uts Level 3 | \$112,761.00 | \$377.00 |
| Ont. Hydro | MCCONNELL | JT | Shift Superintendent | \$136,394.00 | \$619.00 |
| Ont. Hydro | MCCONVILLE | S | Senior Technical Engineer/Officer | \$105,391.00 | \$456.00 |
| Ont. Hydro | MCCORMACK | G | Shift Supervisor | \$132,119.00 | \$571.00 |
| Ont. Hydro | MCCORMICK | P | Shift Operating Supervisor | \$129,690.00 | \$2,012.00 |
| Ont. Hydro | MCCULLOCH | JH | Mechanical Maintainer Union Trades Supv | \$114,021.00 | \$419.00 |
| Ont. Hydro | MCDONALD | DF | Maintenance Superintendent | \$101,613.00 | \$581.00 |
| Ont. Hydro | MCDONNELL | PB | Shift Operating Supervisor (Authorized) | \$101,498.00 | \$536.00 |
| Ont. Hydro | MCDUGALL | SJ | Mgr, Fuel Handling | \$106,112.00 | \$20,673.00 |
| Ont. Hydro | MCDOWELL | S | Section Head - Business Controls and Stu | \$102,172.00 | \$451.00 |
| Ont. Hydro | MCEWAN | MJ | Shift Maintenance Team Leader | \$102,583.00 | \$461.00 |
| Ont. Hydro | MCEWAN | W | Supervising Design Engineer | \$101,121.00 | \$565.00 |
| Ont. Hydro | MCEWEN | T | Shift Superintendent | \$118,938.00 | \$620.00 |
| Ont. Hydro | MCEWEN | R | Shift Maintenance Supervisor-Multi-Funct | \$130,340.00 | \$507.00 |
| Ont. Hydro | MC GEE | BE | VP, Integrated Improvement Project | \$110,951.00 | \$91,931.00 |
| Ont. Hydro | MCGILL | B | Authorized Nuclear Operator | \$101,413.00 | \$436.00 |
| Ont. Hydro | MCGINNIS | MJ | Acting District Manager, NE Dist. | \$151,586.00 | \$34,882.00 |
| Ont. Hydro | MCGOWAN | D | Trades Management Supervisor-Hydroelect | \$100,161.00 | \$435.00 |
| Ont. Hydro | MCGRATH | DJ | Senior Shift Control Technician | \$103,941.00 | \$418.00 |
| Ont. Hydro | MCGRATH | D | Regional Maintainers I - Lines | \$100,619.00 | \$348.00 |
| Ont. Hydro | MCINNES | D | Senior Technical Engineer/Officer | \$123,415.00 | \$464.00 |
| Ont. Hydro | MCKAY | LD | Finance Manager | \$104,141.00 | \$20,687.00 |
| Ont. Hydro | MCKEE | B | Maintenance Superintendent | \$106,392.00 | \$620.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|-------------|------------|--|--------------|------------------|
| Ont. Hydro | MCKENZIE | D | Unit Pair Outage Coordinator | \$108,209.00 | \$879.00 |
| Ont. Hydro | MCLAUGHLIN | B | Regional Line Supervisor | \$102,528.00 | \$439.00 |
| Ont. Hydro | MCLELLAN | G | Exchng Coord - Schedule/Resource/System | \$112,289.00 | \$541.00 |
| Ont. Hydro | MCLENNAN | R | Senior Production Supervisor | \$104,156.00 | \$542.00 |
| Ont. Hydro | MCLEOD | R | Regional Maintainer - Lines Uts Level 3 | \$114,675.00 | \$377.00 |
| Ont. Hydro | MCLEOD | K | Regional Maintainer - Lines Uts Level 3 | \$114,509.00 | \$377.00 |
| Ont. Hydro | MCMANUS | D | Shift Maintenance Team Leader | \$111,545.00 | \$462.00 |
| Ont. Hydro | MCMILLAN | L | Mgr, Trades Training Services | \$104,726.00 | \$8,237.00 |
| Ont. Hydro | MCMINN | S | Shift Unit Supervisor | \$112,822.00 | \$419.00 |
| Ont. Hydro | MCMULLEN | D | Production Supervisor - Technical | \$110,578.00 | \$499.00 |
| Ont. Hydro | MCMULLIN | B | Regional Maintainers I - Lines | \$101,123.00 | \$348.00 |
| Ont. Hydro | MCMUNN | A | Regional Maintainers I - Lines | \$100,497.00 | \$348.00 |
| Ont. Hydro | MCNAUGHTON | D | General Foreman - Mechanical | \$107,890.00 | \$547.00 |
| Ont. Hydro | MCNEIL | P | Vice-President, Corporate Planning | \$179,900.00 | \$70,997.00 |
| Ont. Hydro | MCRAE | LJ | VP, Nuclear Human Resources | \$137,523.00 | \$21,521.00 |
| Ont. Hydro | MCTAVISH | G | Vice-President, Labour Relations | \$226,826.00 | \$1,040.00 |
| Ont. Hydro | MCVEETY | M | Exchng Coord - Schedule/Resource/System | \$101,524.00 | \$531.00 |
| Ont. Hydro | MCWADE | B | SM, Oper. Mods Spprt | \$114,484.00 | \$453.00 |
| Ont. Hydro | MEIKLEJOHN | B | Dir, Strategic Procurement | \$101,193.00 | \$15,055.00 |
| Ont. Hydro | MELNYK | J | Construction Technician - Civil | \$116,994.00 | \$349.00 |
| Ont. Hydro | MELROSE | PR | Senior Inspection and Maintenance Tech | \$102,447.00 | \$414.00 |
| Ont. Hydro | MENEELY | D | Maintenance Assessor (Nuclear) | \$100,305.00 | \$1,176.00 |
| Ont. Hydro | MENHENIOTT | W | Shift Superintendent | \$135,104.00 | \$625.00 |
| Ont. Hydro | MERAW | DF | Mgr, Maintenance Production | \$108,769.00 | \$20,448.00 |
| Ont. Hydro | MERCHAND | M | Regional Maintainer - Electric | \$109,574.00 | \$703.00 |
| Ont. Hydro | MEYER | C | Mechanical Maintainer Union Trades Supv | \$105,351.00 | \$419.00 |
| Ont. Hydro | MEYER | G | Exchng Coord - Schedule/Resource/System | \$101,886.00 | \$531.00 |
| Ont. Hydro | MEYSNER | A | Snr. Nuclear Design Eng. - Spec | \$118,061.00 | \$566.00 |
| Ont. Hydro | MIKASINOVIC | M | Senior Design Specialist | \$103,935.00 | \$535.00 |
| Ont. Hydro | MIKHAIL | A | Hydraulic Studies Engineer | \$118,700.00 | \$498.00 |
| Ont. Hydro | MILLAR | TK | Manager, Finance | \$103,925.00 | \$7,444.00 |
| Ont. Hydro | MILLER | J | Trades Mangement Supervisor - Hydroelect | \$107,081.00 | \$438.00 |
| Ont. Hydro | MILLER | W | Supervising Nuclear Operator | \$107,538.00 | \$2,239.00 |
| Ont. Hydro | MILLER | V | Production Supervisor - Technical | \$114,041.00 | \$525.00 |
| Ont. Hydro | MILLER | K | Regional Maintainer - Lines Uts Level 3 | \$113,634.00 | \$377.00 |
| Ont. Hydro | MILLER | BR | Production Supervisor - Operations | \$101,387.00 | \$524.00 |
| Ont. Hydro | MILLER | B | Regional Line Supervisor | \$106,205.00 | \$437.00 |
| Ont. Hydro | MILLER | AD | Exchng Coord - Schedule/Resource/System | \$105,727.00 | \$566.00 |
| Ont. Hydro | MILLER | MV | Shift Maintenance Supervisor-Multi-Funct | \$100,047.00 | \$463.00 |
| Ont. Hydro | MILLEY | DS | Shift Superintendent | \$119,263.00 | \$546.00 |
| Ont. Hydro | MILLS | K | Shift Operating Supervisor (Authorized) | \$106,568.00 | \$539.00 |
| Ont. Hydro | MILLS | JE | Maintenance Assessor (Nuclear) | \$104,855.00 | \$412.00 |
| Ont. Hydro | MILLS | B | Authorized Nuclear Operator | \$106,699.00 | \$368.00 |
| Ont. Hydro | MILTON | LE | Production Supervisor - Technical/Chemic | \$100,254.00 | \$604.00 |
| Ont. Hydro | MIMNAGH | JJ | Mechanical Maintainer Union Trades Supv | \$108,491.00 | \$1,072.00 |
| Ont. Hydro | MISTRY | H | Senior Technical Engineer/Officer | \$107,446.00 | \$482.00 |
| Ont. Hydro | MISTRY | JK | Design Engineer - Specialist | \$100,590.00 | \$541.00 |
| Ont. Hydro | MITCHELL | GE | Technical Superintendent | \$105,518.00 | \$470.00 |
| Ont. Hydro | MITCHELL | G | Technical Supervisor | \$105,487.00 | \$484.00 |
| Ont. Hydro | MITCHELL | D | Nuclear Security Guard | \$116,383.00 | \$263.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|---------------|------------|--|--------------|------------------|
| Ont. Hydro | MITCHELL | D | Construction Technician - Civil | \$102,598.00 | \$349.00 |
| Ont. Hydro | MITCHELL | B | Protection & Control Supt. | \$130,162.00 | \$195.00 |
| Ont. Hydro | MOES | RJ | Mechanical Maintainer Union Trades Supv | \$116,855.00 | \$420.00 |
| Ont. Hydro | MOFFAT | DA | Senior Design Engineer | \$117,558.00 | \$498.00 |
| Ont. Hydro | MOHINDRA | RK | Director, Station Engineering | \$120,877.00 | \$31,993.00 |
| Ont. Hydro | MOMBOURQUETTE | K | Manager, Performance Assurance | \$101,658.00 | \$565.00 |
| Ont. Hydro | MONGER | B | Engineer/Technical Off-Commercial & Res. | \$132,969.00 | \$541.00 |
| Ont. Hydro | MOORE | R | Shift Superintendent | \$108,963.00 | \$609.00 |
| Ont. Hydro | MOORE | RH | Mgr, Plant Design Engineering | \$100,060.00 | \$36,224.00 |
| Ont. Hydro | MOORE | EF | Senior Information Security Advisor | \$122,729.00 | \$528.00 |
| Ont. Hydro | MOORTHY | M | Director, Compensation & Benefits | \$138,944.00 | \$62,637.00 |
| Ont. Hydro | MORAN | M | Shift Maintenance Supervisor-Multi-Funct | \$135,076.00 | \$522.00 |
| Ont. Hydro | MORDEN | L | Regional Maintainer - Lines Uts Level 3 | \$101,221.00 | \$377.00 |
| Ont. Hydro | MORRISON | VA | Mechanical Maintainer Journeyperson | \$106,837.00 | \$358.00 |
| Ont. Hydro | MORRISON | J | Senior Technical Engineer/Officer | \$103,791.00 | \$487.00 |
| Ont. Hydro | MORRISON | HH | Manager, Nuclear Waste Operation | \$102,794.00 | \$23,246.00 |
| Ont. Hydro | MORRISON | BC | VP, Mngd Syst & Optrns Perf Assurance | \$127,757.00 | \$26,962.00 |
| Ont. Hydro | MORRISSEY O R | MA | Senior Advisor, Health & Safety | \$100,859.00 | \$13,830.00 |
| Ont. Hydro | MOTHERWELL | I | Asst General Counsel, Engineering Serv | \$129,935.00 | \$23,215.00 |
| Ont. Hydro | MOUNTFORD | BE | Business Development Manager | \$120,114.00 | \$15,387.00 |
| Ont. Hydro | MOUSSADJI | H | Supervising Equipment Engineer | \$116,682.00 | \$525.00 |
| Ont. Hydro | MUELLER | H | Mechanical Maintainer Union Trades Supv | \$100,633.00 | \$419.00 |
| Ont. Hydro | MULLAN | J | Nuclear Operator | \$107,271.00 | \$307.00 |
| Ont. Hydro | MULLIGAN | JC | Treasurer | \$142,090.00 | \$33,913.00 |
| Ont. Hydro | MUNRO | MD | Mechanical Maintainer Union Trades Supv | \$114,152.00 | \$419.00 |
| Ont. Hydro | MURPHY | JM | Senior Advisor, Nuclear Governance | \$102,768.00 | \$9,654.00 |
| Ont. Hydro | MURPHY | PM | VP, Market Effectiveness & Evolution | \$134,777.00 | \$17,711.00 |
| Ont. Hydro | MURRAY | S | Meter & Relay Services - First Line Mgr | \$105,193.00 | \$602.00 |
| Ont. Hydro | MURRAY | J | Vault Supervisor | \$106,475.00 | \$497.00 |
| Ont. Hydro | NASH | KE | Vice-President, Nuclear Waste | \$146,048.00 | \$37,698.00 |
| Ont. Hydro | NAWACKI | H | Senior Engineer/Scientist/Tech Officer | \$136,310.00 | \$497.00 |
| Ont. Hydro | NAYLOR | R | Shift Site Supervisor | \$100,059.00 | \$429.00 |
| Ont. Hydro | NEALE | R | Mechanical Maintainer Journeyperson | \$108,279.00 | \$609.00 |
| Ont. Hydro | NEEDHAM | L | Sectn Mgr, Budgetary Ctrl | \$102,738.00 | \$7,304.00 |
| Ont. Hydro | NEESOM | R | Mechanical Maintainer Journeyperson | \$101,597.00 | \$302.00 |
| Ont. Hydro | NEILPOVITZ | WD | Mechanical Maintainer Journeyperson | \$103,302.00 | \$543.00 |
| Ont. Hydro | NEUFELD | DE | Authorized Nuclear Operator | \$112,535.00 | \$1,313.00 |
| Ont. Hydro | NEWBOLD | J | Senior Protection and Control | \$112,213.00 | \$492.00 |
| Ont. Hydro | NEWBY | PC | Manager, External Investments | \$103,922.00 | \$33,553.00 |
| Ont. Hydro | NEWCOMBE | D | Shift Supervisor | \$112,629.00 | \$583.00 |
| Ont. Hydro | NEWMAN | G | Senior Design Specialist | \$120,220.00 | \$529.00 |
| Ont. Hydro | NEWNHAM | M | Shift Mtce Suprv (Control or Mechanical) | \$107,047.00 | \$528.00 |
| Ont. Hydro | NEWTON | W | Regional Maintainers I - Lines | \$103,239.00 | \$348.00 |
| Ont. Hydro | NG | M | Chief Financial Offcr, SERVCO | \$209,220.00 | \$36,087.00 |
| Ont. Hydro | NG | WY | Senior Design Specialist | \$109,746.00 | \$515.00 |
| Ont. Hydro | NGUI YEN | D | Mgr, Financial Support Svcs | \$104,189.00 | \$11,327.00 |
| Ont. Hydro | NICOL | B | Chief Financial Officer | \$157,666.00 | \$27,478.00 |
| Ont. Hydro | NICOL | K | Regional Line Supervisor | \$114,915.00 | \$761.00 |
| Ont. Hydro | NISBETT | S | Authorized Nuclear Operator | \$100,988.00 | \$436.00 |
| Ont. Hydro | NIXON | R | Site Vice President, Bruce | \$122,443.00 | \$37,380.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|------------|------------|--|----------------|------------------|
| Ont. Hydro | NOAKES | J | Shift Superintendent | \$112,484.00 | \$596.00 |
| Ont. Hydro | NODWELL | T | Senior User Representative | \$101,761.00 | \$555.00 |
| Ont. Hydro | NORMAN | P | Shift Superintendent | \$125,251.00 | \$589.00 |
| Ont. Hydro | NORONHA | J | Superintendent - Radiological Services | \$101,742.00 | \$9,239.00 |
| Ont. Hydro | NOWAK | EJ | Shift Maintenance Supervisor | \$108,744.00 | \$522.00 |
| Ont. Hydro | NUTTALL | PJ | Shift Superintendent | \$125,824.00 | \$603.00 |
| Ont. Hydro | OBRIEN | AS | Shift Operating Supervisor | \$121,611.00 | \$2,002.00 |
| Ont. Hydro | OBUCHOWSKI | G | Technical Supervisor | \$101,345.00 | \$516.00 |
| Ont. Hydro | OCCLESTON | L | Authorized Nuclear Operator | \$104,635.00 | \$436.00 |
| Ont. Hydro | O'CONNOR | JR | Director, Services Integration | \$118,938.00 | \$51,045.00 |
| Ont. Hydro | O'GRADY | JP | Service Mgr, Environmental H&S Services | \$104,987.00 | \$33,166.00 |
| Ont. Hydro | OGRAM | GL | Director, Strategic Development | \$122,487.00 | \$16,708.00 |
| Ont. Hydro | O'HARE | KW | Shift Maintenance Supervisor-Multi-Funct | \$101,798.00 | \$463.00 |
| Ont. Hydro | O'HEARN | G | Senior Vice-President, Network | \$195,319.00 | \$25,865.00 |
| Ont. Hydro | OLIVA | NF | Mgr, Operational Business Planning | \$111,972.00 | \$14,370.00 |
| Ont. Hydro | O'NEILL | S | Shift Supervisor in Training | \$115,829.00 | \$537.00 |
| Ont. Hydro | ORD | N | Maintenance Assessor (Nuclear) | \$100,167.00 | \$362.00 |
| Ont. Hydro | OSBORNE | R | President & CEO | \$1,150,000.00 | \$2,581,047.00 |
| Ont. Hydro | OSLER | C | Director, Corporate Security | \$107,765.00 | \$4,293.00 |
| Ont. Hydro | OSMARS | KA | Manager, Ottawa District | \$109,481.00 | \$24,965.00 |
| Ont. Hydro | OUELLETTE | M | Regional Line Supervisor | \$103,912.00 | \$446.00 |
| Ont. Hydro | OVERY | JD | Director, Info Management | \$100,966.00 | \$14,508.00 |
| Ont. Hydro | OWENS | D | Mechanical Maintainer Journeyperson | \$100,870.00 | \$369.00 |
| Ont. Hydro | PACKER | C | Site Vice-President, Darlington | \$143,334.00 | \$18,744.00 |
| Ont. Hydro | PAETZOLD | H | Technical Superintendent | \$137,208.00 | \$549.00 |
| Ont. Hydro | PAGE | J | Technical Services Coordinator | \$117,028.00 | \$487.00 |
| Ont. Hydro | PALERMO | V | Senior Technical Engineer/Officer | \$112,557.00 | \$468.00 |
| Ont. Hydro | PAPAILIAS | W | Supervising Design Engineer | \$103,013.00 | \$600.00 |
| Ont. Hydro | PAQUIN | G | Shift Superintendent | \$114,886.00 | \$540.00 |
| Ont. Hydro | PARE | MJ | Mechanical Maintainer Journeyperson | \$110,098.00 | \$1,509.00 |
| Ont. Hydro | PARKIN | P | Senior Design Specialist | \$104,791.00 | \$529.00 |
| Ont. Hydro | PARKS | B | Inspection and Maintenance Technician II | \$101,369.00 | \$370.00 |
| Ont. Hydro | PAROSCHY | R | Senior Information Systems Analyst | \$116,395.00 | \$374.00 |
| Ont. Hydro | PARRY | D | Maintenance Assessor (Nuclear) | \$102,449.00 | \$1,216.00 |
| Ont. Hydro | PARTON | JG | Shift Operating Supervisor (Authorized) | \$112,215.00 | \$539.00 |
| Ont. Hydro | PASQUET | P | Shift Superintendent | \$108,614.00 | \$632.00 |
| Ont. Hydro | PATERSON | G | Technical Supervisor | \$106,388.00 | \$511.00 |
| Ont. Hydro | PATTISON | C | Manager, Work Control | \$100,772.00 | \$7,857.00 |
| Ont. Hydro | PAUTLER | CJ | Director, Policy & Research | \$108,000.00 | \$1,760.00 |
| Ont. Hydro | PAW | E | Computer & Communications Systems Off. | \$108,579.00 | \$490.00 |
| Ont. Hydro | PAYNE | BJ | Senior Planning Technician | \$108,161.00 | \$828.00 |
| Ont. Hydro | PEABODY | W | Vice President | \$948,188.00 | \$283,128.00 |
| Ont. Hydro | PEINHOPF | LS | Senior Construction Technician | \$110,570.00 | \$370.00 |
| Ont. Hydro | PELLINI | F | Transaction Coordinator | \$128,343.00 | \$462.00 |
| Ont. Hydro | PENNOCK | DM | Authorized Nuclear Operator | \$103,469.00 | \$436.00 |
| Ont. Hydro | PEPPER | SP | Supervising Nuclear Operator | \$102,720.00 | \$1,105.00 |
| Ont. Hydro | PEPLER | B | Regional Maintainers I - Lines | \$118,155.00 | \$348.00 |
| Ont. Hydro | PEQUEGNAT | JA | Mechanical Maintainer Journeyperson | \$104,736.00 | \$723.00 |
| Ont. Hydro | PEREIRA | NF | Manager, Information Systems | \$103,675.00 | \$2,758.00 |
| Ont. Hydro | PERRON | R | Helicopter Pilot | \$109,040.00 | \$547.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|------------|------------|--|--------------|------------------|
| Ont. Hydro | PHAIR | D | Mechanical Maintainer Union Trades Supv | \$103,086.00 | \$419.00 |
| Ont. Hydro | PHILLIPS | C | Shift Maintenance Supervisor-Multi-Funct | \$112,573.00 | \$471.00 |
| Ont. Hydro | PHORSON | FH | Authorized Nuclear Operator | \$110,310.00 | \$449.00 |
| Ont. Hydro | PILGER | B | Shift Superintendent | \$129,769.00 | \$615.00 |
| Ont. Hydro | PILON | P | Shift Superintendent | \$125,783.00 | \$581.00 |
| Ont. Hydro | PIOTROWSKI | E | Senior Information Systems Analyst | \$106,421.00 | \$461.00 |
| Ont. Hydro | PIPER | ML | Mechanical Maintainer Union Trades Supv | \$103,782.00 | \$481.00 |
| Ont. Hydro | PITRE | G | Senior Planning Technician | \$101,491.00 | \$414.00 |
| Ont. Hydro | PLACEK | R | Senior Engineer/Scientist/Tech Officer | \$105,651.00 | \$500.00 |
| Ont. Hydro | PLAICE | RB | Supervising Nuclear Operator | \$103,228.00 | \$650.00 |
| Ont. Hydro | PLOURDE | M | Trade Supervisor - Electrical | \$100,571.00 | \$444.00 |
| Ont. Hydro | PLOURDE | J | Production Superintendent | \$144,908.00 | \$626.00 |
| Ont. Hydro | POON | A | Senior Information Systems Analyst | \$107,020.00 | \$452.00 |
| Ont. Hydro | POTVIN | D | Maintenance Supervisor - Control | \$116,451.00 | \$531.00 |
| Ont. Hydro | POULIN | M | Maintenance Assessor (Nuclear) | \$101,895.00 | \$378.00 |
| Ont. Hydro | POULIN | RP | Technical Supervisor | \$104,453.00 | \$535.00 |
| Ont. Hydro | POWELL | RJ | Shift Superintendent | \$118,378.00 | \$615.00 |
| Ont. Hydro | POWER | DJ | Sr Mgr, Investment Planning | \$110,265.00 | \$31,400.00 |
| Ont. Hydro | POZEGA | I | Trades Supervisor Maintenance | \$105,493.00 | \$458.00 |
| Ont. Hydro | PRANGE | G | Operations Coordinator - Fuel Handling | \$107,364.00 | \$555.00 |
| Ont. Hydro | PRESTON | ER | VP, Corporate Services | \$151,150.00 | \$7,627.00 |
| Ont. Hydro | PRESTON | E | Vice President - Naop Coordination | \$781,790.00 | \$14,080.00 |
| Ont. Hydro | PRIEST | H | Regional Maintainers I - Lines | \$100,094.00 | \$348.00 |
| Ont. Hydro | PRINCE | CR | Shift Maintenance Supervisor | \$101,147.00 | \$513.00 |
| Ont. Hydro | PRIOR | J | VP, General Counsel Services | \$217,211.00 | \$43,386.00 |
| Ont. Hydro | PURCELL | RM | Technical Supervisor | \$101,537.00 | \$531.00 |
| Ont. Hydro | PUSKAS | ID | Mktg Project Director | \$107,377.00 | \$14,801.00 |
| Ont. Hydro | QUALTROUGH | W | Single Unit Shift Supervisor | \$116,799.00 | \$500.00 |
| Ont. Hydro | QUELCH | PJ | General Manager, Commercial Ops | \$163,942.00 | \$9,119.00 |
| Ont. Hydro | QUINN | JM | Regional Line Supervisor | \$105,456.00 | \$446.00 |
| Ont. Hydro | RADANOVIC | S | Shift Mechanical Maintainer I | \$110,697.00 | \$396.00 |
| Ont. Hydro | RAE | C | Authorized Nuclear Operator in Training | \$100,571.00 | \$427.00 |
| Ont. Hydro | RAE | CC | Mechanical Maintainer Union Trades Supv | \$105,625.00 | \$419.00 |
| Ont. Hydro | RAINVILLE | G | Mechanical Maintainer Union Trades Supv | \$103,909.00 | \$419.00 |
| Ont. Hydro | RAMJIST | S | Shift Superintendent | \$112,352.00 | \$596.00 |
| Ont. Hydro | RANCE | J | Regional Maintainers I - Lines | \$103,014.00 | \$348.00 |
| Ont. Hydro | RANDALL | KS | Authorized Nuclear Operator | \$111,709.00 | \$436.00 |
| Ont. Hydro | RANNEM | S | Supervising Design Engineer - Control | \$118,045.00 | \$555.00 |
| Ont. Hydro | RAVEN | KM | Manager, Programming | \$130,302.00 | \$19,778.00 |
| Ont. Hydro | RAYMOND | S | Mechanical Maintainer Journeyperson | \$105,081.00 | \$358.00 |
| Ont. Hydro | REECE | B | Regional Maintainer - Electric | \$103,603.00 | \$699.00 |
| Ont. Hydro | REID | D | Regional Maintainer - Lines Uts Level 3 | \$108,933.00 | \$377.00 |
| Ont. Hydro | REID | DE | Authorized Nuclear Operator | \$107,355.00 | \$436.00 |
| Ont. Hydro | REID | JG | Engineer/Technical Off-Commercial & Res. | \$106,256.00 | \$2,124.00 |
| Ont. Hydro | REID | JS | Contract Engineer/Administrator | \$101,407.00 | \$443.00 |
| Ont. Hydro | REID | RG | Unauthorized First Operator | \$100,664.00 | \$411.00 |
| Ont. Hydro | REINWALD | W | Mechanical Maintainer Union Trades Supv | \$108,257.00 | \$465.00 |
| Ont. Hydro | REPATH | PV | Construction Technician - Civil | \$104,059.00 | \$359.00 |
| Ont. Hydro | RESMER | K | Regional Maintainer - Lines Uts Level 3 | \$101,277.00 | \$377.00 |
| Ont. Hydro | REYNOLDS | BR | Manager, Line Design | \$108,598.00 | \$9,235.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|-------------|------------|--|--------------|------------------|
| Ont. Hydro | REZEL | A | Senior Information Systems Analyst | \$108,393.00 | \$491.00 |
| Ont. Hydro | RHODES | R | Mgr, Dist Network Dsgn & Stnds | \$110,915.00 | \$489.00 |
| Ont. Hydro | RICHARDSON | J | Section Manager, Dosimetry | \$100,880.00 | \$3,611.00 |
| Ont. Hydro | RIMMER | F | Mgr, Line Sustainment Prgms | \$101,009.00 | \$39,958.00 |
| Ont. Hydro | RITCHIE | ID | Shift Emergency Response Coordinator | \$102,015.00 | \$392.00 |
| Ont. Hydro | RIVETT | D | Regional Maintainers I - Lines | \$102,262.00 | \$348.00 |
| Ont. Hydro | ROBB | L | Senior Information Systems Analyst | \$102,096.00 | \$391.00 |
| Ont. Hydro | ROBBINS | T | Technical Superintendent | \$110,787.00 | \$530.00 |
| Ont. Hydro | ROBBINS | W | Manager, Maintenance Support | \$116,920.00 | \$9,904.00 |
| Ont. Hydro | ROBBINS | R | Regional Line Supervisor | \$109,114.00 | \$437.00 |
| Ont. Hydro | ROBERTS | B | Area Distribution Engineering Technician | \$121,551.00 | \$349.00 |
| Ont. Hydro | ROBERTS | J | Technical Supervisor | \$105,049.00 | \$531.00 |
| Ont. Hydro | ROBERTSON | J | Supervising Nuclear Operator | \$107,725.00 | \$398.00 |
| Ont. Hydro | ROBERTSON | DL | Mechanical Maintainer Union Trades Supv | \$102,271.00 | \$419.00 |
| Ont. Hydro | ROBERTSON | T | Shift Trades Mgmt Supvr - Mech | \$100,530.00 | \$433.00 |
| Ont. Hydro | ROBINSON | K | Exec VP & Managing Director, Trans | \$198,000.00 | \$64,287.00 |
| Ont. Hydro | ROCHE | G | Maintenance Superintendent | \$106,655.00 | \$559.00 |
| Ont. Hydro | ROCK | DD | Mechanical Maintainer Journeyperson | \$118,746.00 | \$584.00 |
| Ont. Hydro | ROCK | TJ | Senior Solicitor, Corporate Services | \$103,792.00 | \$29,032.00 |
| Ont. Hydro | RODARO | N | Mechanical Maintainer Union Trades Supv | \$113,652.00 | \$419.00 |
| Ont. Hydro | ROE | J | Planning Supervisor | \$105,118.00 | \$896.00 |
| Ont. Hydro | ROGER | MJ | Senior Financial Advisor, Generation | \$105,699.00 | \$15,002.00 |
| Ont. Hydro | ROGERS | JR | Director, Contractor Mgmt | \$127,630.00 | \$83,409.00 |
| Ont. Hydro | ROLAND | G | Shift Control Technician | \$105,436.00 | \$374.00 |
| Ont. Hydro | ROLES | WD | Regional Line Supervisor | \$104,893.00 | \$431.00 |
| Ont. Hydro | ROMAIN | DL | Authorized Nuclear Operator | \$111,396.00 | \$436.00 |
| Ont. Hydro | ROMANOWICZ | D | Safety Specialist, Protective | \$105,225.00 | \$487.00 |
| Ont. Hydro | RONCHKA | RA | Director, Commercial Market | \$115,686.00 | \$32,533.00 |
| Ont. Hydro | ROSE | J | Mechanical Maintainer Journeyperson | \$110,014.00 | \$358.00 |
| Ont. Hydro | ROSEBOROUGH | A | Shift Superintendent | \$129,379.00 | \$610.00 |
| Ont. Hydro | ROSS | B | Senior Planning Technician | \$116,336.00 | \$379.00 |
| Ont. Hydro | ROSS | D | Manager, Nuclear Fuel Supply | \$100,260.00 | \$7,817.00 |
| Ont. Hydro | ROSS | G | Inspection and Maintenance Technician II | \$101,099.00 | \$370.00 |
| Ont. Hydro | ROSSINI | G | Senior Financial Strategist | \$102,752.00 | \$12,697.00 |
| Ont. Hydro | ROWE | WR | Authorized Nuclear Operator | \$107,219.00 | \$908.00 |
| Ont. Hydro | ROWLANDSON | R | Senior Protection and Control | \$115,958.00 | \$453.00 |
| Ont. Hydro | ROYCE | CJ | Mgr, Plant Design Engineering | \$101,189.00 | \$9,510.00 |
| Ont. Hydro | ROZA | K | Shift Maintenance Supervisor | \$109,443.00 | \$444.00 |
| Ont. Hydro | RUDOWICZ | B | Supervising Nuclear Operator | \$108,662.00 | \$398.00 |
| Ont. Hydro | RUNNINGS | P | Senior Information Systems Analyst | \$103,951.00 | \$406.00 |
| Ont. Hydro | RUPERT | R | Shift Unit Supervisor | \$106,528.00 | \$410.00 |
| Ont. Hydro | RUSOV | T | General Manager, Distribution Network | \$133,693.00 | \$23,672.00 |
| Ont. Hydro | RUSSELL | DP | Authorized Nuclear Operator | \$110,201.00 | \$436.00 |
| Ont. Hydro | RUSSELL | K | Technical Supervisor | \$105,679.00 | \$504.00 |
| Ont. Hydro | RUSSWURM | G | Regional Maintainer - Lines Uts Level 3 | \$100,170.00 | \$377.00 |
| Ont. Hydro | RYAN | JR | Manager, Env, Safety & Health | \$102,450.00 | \$15,717.00 |
| Ont. Hydro | RYDER | S | Shift Superintendent | \$123,681.00 | \$597.00 |
| Ont. Hydro | RYMES | M | Technical Superintendent | \$112,270.00 | \$537.00 |
| Ont. Hydro | SAKULA | M | Trades Supervisor Maintenance | \$103,824.00 | \$467.00 |
| Ont. Hydro | SALT | RA | Manager, System Planning | \$101,135.00 | \$23,295.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|---------------|------------|--|--------------|------------------|
| Ont. Hydro | SALVADOR | D | Shift Control Technician | \$106,787.00 | \$325.00 |
| Ont. Hydro | SANBORN | J | Shift Maintenance Supervisor-Multi-Funct | \$103,247.00 | \$504.00 |
| Ont. Hydro | SANDE | A | Authorized Nuclear Operator | \$106,827.00 | \$436.00 |
| Ont. Hydro | SANFORD | G | Director, Technical Services & Eng. | \$449,912.00 | \$742.00 |
| Ont. Hydro | SAPIRO | M | Shift Supervisor | \$120,458.00 | \$562.00 |
| Ont. Hydro | SAUTER | C | General Foreman "A" - Lines | \$111,718.00 | \$1,177.00 |
| Ont. Hydro | SAUVE | R | Principal Research Engineer/Scientist | \$119,329.00 | \$571.00 |
| Ont. Hydro | SAVAGE | M | Technical Superintendent | \$150,080.00 | \$598.00 |
| Ont. Hydro | SAWYER | D | Unit Pair Outage Coordinator | \$127,357.00 | \$500.00 |
| Ont. Hydro | SAWYER | DM | Supervising Design Engineer - Electrical | \$105,808.00 | \$586.00 |
| Ont. Hydro | SAWYER | WE | Director, Finance | \$106,983.00 | \$18,729.00 |
| Ont. Hydro | SAXTON | SD | Shift Superintendent | \$131,250.00 | \$615.00 |
| Ont. Hydro | SCANLAN | HR | Regional Line Supervisor | \$104,339.00 | \$439.00 |
| Ont. Hydro | SCARTH | D | Principal Research Engineer/Scientist | \$126,819.00 | \$555.00 |
| Ont. Hydro | SCHEER HENNIN | M | Regional Maintainers I - Lines | \$101,632.00 | \$348.00 |
| Ont. Hydro | SCHETAKIS | J | Manager, U.S. Equities | \$222,745.00 | \$43,934.00 |
| Ont. Hydro | SCHMIDT | DJ | Manager, System Operations | \$113,756.00 | \$641.00 |
| Ont. Hydro | SCHOENERKLEE | W | Mechanical Maintainer Journeyperson | \$100,762.00 | \$302.00 |
| Ont. Hydro | SCHOFIELD | P | General Foreman - Mechanical | \$110,892.00 | \$551.00 |
| Ont. Hydro | SCHRYER | R | Authorized Nuclear Operator | \$118,583.00 | \$1,564.00 |
| Ont. Hydro | SCHUELKE | BO | Sr Advisor, Reg Affrs & Nuc Assurance | \$127,034.00 | \$12,706.00 |
| Ont. Hydro | SCHULTZ | PA | Mechanical Maintainer Union Trades Supv | \$102,195.00 | \$419.00 |
| Ont. Hydro | SCHURTER | T | Mechanical Maintainer Journeyperson | \$107,018.00 | \$779.00 |
| Ont. Hydro | SCHWABE | UA | Outage Manager | \$102,468.00 | \$5,440.00 |
| Ont. Hydro | SCHWEMLER | AM | Manager, Corporate Accounting | \$113,493.00 | \$5,335.00 |
| Ont. Hydro | SCOTT | A | Customer Operations Manager | \$113,374.00 | \$500.00 |
| Ont. Hydro | SCOTT | WK | General Foreman - Electrical | \$110,283.00 | \$554.00 |
| Ont. Hydro | SCOTT | RN | Shift Operating Supervisor (Authorized) | \$116,739.00 | \$536.00 |
| Ont. Hydro | SCOTT | R | Ironworker Foreman Construction | \$109,360.00 | \$0.00 |
| Ont. Hydro | SCOWCROFT | M | Shift Operating Supervisor | \$106,277.00 | \$525.00 |
| Ont. Hydro | SEEDHOUSE | SA | Manager, Work Control | \$111,483.00 | \$15,412.00 |
| Ont. Hydro | SEIGEL | T | Maintenance Superintendent | \$101,055.00 | \$497.00 |
| Ont. Hydro | SELKIRK | SJ | Authorized Nuclear Operator | \$103,409.00 | \$436.00 |
| Ont. Hydro | SELLERS | CC | Mgr, Components & Equipment | \$103,486.00 | \$21,333.00 |
| Ont. Hydro | SERENA | SJ | Asst General Counsel-Employment Law | \$115,733.00 | \$15,126.00 |
| Ont. Hydro | SEVERIN | MH | Vault Supervisor | \$104,550.00 | \$463.00 |
| Ont. Hydro | SEVERIN | S | Maintenance Assessor (Nuclear) | \$106,957.00 | \$378.00 |
| Ont. Hydro | SHALABY | AS | Manager, Network Contract | \$104,995.00 | \$16,303.00 |
| Ont. Hydro | SHARAWY | PS | Project Manager | \$100,334.00 | \$526.00 |
| Ont. Hydro | SHARP | J | Technical Superintendent | \$104,663.00 | \$565.00 |
| Ont. Hydro | SHAW | JJ | Director, Operations & Maintenance | \$115,046.00 | \$53,141.00 |
| Ont. Hydro | SHEEDY | V | Site Project Engineer/Officer | \$124,292.00 | \$566.00 |
| Ont. Hydro | SHEEHAN | MJ | GM, Supply Chain & Spprt Svcs | \$146,050.00 | \$69,249.00 |
| Ont. Hydro | SHELEGY | HP | Manager, Fleet Management Serv | \$100,292.00 | \$3,304.00 |
| Ont. Hydro | SHELTON | DG | Gnrl Mgr, Transmission Network | \$161,090.00 | \$119,833.00 |
| Ont. Hydro | SHEPPARD | D | Authorization Training Supervisor | \$120,152.00 | \$553.00 |
| Ont. Hydro | SHEWCHUK | J | Senior Planner - Stakeholder Relations | \$126,557.00 | \$463.00 |
| Ont. Hydro | SHORE | K | Technical Supervisor | \$101,585.00 | \$505.00 |
| Ont. Hydro | SHOREY | WK | Authorized Nuclear Operator | \$106,881.00 | \$1,280.00 |
| Ont. Hydro | SHUM | KH | Director, I/T Infrastructure | \$110,740.00 | \$46,319.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|------------|------------|--|--------------|------------------|
| Ont. Hydro | SIDOCK | B | Engineer/Technical Off-Commercial & Res. | \$114,119.00 | \$2,582.00 |
| Ont. Hydro | SIEKIERSKI | L | Senior Technical Engineer/Officer | \$109,289.00 | \$462.00 |
| Ont. Hydro | SIMARD | GD | Manager, Human Resources | \$114,694.00 | \$33,292.00 |
| Ont. Hydro | SIMM | G | Trades Supervisor Maintenance | \$116,663.00 | \$446.00 |
| Ont. Hydro | SIMMONS | P | Shift Mechanical Maintainer I | \$111,698.00 | \$354.00 |
| Ont. Hydro | SIMMONS | WJ | Mgr, Configuration Management | \$110,622.00 | \$19,541.00 |
| Ont. Hydro | SIMOES | AF | Authorized Nuclear Operator | \$109,923.00 | \$436.00 |
| Ont. Hydro | SIMOVIC | R | Plant Manager, Nanticoke GS | \$120,610.00 | \$36,742.00 |
| Ont. Hydro | SIMPSON | B | Retail Customer Supervisor | \$119,132.00 | \$384.00 |
| Ont. Hydro | SIMPSON | B | Authorized Nuclear Operator | \$109,019.00 | \$482.00 |
| Ont. Hydro | SIMPSON | DN | Regional Maintainers I - Lines | \$120,137.00 | \$348.00 |
| Ont. Hydro | SIMPSON | K | Shift Maintenance Supervisor | \$109,550.00 | \$512.00 |
| Ont. Hydro | SIMPSON | R | Production Supervisor - Shift | \$103,297.00 | \$469.00 |
| Ont. Hydro | SINFIELD | EJ | Authorized Nuclear Operator | \$114,844.00 | \$436.00 |
| Ont. Hydro | SINGH | VP | Principal Research Engineer/Scientist | \$104,052.00 | \$557.00 |
| Ont. Hydro | SIROTA | Y | Shift Superintendent | \$117,421.00 | \$610.00 |
| Ont. Hydro | SKEARS | J | Director, Nuclear Engineering | \$121,125.00 | \$11,871.00 |
| Ont. Hydro | SKINNER | L | Customer Operations Manager | \$107,888.00 | \$500.00 |
| Ont. Hydro | SKRINS | HE | Supervising Nuclear Operator | \$108,826.00 | \$4,082.00 |
| Ont. Hydro | SMAILL | N | Senior Information Systems Analyst | \$113,993.00 | \$469.00 |
| Ont. Hydro | SMART | PF | Authorized Nuclear Operator | \$103,619.00 | \$436.00 |
| Ont. Hydro | SMITH | W | Director, Prfmnc Msrmt Strtgy | \$101,080.00 | \$8,804.00 |
| Ont. Hydro | SMITH | WF | Director, Materials Management | \$114,039.00 | \$13,122.00 |
| Ont. Hydro | SMITH | R | Authorized Nuclear Operator | \$111,177.00 | \$368.00 |
| Ont. Hydro | SMITH | R | Shift Operating Supervisor (Authorized) | \$102,214.00 | \$537.00 |
| Ont. Hydro | SMITH | SK | Regional Maintainer - Lines Uts Level 3 | \$105,147.00 | \$377.00 |
| Ont. Hydro | SMITH | DW | Mechanical Maintainer Journeyperson | \$100,104.00 | \$933.00 |
| Ont. Hydro | SMITH | G | Senior Business Analyst | \$109,343.00 | \$411.00 |
| Ont. Hydro | SMITH | GS | Technical Supervisor | \$114,750.00 | \$458.00 |
| Ont. Hydro | SMITH | JJ | Authorized Nuclear Operator | \$101,091.00 | \$436.00 |
| Ont. Hydro | SMITH | L | Territory Mgr Inspection | \$101,002.00 | \$784.00 |
| Ont. Hydro | SMITH | ME | Single Unit Shift Supervisor | \$122,068.00 | \$594.00 |
| Ont. Hydro | SMITH | P | Shift Superintendent | \$128,464.00 | \$610.00 |
| Ont. Hydro | SMOCKUM | S | Customer Operations Manager | \$104,866.00 | \$811.00 |
| Ont. Hydro | SMUCK | D | General Foreman - Piping | \$106,813.00 | \$892.00 |
| Ont. Hydro | SNOW | JG | Projects & Modifications | \$116,487.00 | \$525.00 |
| Ont. Hydro | SOARES | J | Authorized Nuclear Operator | \$102,478.00 | \$436.00 |
| Ont. Hydro | SOGAWA | RA | GM, Mtce Construction & Operations | \$151,702.00 | \$84,182.00 |
| Ont. Hydro | SOHI | R | Protection and Control Supervisor | \$100,477.00 | \$342.00 |
| Ont. Hydro | SOUTHER | DW | Manager, Reactor Engineering & Service | \$183,121.00 | \$21,167.00 |
| Ont. Hydro | SPARKS | C | Territory Mgr Inspection | \$108,071.00 | \$1,334.00 |
| Ont. Hydro | SPEKKENS | P | Vice-President, Technical Supp | \$129,085.00 | \$7,644.00 |
| Ont. Hydro | SPELT | M | Technical Supervisor | \$102,806.00 | \$590.00 |
| Ont. Hydro | SPROULE | DW | Regional Line Supervisor | \$106,202.00 | \$431.00 |
| Ont. Hydro | ST MARTIN | A | Authorized Nuclear Operator | \$101,879.00 | \$4,868.00 |
| Ont. Hydro | STAFFORD | DW | Vault Supervisor | \$110,926.00 | \$406.00 |
| Ont. Hydro | STARK | CE | Authorized Nuclear Operator | \$113,335.00 | \$573.00 |
| Ont. Hydro | STARK | F | Supervising Nuclear Operator | \$110,886.00 | \$398.00 |
| Ont. Hydro | STATHAM | T | Regional Line Supervisor | \$104,540.00 | \$431.00 |
| Ont. Hydro | STEELE | J | Regional Maintainer - Lines Uts Level 3 | \$104,829.00 | \$377.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|-------------|------------|---|--------------|------------------|
| Ont. Hydro | STEPHAN | N | Maintenance Superintendent | \$108,129.00 | \$482.00 |
| Ont. Hydro | STEVENS | S | Maintenance Superintendent | \$127,877.00 | \$596.00 |
| Ont. Hydro | STEVENS | CH | Director, Settlements | \$104,499.00 | \$36,473.00 |
| Ont. Hydro | STEVENS | DN | Shift Maintenance Supervisor | \$121,971.00 | \$521.00 |
| Ont. Hydro | STEVENS | M | Mechanical Maintainer Journeyperson | \$100,979.00 | \$358.00 |
| Ont. Hydro | STEVENSON | C | Authorized Nuclear Operator | \$104,138.00 | \$436.00 |
| Ont. Hydro | STEWART | BB | Director, Station Engineering | \$115,317.00 | \$76,187.00 |
| Ont. Hydro | STEWART | RE | Authorized Nuclear Operator | \$123,689.00 | \$1,209.00 |
| Ont. Hydro | STEWART | R | Exec VP, Transmission & Dist | \$209,831.00 | \$54,350.00 |
| Ont. Hydro | STILES | K | Safety Specialist | \$102,893.00 | \$412.00 |
| Ont. Hydro | STOCK | S | Technical Superintendent | \$107,396.00 | \$501.00 |
| Ont. Hydro | STOCK | C | Admin Nuclear Executive Services | \$198,863.00 | \$271.00 |
| Ont. Hydro | STOCKMANN | J | Planning Technician | \$100,720.00 | \$563.00 |
| Ont. Hydro | STORY | BR | Mgr, Labour Relations Nuclear | \$105,271.00 | \$38,553.00 |
| Ont. Hydro | STOTHERS | JE | Director, Internal Investments | \$308,612.00 | \$65,074.00 |
| Ont. Hydro | STOUT | JK | Planning Supervisor | \$100,670.00 | \$897.00 |
| Ont. Hydro | STOWELL | N | Supervising Design Engineer | \$101,054.00 | \$580.00 |
| Ont. Hydro | STOYANOVICH | S | Senior Technical Engineer/Officer | \$100,745.00 | \$447.00 |
| Ont. Hydro | STRACK | R | Regional Maintainer - Lines Uts Level 3 | \$102,368.00 | \$377.00 |
| Ont. Hydro | STRICKERT | B | Site Vice-President, Pickering | \$178,608.00 | \$26,592.00 |
| Ont. Hydro | STROME | SL | Vice-President, Labour Relations | \$165,510.00 | \$56,127.00 |
| Ont. Hydro | STRYBOS | J | Senior Technical Analyst | \$100,256.00 | \$491.00 |
| Ont. Hydro | STUART | D | River Control Supervisor | \$103,217.00 | \$430.00 |
| Ont. Hydro | STUBBERT | DG | Shift Superintendent | \$101,557.00 | \$598.00 |
| Ont. Hydro | STUCCHI | C | Senior Protection and Control | \$103,497.00 | \$478.00 |
| Ont. Hydro | SUBBAYYA | KK | Mgr, Info Systems/Info Technology | \$104,041.00 | \$23,460.00 |
| Ont. Hydro | SULEMAN | AR | Treasurer | \$119,992.00 | \$7,672.00 |
| Ont. Hydro | SUMMERS | K | Customer Operations Manager | \$111,229.00 | \$488.00 |
| Ont. Hydro | SURI | V | Gnrl Mgr, Dstrbtn Network Assets | \$173,673.00 | \$39,030.00 |
| Ont. Hydro | SUTTER | BH | Authorized Nuclear Operator | \$112,077.00 | \$436.00 |
| Ont. Hydro | SUTTON | K | Technical Superintendent | \$100,618.00 | \$549.00 |
| Ont. Hydro | SUTTON | DR | Regional Maintainer - Electrical Uts | \$102,701.00 | \$717.00 |
| Ont. Hydro | SWEENEY | D | Regional Maintainers I - Lines | \$100,048.00 | \$348.00 |
| Ont. Hydro | WORD | F | Shift Trades Mgmt Supvr - Mech | \$109,903.00 | \$432.00 |
| Ont. Hydro | SYKES | RB | Mechanical Maintainer Union Trades Supv | \$102,439.00 | \$419.00 |
| Ont. Hydro | SYMMONS | WR | Manager, Design Projects | \$109,023.00 | \$15,446.00 |
| Ont. Hydro | SYMONDS | DM | Mechanical Maintainer Journeyperson | \$103,987.00 | \$563.00 |
| Ont. Hydro | SZABOTOTH | C | Shift Superintendent | \$108,080.00 | \$598.00 |
| Ont. Hydro | SZEWczyk | B | Regional Line Supervisor | \$102,986.00 | \$439.00 |
| Ont. Hydro | TAILLON | J | Maintenance Assessor (Nuclear) | \$100,931.00 | \$380.00 |
| Ont. Hydro | TALBOT | K | Site Vice-President, Pickering | \$160,061.00 | \$440.00 |
| Ont. Hydro | TALNARIU | E | Technical Superintendent | \$128,573.00 | \$614.00 |
| Ont. Hydro | TAMMADGE | J | Plant Manager, Ottawa-St. Lawrence | \$101,564.00 | \$10,064.00 |
| Ont. Hydro | TATE | DG | Regional Maintainer - Mech Uts Lvl 3 | \$105,009.00 | \$538.00 |
| Ont. Hydro | TAYLOR | CE | Manager, Communication Services | \$101,763.00 | \$2,184.00 |
| Ont. Hydro | TAYLOR | DW | Vice President, Fossil | \$125,266.00 | \$16,853.00 |
| Ont. Hydro | TAYLOR | G | Regional Line Supervisor | \$112,899.00 | \$734.00 |
| Ont. Hydro | TAYLOR | GM | Mechanical Maintainer Journeyperson | \$106,677.00 | \$655.00 |
| Ont. Hydro | TAYLOR | JR | Shift Operating Supervisor | \$108,107.00 | \$504.00 |
| Ont. Hydro | TAYLOR | M | SM, Fuel Handling Mntce | \$119,597.00 | \$503.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|--------------|------------|--|--------------|------------------|
| Ont. Hydro | TAYLOR | WP | Vault Supervisor | \$100,112.00 | \$463.00 |
| Ont. Hydro | TAYLOR | PG | Field Clerk | \$105,901.00 | \$4,083.00 |
| Ont. Hydro | TAYLOR | R | Sr Vice-President, Network Asset Mgmt | \$275,600.00 | \$51,183.00 |
| Ont. Hydro | TELFER | A | Supervising Design Engineer - Structural | \$101,745.00 | \$574.00 |
| Ont. Hydro | TETI | D | Mechanical Maintainer Journeyperson | \$101,258.00 | \$358.00 |
| Ont. Hydro | THAW | DR | Mechanical Maintainer Union Trades Supv | \$106,702.00 | \$1,172.00 |
| Ont. Hydro | THIESSEN | J | Regional Line Supervisor | \$100,684.00 | \$437.00 |
| Ont. Hydro | THOMAS | D | Senior Planning Technician | \$102,518.00 | \$392.00 |
| Ont. Hydro | THOMPSON | G | Shift Operating Supervisor | \$100,728.00 | \$468.00 |
| Ont. Hydro | THOMPSON | P | Design Draftsperson - Mechanical | \$105,267.00 | \$371.00 |
| Ont. Hydro | THOMSON | B | Transaction Coordinator | \$113,796.00 | \$557.00 |
| Ont. Hydro | THORBURN | G | Shift Supervisor | \$110,099.00 | \$583.00 |
| Ont. Hydro | THUOT | DM | Authorized Nuclear Operator | \$122,565.00 | \$436.00 |
| Ont. Hydro | THURIER | B | Technical Supervisor | \$122,242.00 | \$577.00 |
| Ont. Hydro | TIMKO | R | Supervisor - Supply Services | \$106,868.00 | \$396.00 |
| Ont. Hydro | TOMAN | M | Mechanical Maintainer Union Trades Supv | \$116,218.00 | \$419.00 |
| Ont. Hydro | TOMLIN | TR | Mechanical Maintainer Journeyperson | \$103,754.00 | \$586.00 |
| Ont. Hydro | TONELLO | M | Authorized Nuclear Operator | \$110,669.00 | \$436.00 |
| Ont. Hydro | TOPPING | A | Maintenance Coordinator | \$121,375.00 | \$813.00 |
| Ont. Hydro | TOWN | B | Shift Mechanical Maintainer I | \$101,558.00 | \$854.00 |
| Ont. Hydro | TRACEY | W | Shift Unit Supervisor | \$102,447.00 | \$419.00 |
| Ont. Hydro | TRELINSKI | M | Senior Engineer/Scientist/Tech Officer | \$116,728.00 | \$469.00 |
| Ont. Hydro | TREMBLAY | PF | Vice-President, Nuclear Training | \$126,041.00 | \$19,626.00 |
| Ont. Hydro | TRIBOU | JF | Manager, Nuclear Safety | \$102,726.00 | \$31,733.00 |
| Ont. Hydro | TRINCA | G | Authorized Nuclear Operator | \$106,053.00 | \$436.00 |
| Ont. Hydro | TRUANT | PT | Technical Superintendent | \$106,016.00 | \$634.00 |
| Ont. Hydro | TRUAX | CI | Business Development Manager | \$100,786.00 | \$5,689.00 |
| Ont. Hydro | TRUFAL | D | Regional Line Supervisor | \$108,313.00 | \$414.00 |
| Ont. Hydro | TRYPUC | R | Senior Planning Technician | \$125,231.00 | \$414.00 |
| Ont. Hydro | TSANG | R | Senior Research Engineer/Scientist | \$101,190.00 | \$474.00 |
| Ont. Hydro | TSCHIRHART | B | Planning Supervisor | \$113,781.00 | \$430.00 |
| Ont. Hydro | TULLY | P | Regional Maintainer - Mechanical | \$103,077.00 | \$377.00 |
| Ont. Hydro | TUOMI | R | Shift Maintenance Supervisor-Multi-Funct | \$104,405.00 | \$503.00 |
| Ont. Hydro | TUPLING | GR | Senior Planning Technician | \$102,697.00 | \$414.00 |
| Ont. Hydro | TURCOTTE | K | Senior Shift Control Technician | \$114,628.00 | \$781.00 |
| Ont. Hydro | TURNER | F | Technical Superintendent | \$100,946.00 | \$542.00 |
| Ont. Hydro | TWOLAN | J | Shift Maintenance Supervisor-Multi-Funct | \$141,700.00 | \$531.00 |
| Ont. Hydro | URBAN | DA | Dir, Dist System Planning & Development | \$105,224.00 | \$34,701.00 |
| Ont. Hydro | VAN HAEREN | R | Mgr, Station Sustainment Prgms | \$100,625.00 | \$18,478.00 |
| Ont. Hydro | VAN LANGEN | J | Senior Engineer/Scientist/Tech Officer | \$112,224.00 | \$480.00 |
| Ont. Hydro | VAN OPSTAL | F | Authorized Nuclear Operator | \$110,800.00 | \$744.00 |
| Ont. Hydro | VAN VEGHEL | W | Senior Advisor, Human Resources Plng | \$106,072.00 | \$23,333.00 |
| Ont. Hydro | VANCE | S | Marketing Supervisor - Customer Service | \$158,357.00 | \$459.00 |
| Ont. Hydro | VANDERHEYDEN | JM | Shift Operating Supervisor (Authorized) | \$131,288.00 | \$553.00 |
| Ont. Hydro | VANDERZWET | H | Mechanical Maintainer Union Trades Supv | \$103,885.00 | \$419.00 |
| Ont. Hydro | VARDY | B | SM, Field Engineering | \$107,134.00 | \$496.00 |
| Ont. Hydro | VARRIN | GG | Construction Technician - Civil | \$107,951.00 | \$349.00 |
| Ont. Hydro | VASEY | G | Mechanical Maintainer Journeyperson | \$101,759.00 | \$772.00 |
| Ont. Hydro | VAUGHAN | D | Senior Information Systems Analyst | \$103,789.00 | \$455.00 |
| Ont. Hydro | VEENHOF | JH | Mechanical Maintainer Journeyperson | \$100,153.00 | \$677.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|-------------|------------|--|--------------|------------------|
| Ont. Hydro | VEINOT | DS | Exec Director, Corp Finance | \$114,796.00 | \$31,713.00 |
| Ont. Hydro | VELA | I | Senior Engineer/Scientist/Tech Officer | \$104,973.00 | \$469.00 |
| Ont. Hydro | VERBAKEL | F | Shift Unit Supervisor | \$105,157.00 | \$349.00 |
| Ont. Hydro | VERT | J | Exchng Coord - Schedule/Resources | \$105,051.00 | \$481.00 |
| Ont. Hydro | VESCIO | FC | Human Resources Manager | \$104,831.00 | \$25,533.00 |
| Ont. Hydro | VIJAY | DK | Section Mgr, Piping Stress Analysis | \$101,957.00 | \$573.00 |
| Ont. Hydro | VILAR | J | Planning Engineer/Officer - Customer Del | \$163,835.00 | \$433.00 |
| Ont. Hydro | VODENICAROV | K | Senior Information Systems Analyst | \$102,899.00 | \$481.00 |
| Ont. Hydro | VOVES | J | Maintenance Assessor (Nuclear) | \$102,222.00 | \$369.00 |
| Ont. Hydro | VULANOVIC | M | Technical Supervisor | \$100,467.00 | \$541.00 |
| Ont. Hydro | WADDINGTON | D | Shift Maintenance Supervisor | \$105,091.00 | \$1,073.00 |
| Ont. Hydro | WALDIE | J | Technical Supervisor | \$104,158.00 | \$510.00 |
| Ont. Hydro | WALICKI | SS | Regional Line Supervisor | \$105,755.00 | \$377.00 |
| Ont. Hydro | WALKER | G | Senior Engineer/Scientist/Tech Officer | \$126,936.00 | \$480.00 |
| Ont. Hydro | WALKER | G | Maintenance Superintendent | \$113,573.00 | \$489.00 |
| Ont. Hydro | WALKER | J | Shift Operating Supervisor (Authorized) | \$117,236.00 | \$555.00 |
| Ont. Hydro | WALKER | WA | Service Mgr, Info Technology Serv. | \$147,962.00 | \$66,616.00 |
| Ont. Hydro | WALL | BC | Authorized Nuclear Operator | \$109,650.00 | \$436.00 |
| Ont. Hydro | WALLACE | A | Senior Engineer/Scientist/Tech Officer | \$103,686.00 | \$530.00 |
| Ont. Hydro | WALLACE | D | Regional Maintainer - Lines Uts Level 3 | \$117,613.00 | \$377.00 |
| Ont. Hydro | WALLACE | M | Estimating Technician | \$103,177.00 | \$349.00 |
| Ont. Hydro | WALLACE | LH | Shift Operating Supervisor | \$103,142.00 | \$513.00 |
| Ont. Hydro | WALMSLEY | P | Technical Superintendent | \$110,455.00 | \$600.00 |
| Ont. Hydro | WANG | A | Business Process/SAP Specialist | \$106,673.00 | \$516.00 |
| Ont. Hydro | WARD | D | Scheduler - Customer Comm. Centre | \$104,848.00 | \$2,015.00 |
| Ont. Hydro | WARD | TJ | Shift Maintenance Supervisor | \$125,935.00 | \$481.00 |
| Ont. Hydro | WARDROP | E | Mechanical Maintainer Journeyperson | \$112,993.00 | \$646.00 |
| Ont. Hydro | WARREN | DJ | Shift Maintenance Supervisor-Multi-Funct | \$124,302.00 | \$522.00 |
| Ont. Hydro | WARREN | K | Exchng Coord - Schedule/Resource/System | \$104,534.00 | \$562.00 |
| Ont. Hydro | WATKINSON | D | Construction Technician - Civil | \$117,767.00 | \$355.00 |
| Ont. Hydro | WATSON | RW | VP, Marketing & Sales | \$118,099.00 | \$4,280.00 |
| Ont. Hydro | WATSON | TA | Mechanical Maintainer Journeyperson | \$101,626.00 | \$586.00 |
| Ont. Hydro | WATT | TR | Shift Maintenance Supervisor | \$111,140.00 | \$505.00 |
| Ont. Hydro | WATT | KC | Technician | \$105,408.00 | \$371.00 |
| Ont. Hydro | WATTERWORTH | P | Shift Supervisor | \$130,661.00 | \$565.00 |
| Ont. Hydro | WATTMAN | D | Mechanical Maintainer Journeyperson | \$104,453.00 | \$502.00 |
| Ont. Hydro | WEDDEL | KD | Mechanical Maintainer Union Trades Supv | \$111,970.00 | \$419.00 |
| Ont. Hydro | WEPLER | B | SM, Corrective Action | \$113,257.00 | \$571.00 |
| Ont. Hydro | WEST | JA | Mgr, Eastern Territory Svcs | \$113,162.00 | \$19,194.00 |
| Ont. Hydro | WESTON | EH | Assistant Technical Engineer/Officer | \$101,443.00 | \$399.00 |
| Ont. Hydro | WHALLEY | D | Technical Superintendent | \$123,507.00 | \$610.00 |
| Ont. Hydro | WHITAKER | S | Mechanical Maintainer Journeyperson | \$104,477.00 | \$379.00 |
| Ont. Hydro | WHITMAN | D | Shift Unit Supervisor | \$105,317.00 | \$354.00 |
| Ont. Hydro | WHITNEY | GR | Plant Manager, Northwest | \$101,613.00 | \$21,711.00 |
| Ont. Hydro | WHYTE | J | First Line Manager - Operating | \$101,110.00 | \$710.00 |
| Ont. Hydro | WIENS | C | General Foreman - Mechanical | \$100,533.00 | \$524.00 |
| Ont. Hydro | WIGHTMAN | M | Senior Technical Engineer/Officer | \$109,081.00 | \$460.00 |
| Ont. Hydro | WIKARUK | DE | Construction Technician - Civil | \$115,094.00 | \$349.00 |
| Ont. Hydro | WILBEE | JJ | Executive Director, Pension Fund | \$141,797.00 | \$24,859.00 |
| Ont. Hydro | WILLIAMS | E | Technical Supervisor | \$110,268.00 | \$520.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|------------|------------|--|--------------|------------------|
| Ont. Hydro | WILLIAMS | MC | Senior Advisor, NPAG | \$109,880.00 | \$43,158.00 |
| Ont. Hydro | WILLIAMS | P | Planning Superintendent | \$120,060.00 | \$570.00 |
| Ont. Hydro | WILLIAMS | R | Shift Superintendent | \$108,141.00 | \$609.00 |
| Ont. Hydro | WILICH | R | Mechanical Maintainer Journeyperson | \$102,974.00 | \$302.00 |
| Ont. Hydro | WILLSON | I | Authorized Nuclear Operator | \$112,404.00 | \$436.00 |
| Ont. Hydro | WILSON | AM | Director, Business Support | \$118,572.00 | \$51,918.00 |
| Ont. Hydro | WILSON | DA | Shift Superintendent | \$122,018.00 | \$620.00 |
| Ont. Hydro | WILSON | DD | Manager, Strategic Market Planning | \$104,145.00 | \$19,737.00 |
| Ont. Hydro | WILSON | J | Shift Unit Supervisor | \$107,199.00 | \$419.00 |
| Ont. Hydro | WINECK | W | Plumber/Pipefitter Foreman - Const | \$116,505.00 | \$5,831.00 |
| Ont. Hydro | WINTERS | G | Shift Maintenance Supervisor-Mechanical | \$106,669.00 | \$528.00 |
| Ont. Hydro | WISE | P | Senior Inspection and Maintenance Tech | \$106,034.00 | \$414.00 |
| Ont. Hydro | WISE | RA | Manager, Legal Services Trnsmn Company | \$104,661.00 | \$18,857.00 |
| Ont. Hydro | WISEMAN | A | Shift Maintenance Supervisor-Multi-Funct | \$104,516.00 | \$463.00 |
| Ont. Hydro | WISHART | L | Regional Maintainer - Electric | \$116,064.00 | \$439.00 |
| Ont. Hydro | WISSBORN | G | Project Manager | \$111,453.00 | \$539.00 |
| Ont. Hydro | WODZAK | KP | Shift Operating Supervisor (Authorized) | \$125,016.00 | \$553.00 |
| Ont. Hydro | WOLFENDALE | R | Lead Technologist | \$106,689.00 | \$440.00 |
| Ont. Hydro | WOLFER | C | Authorized Nuclear Operator | \$104,845.00 | \$436.00 |
| Ont. Hydro | WONG | S | Information Systems Analyst | \$121,350.00 | \$362.00 |
| Ont. Hydro | WONG | EH | Field Engineer | \$139,401.00 | \$500.00 |
| Ont. Hydro | WONG | GK | Director, Year 2000 Project | \$105,160.00 | \$23,720.00 |
| Ont. Hydro | WONG | R | Senior Financial Strategist | \$104,181.00 | \$13,913.00 |
| Ont. Hydro | WONG | HH | Manager, Thermal Hydraulic Analysis | \$106,618.00 | \$30,497.00 |
| Ont. Hydro | WOOD | P | Shift Control Technician | \$100,601.00 | \$374.00 |
| Ont. Hydro | WOODS | S | Shift Superintendent | \$123,364.00 | \$615.00 |
| Ont. Hydro | WORONCHAK | A | Trades Supervisor Maintenance | \$102,190.00 | \$457.00 |
| Ont. Hydro | WORTMAN | GL | Manager, Lines & Stns Proj Mgmt | \$105,535.00 | \$32,562.00 |
| Ont. Hydro | WRIGHT | K | Shift Site Supervisor | \$101,025.00 | \$361.00 |
| Ont. Hydro | WRIGHT | M | Information Systems Analyst | \$102,246.00 | \$417.00 |
| Ont. Hydro | WRIGHT | P | Senior Technical Engineer/Officer | \$109,290.00 | \$488.00 |
| Ont. Hydro | WYBREW | G | Trades Supervisor Maintenance | \$113,419.00 | \$419.00 |
| Ont. Hydro | WYLD | J | Senior Planning Technician | \$117,535.00 | \$414.00 |
| Ont. Hydro | WYMAN | D | Shift Maintenance Supervisor-Multi-Funct | \$106,305.00 | \$471.00 |
| Ont. Hydro | WYSLOCKY | N | Protection & Control Technologist | \$100,226.00 | \$392.00 |
| Ont. Hydro | YAECK | AM | Shift Maintenance Supervisor | \$102,783.00 | \$438.00 |
| Ont. Hydro | YAM | M | Senior Information Systems Analyst | \$112,696.00 | \$481.00 |
| Ont. Hydro | YAWNEY | G | Regional Maintainer - Electric | \$116,059.00 | \$523.00 |
| Ont. Hydro | YEALLAND | RM | Mgr, Strategic Plnng & Assmnts | \$102,278.00 | \$58,894.00 |
| Ont. Hydro | YEE | A | Technical Specialist | \$109,078.00 | \$525.00 |
| Ont. Hydro | YELEKAR | A | Department Information Systems | \$102,403.00 | \$516.00 |
| Ont. Hydro | YEUNG | B | Project Mgr, GENCO Year 2000 P | \$116,031.00 | \$50,407.00 |
| Ont. Hydro | YOUNG | CM | Senior Mgr, Risk Management | \$105,759.00 | \$2,137.00 |
| Ont. Hydro | YOUNG | R | Shift Maintenance Supervisor-Multi-Funct | \$113,979.00 | \$528.00 |
| Ont. Hydro | YOUNG | TK | Director, Public Affairs | \$124,147.00 | \$12,930.00 |
| Ont. Hydro | YU | A | Mgr, Pension Administration | \$100,239.00 | \$39,213.00 |
| Ont. Hydro | YU | K | Design Engineer - Specialist | \$104,718.00 | \$480.00 |
| Ont. Hydro | YULE | R | Shift Supervisor | \$109,950.00 | \$1,927.00 |
| Ont. Hydro | ZACHARIAH | R | General Foreman - Mechanical | \$106,041.00 | \$524.00 |
| Ont. Hydro | ZADEH | H | Manager, G.R.M.C. Operations Support | \$131,077.00 | \$536.00 |

| Employer | Surname | Given Name | Position | Salary Paid | Taxable Benefits |
|------------|------------|------------|--|--------------|------------------|
| Ont. Hydro | ZAJAC | W | Team Leader - Information Management | \$125,840.00 | \$490.00 |
| Ont. Hydro | ZAKAIB | CS | Senior Financial Advisor | \$103,734.00 | \$10,338.00 |
| Ont. Hydro | ZAKAIB | GD | Section Mgr, Primary Syst D & C | \$102,963.00 | \$580.00 |
| Ont. Hydro | ZAKRZEWSKI | G | Production Supervisor - Technical | \$102,760.00 | \$516.00 |
| Ont. Hydro | ZARUBICK | G | Shift Superintendent | \$122,240.00 | \$632.00 |
| Ont. Hydro | ZAWADA | S | Single Unit Shift Supervisor | \$131,993.00 | \$583.00 |
| Ont. Hydro | ZDYBEL | J | Shift Maintenance Supervisor-Multi-Funct | \$141,811.00 | \$507.00 |
| Ont. Hydro | ZETTEL | T | Maintenance Coordinator | \$108,146.00 | \$587.00 |
| Ont. Hydro | ZIEGLER | BE | Shift Superintendent | \$115,948.00 | \$626.00 |
| Ont. Hydro | ZIURAITIS | J | Shift Superintendent | \$119,642.00 | \$626.00 |
| Ont. Hydro | ZULIANI | CL | Financial Team Leader | \$102,866.00 | \$36,510.00 |
| Ont. Hydro | ZUSKAN | K | Supervising Encon Engineer | \$100,678.00 | \$554.00 |

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)

STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 1999

ASSETS

| | 1999 | 1998 |
|--|-------------------------|--------------------------|
| | \$ | \$ |
| Funds on Deposit with the Minister of Finance | <u>8,660,855</u> | <u>11,870,319</u> |
| | <u>8,660,855</u> | <u>11,870,319</u> |

LIABILITIES & FUND BALANCE

| | | |
|------------------|-------------------------|--------------------------|
| Net Fund Balance | <u>8,660,855</u> | <u>11,870,319</u> |
| | <u>8,660,855</u> | <u>11,870,319</u> |

See accompanying notes to Financial Statements

Approved:



Charles Anderson
Director

MOTOR VEHICLE ACCIDENT CLAIMS FUND
(Established under the Motor Vehicle Accident Claims Act)

STATEMENT OF FUND
FOR THE YEAR ENDED MARCH 31, 1999

| | 1999 | 1998 |
|--|--------------------------|--------------------------|
| | \$ | \$ |
| RECEIPTS | | |
| Fee on issue or renewal of driver's licences | 6,927,289 | 5,651,544 |
| Repayment by debtors | 2,509,500 | 2,809,740 |
| Interest credited on balance | | |
| in Fund as at December 31, 1998 | Ø | Ø |
| Prior year recoveries | <u>423,017</u> | <u>384,527</u> |
| TOTAL RECEIPTS: | <u>9,859,806</u> | <u>8,845,811</u> |
| DISBURSEMENTS | | |
| Special Purpose Payments | | |
| Third Party Claims | | |
| Judgments, including costs | 2,669,699 | 4,559,170 |
| Out-of-Court settlements | 163,843 | 276,389 |
| Hit-and-run cases, including costs | <u>403,201</u> | <u>716,477</u> |
| | <u>3,236,743</u> | <u>5,552,036</u> |
| Accident Benefits | | |
| Statutory accident benefits | <u>5,910,722</u> | <u>4,609,201</u> |
| | <u>9,147,465</u> | <u>10,161,237</u> |
| Administrative Expenses | | |
| Salaries and wages | 834,718 | 909,829 |
| Employee benefits | 222,056 | 261,763 |
| Transportation and communication | 33,393 | 28,372 |
| Services | | |
| Claims (Solicitors' fees, etc.) | 1,166,157 | 1,126,340 |
| Accident benefits claims expense | 797,738 | 825,974 |
| Other | 811,704 | 867,808 |
| Supplies and equipment | <u>56,039</u> | <u>19,578</u> |
| | <u>3,921,805</u> | <u>4,039,664</u> |
| TOTAL DISBURSEMENTS: | <u>13,069,270</u> | <u>14,200,901</u> |
| Increase/(Decrease) in Fund during the year | (3,209,464) | (5,355,090) |
| Balance in Fund, on deposit with the Minister of Finance, Beginning of Year | <u>11,870,319</u> | <u>17,225,409</u> |
| Balance in Fund, on deposit with the Minister of Finance, End of Year | <u>8,660,855</u> | <u>11,870,319</u> |

See accompanying notes to Financial Statements

MOTOR VEHICLE ACCIDENT CLAIMS FUND

NOTES TO FINANCIAL STATEMENT

1. Authority

The Motor Vehicle Accident Claims Fund (the "Fund") operates under the authority of the Motor Vehicle Accident Claims Act (the "Act"), R.S.O. 1990, Chapter M.41 as amended.

2. Fund Operations

The Fund was originally established to provide compensation to victims of motor vehicle accidents caused by uninsured or hit-and-run motorists in Ontario. Uninsured motorists were required to pay an annual fee into the Fund. However, effective March 1, 1980, with the enactment of the Compulsory Automobile Insurance Act, all motorists were required to carry compulsory third party liability insurance including uninsured motorist coverage.

The Fund continues to pay those claims occurring after March 1, 1980, up to June 22, 1990 involving:

- pedestrians who are injured by an uninsured or hit-and-run vehicle where the pedestrian is not otherwise covered by an automobile insurance policy;
- injury to uninsured passengers in an uninsured vehicle where the driver of the uninsured vehicle is at fault;
- innocent parties where two uninsured motor vehicles are involved; and
- damages to property not insured against vehicle impact (e.g. Hydro and telephone poles, highway guardrails, etc.) providing both owner and driver of the uninsured vehicle can be identified.

Effective June 22, 1990, the Insurance Statute Law Amendment Act amended the Motor Vehicle Accident Claims Act to require that the Fund also pay first-party, no-fault accident benefits in accordance with the Statutory Accident Benefits Schedule to all parties, in those residual circumstances where no automobile insurance is available. The right of subrogation, which had applied to all claims prior to June 22, 1990, now only exists on liability claims which require that a personal injury threshold be surpassed.

As was the case in pre-June 1990 cases, the Fund continues to pay property damage claims, providing both the owner and driver of the uninsured vehicle are identified, except in those instances involving two uninsured vehicles, where no property damage claims are paid.

Bill 164 an Act to amend the Insurance Act became law, effective January 1, 1994. The Fund was required to pay out an enhanced level of accident benefits as set out in the Statutory Accident Benefits Schedule ("SABS"). This change has not materially affected the volume of claims although it has affected the configuration of claims and ceiling amounts.

The Automobile Insurance Rate Stability Act 1996, became effective on November 1, 1996. This Bill changed again the configuration of claims and ceiling amounts decreasing accident benefit claim limits and expanding tort rights, while establishing disincentives for operators of uninsured vehicles.

As a result of these legislative changes since 1990, the Fund is paying out claims under four different automobile insurance systems.

3. **Statement of Fund**

Basis of Accounting

The Fund uses a cash basis of accounting which is modified to allow an additional thirty days to pay for goods and services pertaining to the fiscal year just ended. In this regard, certain payments incurred at year end may be reported in the following month of the new fiscal period.

Receipts

Fees consist of \$1.00 charged per year to every driver in the Province of Ontario who renews his/her driver's licence and for every new driver's licence issued. Effective April 1, 1994, Regulation 800 under the Motor Vehicle Accident Claims Act was amended to reduce this annual fee from \$1.00 to \$0.10. On July 2, 1997 the annual \$1.00 fee was reinstated.

Amounts collected on outstanding receivables are reported as receipts in the year they are collected (see below for explanation of Accounts Receivable).

Interest on the Fund is the amount credited at fiscal year end, based on calculations of the balance of the Fund at December 31. The rate of interest is determined by the Lieutenant Governor in Council, and was set at 0% effective April 1, 1993.

Special Purpose Payments

Amounts paid from the Fund to victims of automobile accidents, where there is no insurance to respond to the claim, are reported as expenditures and are broken down into claim types set out in the Motor Vehicle Accident Claims Act. These payments are legally recoverable from uninsured at-fault motorists, for all third party, liability claims.

Administrative Expenses

The administrative expenditures (e.g. Salaries, Benefits, Transportation & Communication, Services and Supplies & Equipment) are paid out during the course of the year from the Consolidated Revenue Fund. At the end of each fiscal year, the Lieutenant Governor in Council authorizes the payment out of the Motor Vehicle Accident Claims Fund, of the amount required to reimburse the Consolidated Revenue Fund for the expenses incurred in connection with the administration of the Fund.

4. Statement of Financial Position

Motor Vehicle Accident Claims Fund

As at March 31, 1999 the Motor Vehicle Accident Claims Fund reported disbursements in excess of receipts by \$3.2 million decreasing the fiscal year end Fund balance to \$8.7 million. This amount is held in a Consolidated Revenue Fund Special Purpose Account and is reported as a liability on the Statement of Financial Position of the Province of Ontario.

Accounts Receivable

The records of the Fund provide for an Accounts Receivable portfolio, compiled over the years as a result of third party claim payouts to uninsured victims. In accordance with the Motor Vehicle Accident Claims Act these payouts which become receivables, are recoverable from uninsured motorists. As of March 31, 1999, the process used to estimate the allowance for doubtful accounts was revised based on recommendations from an external consultant, invited to assess net realizable value of the receivable portfolio. The process involves an aging method modified to suit the Fund's payout process. At year end the receivables totalled \$55.5 million. The allowance for doubtful accounts is calculated to be \$32.3 million leaving a net realizable value of \$23.2 million.

Fixed Assets

The cost of Fixed Assets, consisting of furniture and equipment and alterations to premises are charged to operations in the period in which they are incurred.

Unfunded Liability

As at March 31, 1999 the Fund is contingently liable for claims in process, claims which have occurred but have not yet been reported, and the expenses required to settle the claims. Based on an actuarial valuation, the estimated payments in all future years arising from outstanding claim and claim settlement expense liability, add up to \$105.6 million. This amount includes a \$7.5 million provision for adverse deviation. Once netted against the Fund's \$8.7 million balance, and \$23.2 million in net receivables, (as per Accounts Receivable, above), this leaves an unfunded liability of \$73.7 million.

The portion of the overall \$105.6 million expected to be paid out in the 1999-2000 fiscal year is estimated to be approximately \$12.1million.

Office of the
Provincial Auditor
of Ontario



Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
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(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Provincial Judges Pension Board
and to the Minister of Finance

I have audited the statement of changes in fund balance of the Provincial Judges Pension Fund for the year ended March 31, 1999. This financial statement is the responsibility of the Fund's management. My responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, this financial statement presents fairly, in all material respects, the financial position of the Fund as at March 31, 1999 and the results of its operations for the year then ended in accordance with the accounting policy described in note 2 to the financial statement.

Toronto, Ontario
April 30, 1999

A handwritten signature in cursive script, reading 'K W Leishman'.

K.W. Leishman, CA
Assistant Provincial Auditor

PROVINCIAL JUDGES PENSION FUND
**Statement of Changes in Fund Balance
For the Year Ended March 31, 1999**

| | 1999 (\$000's) | 1998 (\$000's) |
|--|-------------------|-------------------|
| Deposits | | |
| Contributions | | |
| Participants | 1,959 | 1,775 |
| Province of Ontario (Note 4) | 9,449 | 8,439 |
| Interest earned | <u>20,255</u> | <u>18,826</u> |
| | <u>31,663</u> | <u>29,040</u> |
| Payments | | |
| Pension payments and survivor allowances | 9,469 | 8,715 |
| Refunds | <u>79</u> | <u>1</u> |
| | <u>9,548</u> | <u>8,716</u> |
| Net increase in the Fund | 22,115 | 20,324 |
| Balance on deposit with the Minister of Finance | | |
| - beginning of year | <u>209,124</u> | <u>188,800</u> |
| - end of year | <u>231,239</u> | <u>209,124</u> |

Contingent liability (Note 5)

See accompanying notes to financial statement.

Approved on behalf of the Board:



Chair

PROVINCIAL JUDGES PENSION FUND**Notes to Financial Statement
March 31, 1999**

1. DESCRIPTION OF THE FUND

The Provincial Judges Pension Fund (the Fund) is administered by the Provincial Judges Pension Board as designated by Ontario Regulation 67/92, as amended, of the *Courts of Justice Act*. The following brief description of the Fund is provided for general purposes only. For more complete information, reference should be made to the Regulation.

(a) General

The purpose of the Fund is to provide pension payments to retired Provincial Judges and Masters of the Ontario Court (General Division) or survivor allowances to the dependents of these Judges and Masters.

(b) Funding Policy

Participants are required to contribute 7% of their salary to the earlier occurrence of meeting their basic service requirement or attaining age 70 years. This contribution may be apportioned by the Board to the Fund to provide for entitlements and to the Consolidated Revenue Fund toward the cost of life insurance benefits provided.

The annual contribution required of the Province is determined annually by an actuarial valuation.

(c) Pension Payments

A pension payment is available based on the age and the number of years of full-time service for which the participant has credit upon ceasing to hold office and on the salary of a full-time judge of the highest judicial rank held by the participant while in office. The participant is entitled to these payments during his/her lifetime.

(d) Disability Pension Payments

A full pension is available at age 65 for participants with a minimum of five years of full-time service who are unable to serve in office due to injury or chronic illness.

(e) Survivor Allowances

A survivor allowance equal to 60% of the pension payment is paid to the spouse during the spouse's lifetime or to children who meet the age, custody, education or disability criteria defined in section 22 of the Regulation.

(f) Death Refunds

A death refund is payable to the personal representative of a participant where there is no further entitlement to a survivor allowance. The amount of the refund is equal to the participant's contributions in the Fund plus interest, less entitlements already paid out.

(g) Withdrawal Refunds

Upon ceasing to hold office for a reason other than death, participants not eligible to receive pension payments are entitled to receive a refund of the contributions to the Fund plus interest.

PROVINCIAL JUDGES PENSION FUND**Notes to Financial Statement
March 31, 1999**

1. DESCRIPTION OF THE FUND (CONTINUED)**(h) Interest Revenue**

All new money, being the excess of deposits over payments each fiscal year, earns interest at a fixed rate for 25 years which is not less than the weighted average rate on long term securities issued or guaranteed by the Province of Ontario during that fiscal year. For the 1999 fiscal year, the rate applied to the new money each month was 6.07% (1998 – 6.87%) and was credited from the end of each month to the end of the fiscal year. The weighted average interest rate applied to the fund balance at the beginning of the fiscal year was 9.65% (1998 – 9.95%).

(i) Fund Status

The Fund is not subject to the reporting requirements under the *Pension Benefits Act* and Regulations. However, the Fund has the status of a registered pension plan for income tax purposes.

(j) Escalation of Entitlements

Entitlements are adjusted annually based on changes in the Canadian Aggregate Industrial Wage as published by Statistics Canada, subject to a maximum of 7% in any one year.

(k) Pending Changes to the Fund

Amendments to the *Income Tax Act (Canada)* (ITA) limit the pension benefit payable from the Fund for post 1991 service. Cabinet has approved that benefits above the ITA limit will be provided through a separate supplementary account in the Consolidated Revenue Fund.

The terms of the Fund are being revised to comply with the requirements under the ITA, and an Order-in-Council will be required to establish the supplementary account.

Revenue Canada is aware of the status of the supplementary account.

To date, the Fund has paid out approximately \$1,931,766 which should have been paid from the supplementary account. Once the account is established, there will be a reconciliation between the account and the Fund, both of which are to be held within the Consolidated Revenue Fund.

2. SIGNIFICANT ACCOUNTING POLICY

The financial statement has been prepared on a cash basis of accounting.

3. ADMINISTRATIVE EXPENSES

Administrative expenses are paid by the Province of Ontario.

PROVINCIAL JUDGES PENSION FUND**Notes to Financial Statement
March 31, 1999**

4. LIABILITY FOR FUTURE BENEFITS

The most recent actuarial valuation of the Fund disclosed that, as of March 31, 1998, the present value of future government contributions for pension payments and survivor allowances was \$100,649,000 (1997 - \$99,966,000). The Province contributes towards this total in amounts recommended by the actuarial valuation. For each of the years shown, the contributions were based on the previous year's valuation, the most current valuation completed at the time the contributions were made.

5. CONTINGENT LIABILITY

Approximately 118 provincial court judges appointed before 1984 have commenced action against Her Majesty the Queen in Right of the Province of Ontario, claiming that the transfer of their contributions from the Public Service Superannuation Fund (PSSF) to the Provincial Judges Pension Fund (PJPF) was not legally authorized. They claim the return of their contributions or damages to a maximum of \$200,000 each.

In December 1995 a retired provincial court judge brought an application alleging that the transfer of his contributions from the PSSF to the PJPF was not legally authorized. Two of the 118 judges in the first claim intervened in this application. The court held that the transfer was lawful.

With this unfavourable decision, it is unlikely that the 118 provincial court judges will maintain their action. Since March 1998, the judges have neither advanced their claims nor formally withdrawn them by filing Notices of Discontinuance. It is unlikely that the judges will advance their claims. However, Crown counsel has been instructed to attempt to force a formal discontinuance of the claims.

6. YEAR 2000 ISSUE

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect an entity's ability to conduct normal business operations.

Management has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 issue on the Provincial Judges Pension Fund with the exception of the payment system. Management will not make this system year 2000 compliant because this aspect of the operations will be handled by third party as disclosed in note 7. An assessment of the readiness of third parties, such as insurance carriers, is ongoing.

It is not possible to be certain that all aspects of the Year 2000 issue affecting the Provincial Judges Pension Fund, including those related to the efforts of third parties, will be fully resolved.

PROVINCIAL JUDGES PENSION FUND

Notes to Financial Statement
March 31, 1999

7. SUBSEQUENT EVENT

Order-in-Council 1164/99 authorized the Ontario Pension Board to enter into a service agreement to provide administrative support services in respect of the pension and benefits plan for provincial judges previously provided by Management Board Secretariat.

LOSSES DELETED FROM THE ACCOUNTS

(Under the *Financial Administration Act*)
for the year ended March 31, 1999

| Ministry | \$ |
|---|-------------------------|
| Finance | \$182,761,449.78 |
| Education & Training | \$7,004,973.60 |
| Municipal Affairs & Housing | \$971,726.11 |
| Health | \$499,669.08 |
| Agriculture, Food and Rural Affairs | \$460,760.73 |
| Environment & Energy | \$457,717.32 |
| Transportation | \$321,142.54 |
| Economic Development, Trade & Tourism | \$269,831.90 |
| Consumer & Commercial Relations | \$262,895.06 |
| Natural Resources | \$182,380.28 |
| Community & Social Services | \$93,406.41 |
| Solicitor General & Correctional Services | \$72,598.00 |
| Attorney General | \$30,254.01 |
| Citizenship, Culture & Recreation | \$1,223.00 |
| Labour | \$859.05 |
| TOTAL MINISTRIES | \$193,390,886.87 |
| Ontario Development Corporations | \$333,568.95 |
| TOTAL WRITE-OFFS | \$193,724,455.82 |

REVENUE REMISSIONS OF \$1,000 OR MORE

(Under the *Ministry of Revenue Act*)
granted for the year-ended March 31, 1999

| | |
|------------------------------------|-----------|
| Ministry of Finance | \$ |
| Jun Kawasaki Retail Sales Tax | 2,153 |
| Jackie Wilcox Retail Sales Tax | 1,600 |
| Edna Forde Retail Sales Tax | 1,542 |
| Elaine Pace Retail Sales Tax | 1,400 |
| Frank Bialas Retail Sales Tax | 1,336 |
| Natalie Richer Retail Sales Tax | 1,249 |
| Dolores Sorton Retail Sales Tax | 1,214 |
| Marilyn Kaneb Retail Sales Tax | 1,200 |
| Donna Solobay Retail Sales Tax | 1,148 |
| Martha Monroe Retail Sales Tax | 1,074 |
| Bruce Morrison Retail Sales Tax | 1,041 |
| Janet Goodsell Retail Sales Tax | 1,040 |

Richard Benjamin

Retail Sales Tax

1,011

17,008

Other Remissions

A remission of *Income Tax* was granted to each individual who received an incentive grant from the Ministry of Health through its Underserviced Area Program between May 23, 1985 and December 31, 1997. The remissions are estimated at approximately \$2,000,000, affecting approximately 600 individuals.

