



Ministry of Finance

Province of Ontario

Annual Report

2000-2001

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Message from the Minister of Finance



**The Honourable
James M. Flaherty
Minister of Finance**

I am pleased to present the 2000-2001 Public Accounts and the Annual Report of the Province of Ontario which highlights this government's financial achievements and economic performance.

My goal as Minister of Finance is to build a brighter future for everyone in Ontario by protecting jobs, keeping families financially secure and helping all communities become stronger and safer. I believe that we are well on our way to achieving that goal, but I recognize that more work needs to be done. That's why I believe it's important to remain true to our guiding principles and ensure that everything we do is fiscally responsible, accountable and helps Ontario create jobs and grow.

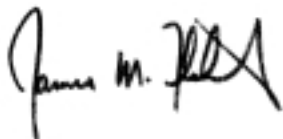
This is my first year as Minister of Finance, and I am very proud of what we've achieved in the 2000-2001 fiscal year. Through prudent and realistic planning, 2000-01 is the sixth year in a row that the government has not only met, but over-achieved its deficit and debt reduction targets. In fact, the surplus in 2000-01, of \$3.3 billion represents a \$2.7 billion improvement in the fiscal balance from the 1999-00 surplus of \$668 million. This is the first time in half a century that an Ontario government has achieved two consecutive surpluses. Very simply, we did this because we believe that prudent fiscal management is key to building a stronger, healthier Ontario.

The surplus in the fiscal year just ended has also allowed the government to reduce Net Provincial Debt by \$3.1 billion - that's the largest debt reduction in Ontario's history. After only two short years, the government has achieved more than 80 per cent of the \$5 billion reduction in Net Provincial Debt promised during this current term in office. Once again, we have kept our promises and by doing so, have ensured that we are accountable to the taxpayers of this province.

Ontario's economy continued its strong expansion, with real GDP rising 5.2 per cent in 2000. This followed another strong gain of 6.9 per cent in 1999 and was the ninth straight annual increase for the province. The growth was largely propelled by robust domestic demand, with machinery and equipment investment up 11.8 per cent and residential construction up by 5.1 per cent. Housing starts reached their highest level since 1989, at over 71,000. Consumers remained upbeat in 2000 with expenditures up a healthy 4.0 per cent in real terms, following a robust 4.4 per cent gain in 1999. The increase was supported by a 6.1 per cent rise in after-tax income, the largest gain in take-home pay since 1989.

Clearly, our plan has worked. In the last two years alone, the economy grew by 12.4 per cent. It grew faster than any of the G-7 nations and since 1997, it grew by almost 18 per cent. Government revenues have increased by nearly \$15 billion and as of August 2001, 836,000 net new jobs have been created since 1995.

For our plan to continue to succeed, we must continue with our common-sense balanced budget approach to economic prosperity. Tax cuts, eliminating red tape and paying down the debt will secure our place in a rapidly changing, competitive global economy. We must continue to ensure that tax dollars are being used prudently. We must continue to ensure that all institutions funded by the taxpayer are accountable. And we must continue to focus on growth and creating jobs as our top priority. When new jobs are created, our families, our communities and Ontario will remain strong and competitive.

A handwritten signature in black ink, appearing to read "James M. Flaherty". The signature is stylized with a large, looped "F" and a distinct "A".

The Honourable James M. Flaherty
Minister of Finance

The Year in Review

With a surplus of \$3,325 million for 2000–01, the Province recorded a surplus for the second consecutive year. In November 1995 the government set out the Balanced Budget Plan with steadily declining annual deficit targets, culminating in a balanced budget in 2000–01. The deficit-reduction targets were overachieved each year of the Plan, and the deficit was eliminated in 1999–2000, one year ahead of schedule.

To help ensure Ontario's fiscal position remains secure, the government introduced and the Legislature passed the *Taxpayer Protection Act* and the *Balanced Budget Act* in 1999.

In the 2000 Ontario Budget the government made a commitment to reduce Net Provincial Debt by at least \$5 billion during the current term of office. With a contribution to debt reduction of \$1.0 billion in 1999–2000 and \$3.1 billion in 2000–01, the government has already met more than 80 per cent of its commitment in the first two years.

2000–01 Fiscal Highlights

(\$ Millions)	1999–00	2000–01
Revenue	62,931	64,682
Expenditure	61,909	61,601
Decrease (Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers*	(354)	244
Surplus/(Deficit)	668	3,325

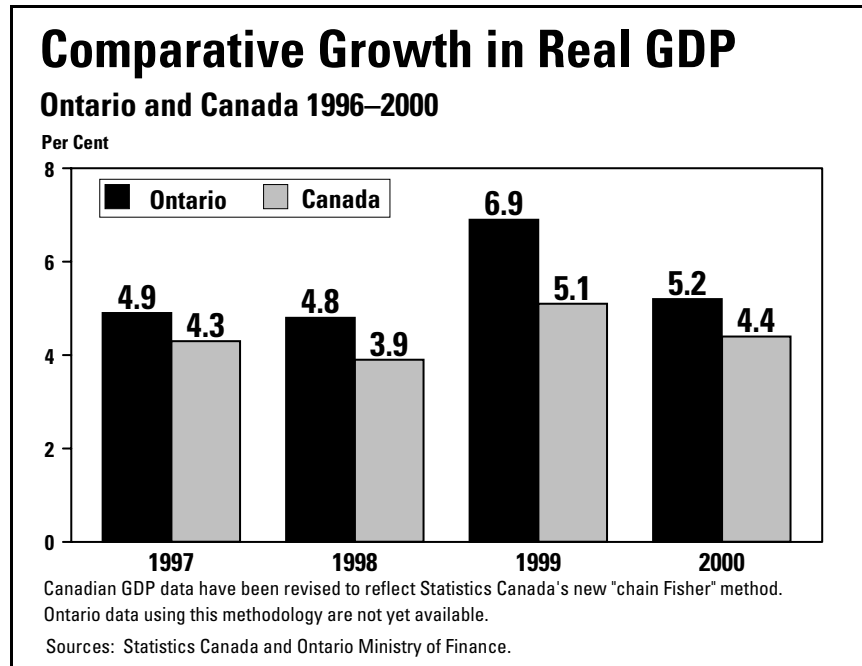
* See OEFC Revenues and Expenses schedule on page 29.

Source: Ontario Ministry of Finance.

Economic Highlights

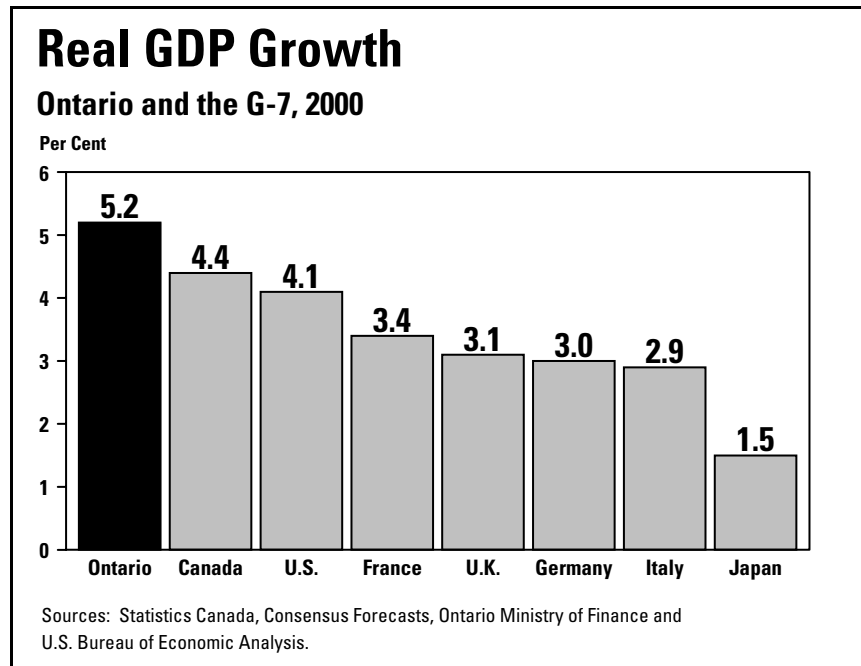
Real Gross Domestic Product (GDP) Growth

For calendar year 2000, the Ontario economy recorded strong economic growth, rising 5.2 per cent. Economic growth was broadly based with robust machinery and equipment investment, strong consumer spending and residential construction leading the way.



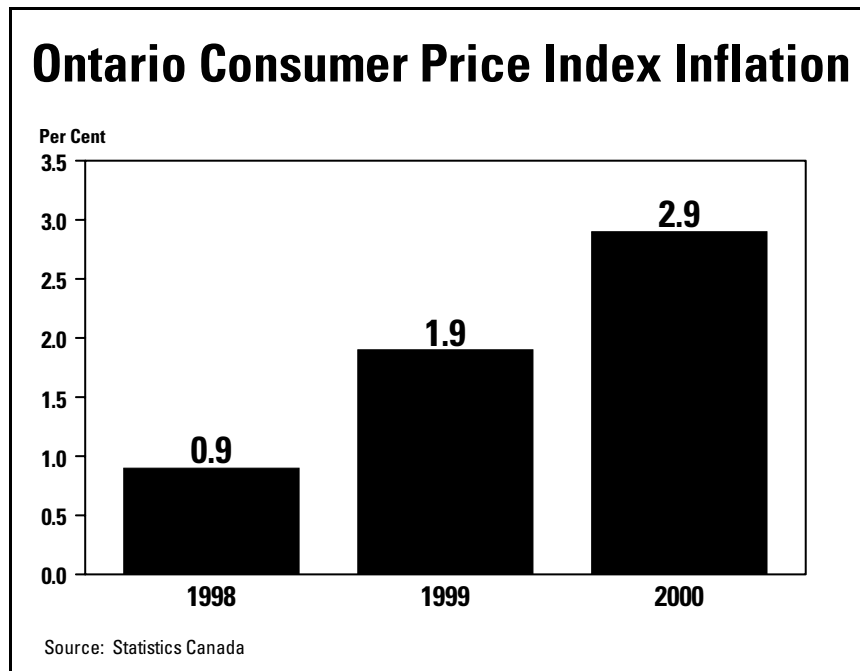
With solid domestic demand, business investment in machinery and equipment increased 11.8 per cent. Consumer expenditure recorded another healthy advance in 2000, up 4.0 per cent. Residential construction grew 5.1 per cent.

Ontario's economic performance surpassed that of the rest of Canada, the United States and all of the other G-7 major industrial countries.



Consumer Price Index Inflation

Ontario's inflation rate, as measured by the changes in the consumer price index (CPI), was 2.9 per cent in 2000, up one percentage point from 1.9 per cent in 1999. The one percentage point rise in 2000 CPI inflation resulted mainly from the climb in energy prices.

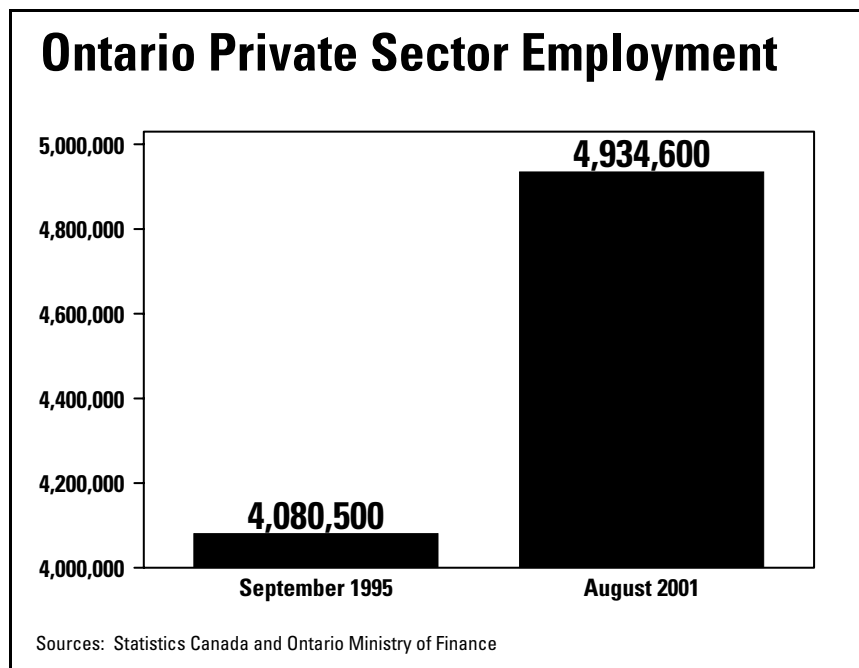


Employment

Since the September 1995 Throne Speech, Ontario's private sector has created 854,100 net new jobs.

Total employment, including the public sector, has risen by 836,000 over the same period. The largest gains in employment were in the manufacturing sector with 210,000 new jobs, followed by wholesale and retail trade with 153,000 new jobs and professional scientific and technical services with 115,000 new jobs.

During 2000, on an average annual basis, 184,000 net new jobs were created economy-wide. Since September 1995, the unemployment rate has fallen 1.8 percentage points from 8.4 per cent to 6.6 per cent.



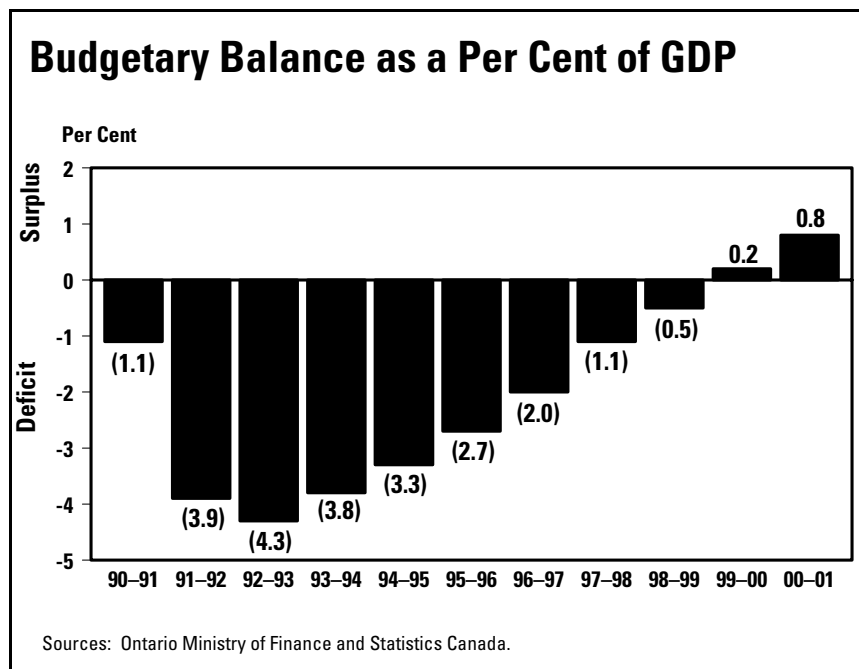
Fiscal Highlights Overview

Budgetary Balance

The \$3,325 million surplus in 2000–01 represents a \$2,657 million improvement in the fiscal balance from the 1999–2000 surplus of \$668 million, and a \$3.3 billion improvement from the 2000 Budget which called for a balanced budget. Ontario has now achieved two consecutive surpluses for the first time in more than half a century, with a third planned for 2001–02.

The deficit as a share of the economy peaked at 4.3 per cent in 1992–93. With a Provincial surplus in 1999–2000 and 2000–01, and a legislated commitment to balanced budgets, the deficits of the past will not be repeated.

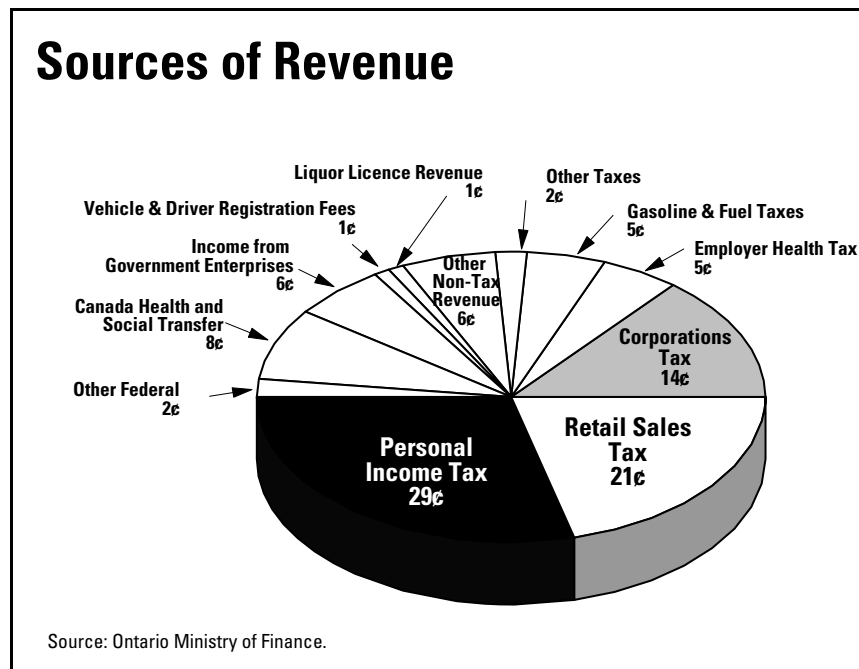
Ontario's 2000 Budget Plan included a \$1 billion reserve designed to protect the balanced budget against unexpected and adverse changes in the economic and fiscal outlook. Based on improvements in the economic and revenue outlook, the \$1 billion reserve was eliminated in-year and applied to reduce Net Provincial Debt.



Revenue

Total revenue was \$64,682 million in 2000–01, an increase of \$1,751 million from 1999–00 levels.

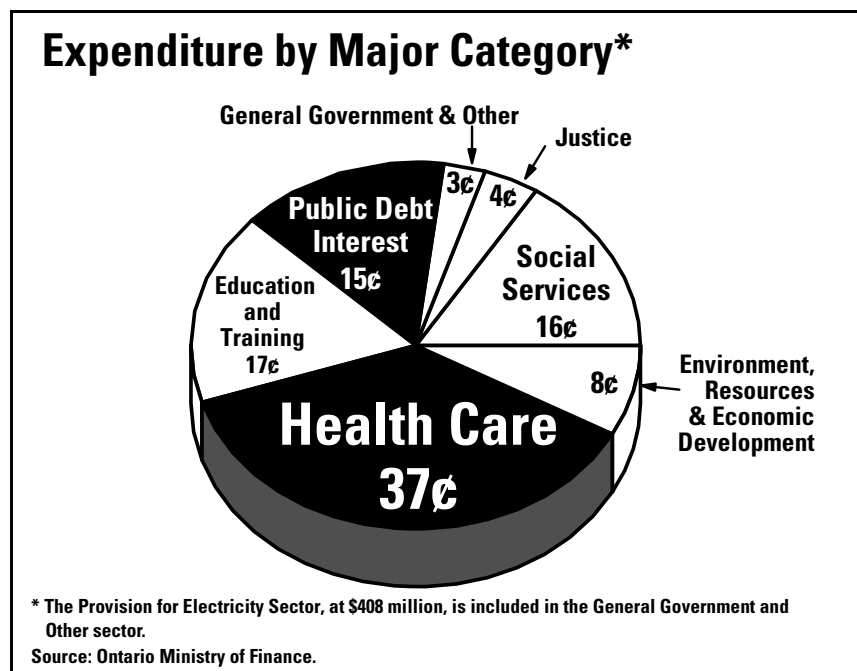
Revenue increases were mostly the result of strong economic growth supported by the government's policies of lower taxes and sound fiscal management. Taxation revenue was \$3,401 million above 1999–00 levels. Income from Government Enterprises and Federal Payments were also higher in 2000–01 than in 1999–00.



Expenditure Highlights

Total expenditure in 2000–01, at \$61,601 million, was \$308 million lower than the 1999–2000 level of \$61,909 million. This decrease was mainly due to a return to the base level of planned SuperBuild expenditures following one-time 1999–2000 investments in health and post-secondary education, largely offset by increases in health care spending.

About 70 per cent of total Provincial expenditure is related to social programs spending, including health, education and social services. Interest on Ontario's outstanding debt accounted for another 15 per cent of expenditure. Environment, resources and economic development, justice and general government expenditure accounted for the remaining 15 per cent.



2000-01 Revenue Performance

Total revenue in 2000–01 was \$2,622 million above the level projected in the 2000 Budget. Tax revenue, driven by the strength of the Ontario economy and continued job creation, was \$1,959 million above forecast. This includes Personal Income Tax revenue of \$565 million and Corporations Tax revenue of \$265 million in 2000–01 to reflect higher tax revenue for 1999–2000 than estimated and reported in the 1999–2000 Public Accounts.

Federal Payments and Income from Government Enterprises were also above the 2000 Budget projection. Other Revenue was \$11 million below projection mainly reflecting lower Sales and Rental revenue.

Summary of In-Year Changes to Revenue in 2000-01 (\$ Millions)

Taxation Revenue

Personal Income Tax	1,094
Retail Sales Tax	335
Corporations Tax	435
Employer Health Tax	104
All Other	(9)

Total Taxation Revenue	1,959
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Federal Payments	97
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Income from Government Enterprises	577
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Other Revenue	(11)
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Total In-Year Revenue Changes	2,622
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Source: Ontario Ministry of Finance

Summary of In-Year Changes to Expenditure

Total provincial government expenditure was \$541 million above the 2000 Budget Plan mainly due to in-year investments in health care, largely offset by underspending in other program areas.

Major Sources of Change in Expenditure from the 2000 Ontario Budget Plan

- Health care spending increased by a net \$714 million in-year, primarily for hospitals, which received \$462 million in base operating enhancements, plus one-time funding of \$177 million provided to fund hospital deficits, \$120 million to reward efficient hospitals and \$140 million to accelerate Health Sector Restructuring Commission-directed capital projects. Other funding enhancements included \$190 million for medical equipment, \$96 million to accommodate higher than expected growth in Ontario's drug programs and \$37 million for growth in long-term care community programs. These increases were partially offset by operating savings of \$508 million resulting from delays in implementation of new long-term care beds, slower than expected take-up of new community mental health, primary care and other programs, and capital savings arising from delays in hospital construction.
- Consistent with the government's commitment to keep electricity income in the electricity sector, \$408 million was added in-year to the Provision for Electricity Sector. This provision is equal to the net income of Ontario Power Generation Inc. and Hydro One Inc. in excess of the Province's interest expenditure on its equity investment in the electricity sector. This treatment is consistent with the establishment of the provision in the 1999–2000 Public Accounts.
- Reported expenditure increased \$404 million in-year to reflect the consolidation of the Independent Electricity Market Operator as a government organization, consistent with the treatment in the 1999–2000 Public Accounts.
- Underspending of \$334 million in the SuperBuild Partnership Initiatives was due to decisions to delay launching of these initiatives to take into account the November 2000 municipal elections and the time required by municipalities to prepare business cases for their projects and pass required municipal council resolutions.
- Northern Ontario Heritage Fund Corporation (NOHFC) spending was \$154 million lower than planned in 2000–01, as NOHFC refocused its mandate and worked to develop a strategy for major capital partnerships. Funds not allocated in 2000–01 will be invested in the North in future years.
- Canadian Millennium Scholarships were paid directly to recipients, rather than through the Province, resulting in an in-year expenditure and revenue decrease of \$106 million.

Borrowing and Debt Management

2000-01 Borrowing Program

The Province's long-term borrowing program for 2000–01 was \$8.5 billion. This borrowing was undertaken mainly to refinance maturing debt and early bond redemptions.

The Canadian dollar market remained Ontario's primary source of funds. Of the \$8.5 billion in long-term borrowing, \$7.2 billion was borrowed from the Canadian dollar market, \$0.9 billion from the U.S. dollar market and almost \$0.4 billion from the Japanese yen market. Ontario residents invested \$3.4 billion in the sixth Ontario Savings Bond campaign.

Debt Management

The Ontario Financing Authority (OFA) manages debt on behalf of the Province and the Ontario Electricity Financial Corporation (OEFC).

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

Net Provincial Debt stood at \$110.6 billion on March 31, 2001.

For more details on risk management and derivative financial instruments, please refer to Note 2 in the Financial Statements, 2000–2001 Public Accounts of Ontario and the Financial Statements of the OEFC detailed in Volume 2 of Public Accounts.

Five-Year Review of Selected Financial and Economic Statistics

(\$ Millions)	1996–97	1997–98	1998–99	1999–00	2000–01
Revenue	49,450	52,518	55,786	62,931	64,682
Expenditure					
Programs and Capital	45,568	46,160	48,696	52,201	52,154
Interest on Provincial Purpose Debt	8,607	8,729	9,016	8,977	8,896
Interest on Debt Issued for Investment in Electricity Sector				520	520
Restructuring	2,180	1,595	76	211	31
Total Expenditure	56,355	56,484	57,788	61,909	61,601
Decrease (Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers				(354)	244
Surplus/(Deficit)	(6,905)	(3,966)	(2,002)	668	3,325
Ontario's Debt					
Debt Issued for Provincial Purposes	98,392	101,982	105,133	106,137	105,793
Debt Issued for Investment in Electricity Sector				8,885	8,885
Province of Ontario Savings Office	2,135	2,245	2,517	2,812	2,482
Other Liabilities*	20,938	21,995	19,237	19,403	16,798
Total Liabilities for Provincial Purposes	121,465	126,222	126,887	137,237	133,958
Less: Financial Assets	(12,696)	(13,487)	(12,150)	(23,522)	(23,324)
Net Provincial Debt	108,769	112,735	114,737	113,715	110,634
Debt Guaranteed by the Province					
OEFC	29,027	27,772	26,238	21,691	19,371
Other	2,759	2,903	2,913	2,823	2,816
Gross Domestic Product (GDP) at Market Prices	338,174	359,914	377,537	405,222	436,349
Personal Income Per Capita (Dollars)	24,890	25,765	26,767	27,973	29,377
Net Provincial Debt as a Per Cent of GDP	32.2	31.3	30.4	28.1	25.4

* Other Liabilities include Accounts Payable and Accrued Liabilities, Pensions and Provision for Electricity Sector.

Condensed Financial Statements

Statement of Responsibility for the Condensed Financial Statements

The condensed financial statements are extracted from the audited financial statements of the province. These statements are in compliance with legislation and use accounting principles as recommended by the Public Sector Accounting Board (PSAB) and, where applicable, the Canadian Institute of Chartered Accountants (CICA) Handbook for private and public sector corporations in Canada. The government accepts responsibility for the objectivity and integrity of the financial statements.

The government is also responsible for maintaining systems of financial management and internal control to ensure, with reasonable certainty, that the transactions recorded in the financial statements are within statutory authority, assets are properly safeguarded, and financial records are reliable in preparation of these financial statements.



Dr. Robert Christie
Deputy Minister
July 31, 2001



Gabriel F. Sékaly
Assistant Deputy Minister
July 31, 2001



Robert Siddall, CA
Provincial Controller
July 31, 2001



Opinion of the Provincial Auditor on the Condensed Financial Statements of the Province Of Ontario

To the Minister of Finance:

I have audited, in accordance with Canadian generally accepted auditing standards, the statement of financial position of the Province of Ontario as at March 31, 2001 and the statements of revenue, expenditure and net debt and of cash flows for the year then ended. In my Auditor's Report to the Legislative Assembly dated July 31, 2001, I expressed an unqualified opinion on those financial statements. My audit report and the complete financial statements are included in the *2000-2001 Public Accounts of Ontario*.

In my opinion, the accompanying condensed statements of financial position, of revenue, expenditure and net debt and of cash flows have been accurately extracted from the aforementioned audited financial statements of the province.

The condensed financial statements provide only a brief summary of the significant accounting policies followed by the province and do not include all of the notes and schedules that accompany the complete financial statements. Accordingly, these condensed financial statements do not include all the disclosures required by accounting principles recommended for governments by the Canadian Institute of Chartered Accountants. Therefore, readers are cautioned that these statements may not be appropriate for their purposes. For more extensive information on the province's financial position, results of operations and cash flows, reference should be made to the complete financial statements included in the *2000-2001 Public Accounts of Ontario*.

Erik Peters, FCA
Provincial Auditor

Toronto, Ontario
July 31, 2001

Province of Ontario

Statement of Revenue, Expenditure and Net Debt

For the year ended March 31 (\$ Millions)	Budget ¹ 2001	Actual 2001	Actual 2000
Revenue			
Personal Income Tax	17,530	18,624	17,617
Retail Sales Tax	13,400	13,735	12,879
Corporations Tax	8,765	9,200	8,095
Employer Health Tax	3,320	3,424	3,118
Gasoline and Fuel Taxes	2,925	2,820	2,819
Other Taxes	1,383	1,479	1,353
Total Taxation	47,323	49,282	45,881
Government of Canada	6,032	6,129	5,885
Income from Investment in Government Business Enterprises	3,423	4,000	3,708
Other Revenue	5,282	5,271	7,457
	62,060	64,682	62,931
Expenditure			
Health	22,279	22,993	22,006
Education and Training	10,751	10,609	11,971
Social Services	9,254	9,602	9,483
Interest on Provincial Purpose Debt	8,940	8,896	8,977
Environment, Resources and Economic Development	4,545	4,767	5,172
Justice	2,475	2,502	2,312
General Government	2,296	1,304	1,085
Interest on Debt Issued for Investment in Electricity Sector	520	520	520
Provision for Electricity Sector		408	383
	61,060	61,601	61,909
Reserve	1,000		
Decrease (Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers		244	(354)
Surplus	0	3,325	668
Balance, End of Year			
Net Provincial Debt		110,634	113,715
Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers		19,790	19,787
Net Provincial Debt and Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers		130,424	133,502

¹ Fiscal plan for the year ended March 31, 2001 per 2000 Ontario Budget.

Province of Ontario

Statement of Financial Position

As at March 31 (\$ Millions)	2001	2000
Liabilities		
Accounts Payable and Accrued Liabilities	10,829	12,354
Debt Issued for Provincial Purposes	105,793	106,137
Debt Issued for Investment in Electricity Sector	8,885	8,885
Deposits with the Province of Ontario Savings Office	2,482	2,812
Pensions	2,914	4,846
Other Liabilities	2,264	1,820
Provision for Electricity Sector	791	383
	133,958	137,237
Financial Assets		
Cash and Temporary Investments	5,920	6,882
Accounts Receivable	3,825	3,480
Other Loans Receivable	615	633
Other Assets	408	409
Properties Held for Sale	112	210
Investment in Government Business Enterprises	12,444	11,908
	23,324	23,522
Net Provincial Debt	110,634	113,715
Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers	19,790	19,787
Net Provincial Debt and Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers	130,424	133,502

Province of Ontario

Statement of Cash Flows

For the year ended March 31 (\$ Millions)	2001	2000
Cash Flows from (used in) Operating Activities		
Surplus for the Year	3,325	668
Adjustments for:		
Income from Investment in Government Business Enterprises	(4,000)	(3,708)
Remittances from Government Business Enterprises	3,464	2,456
Increase (Decrease) in Liability for Pensions	(1,932)	(1,582)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(1,525)	921
Increase in Provision for Electricity Sector	408	383
Other Items	(28)	3,665
Cash Flows from (used in) Operating Activities	(288)	2,803
Cash Flows from (used in) Investing Activities		
Investment in Ontario Power Generation Inc. and Hydro One Inc.		(8,885)
Cash Flows from (used in) Financing Activities		
Debt Issued for Provincial Purposes	10,002	10,145
Debt Retired for Provincial Purposes	(10,346)	(9,141)
Debt Issued for Investment in Electricity Sector		8,885
Increase (Decrease) in Deposits with the Province of Ontario Savings Office	(330)	295
Cash Flows from (used in) Financing Activities	(674)	10,184
Net Increase (Decrease) in Cash and Cash Equivalents	(962)	4,102
Cash and Cash Equivalents at Beginning of Year	6,882	2,780
Cash and Cash Equivalents at End of Year	5,920	6,882

Condensed Significant Accounting Policies and Notes to the Financial Statements

Introduction

These notes provide a brief summary of the accounting policies followed by the Province relating to the Condensed Financial Statements. For more detailed notes on these accounting policies and for more extensive information on the financial position and on revenue, expenditure and net debt of the Province, refer to the audited financial statements included in the 2000–2001 Public Accounts of Ontario.

The financial statements of the Province reflect accrual and consolidation accounting as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the CICA Handbook for private and public sector corporations in Canada. The Province's investments in physical assets are recognized as expenditures when the assets are acquired.

Reporting Entity

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

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

Principles of Consolidation

Government organizations, except for government business enterprises, are consolidated on a line-by-line basis with the Consolidated Revenue Fund in these financial statements. Where necessary, adjustments are made to present the accounts of these organizations on a basis consistent with the accounting policies described below, and to eliminate significant inter-organization accounts and transactions.

Government business enterprises are defined as those Crown corporations, boards and commissions that (i) have the financial and operating authority to carry on a business, (ii) have as their principal activity and source of revenue the selling of goods and services to individuals and non-government organizations and (iii) are able to maintain their operations and meet their obligations from revenues generated outside the government reporting entity. The activities of government enterprises are recorded in the financial statements using the modified equity method. Under this method, government enterprises are reported in accordance with the accounting principles generally accepted for business enterprises. Their combined net assets are included in the financial statements as Investment in Government Business Enterprises on the Statement of Financial Position and their combined net income is shown as a separate item on the Statement of Revenue, Expenditure and Net Debt.

Special reporting status is accorded to the Ontario Electricity Financial Corporation (OEFC), a government organization. The financial statements report OEFC's excess of revenues over expenses as Decrease in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers and its Unfunded Liability as Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers in the Statement of Revenue, Expenditure and Net Debt. This accounting reflects the legislative structure put in place to ensure OEFC's revenues are derived from the electricity sector ratepayer and not the taxpayer, and that these revenues can be used only to service and retire OEFC debt.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exists in the accruals for pension obligations, personal income tax, corporations tax, restructuring charges and the stranded debt from electricity sector restructuring.

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

Uncertainty in the stranded debt from electricity sector restructuring arises from the numerous estimates and assumptions made about the future defeasance of this debt. As well, certain future indemnities remain to be determined.

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

Debt Issued for Investment in the Electricity Sector

Debt Issued for Investment in the Electricity Sector represents debt of \$8.9 billion (2000, \$8.9 billion), payable to the Ontario Electricity Financial Corporation (OEFC), which bears interest at 5.85 per cent, payable monthly, with maturities due from 2039 to 2041.

On April 1, 1999, pursuant to the *Energy Competition Act, 1998*, Ontario Hydro was continued as the OEFC and the respective business units (including assets, liabilities, employees, rights and obligations of the former Ontario Hydro) were transferred to Ontario Power Generation Inc. (OPG), Hydro One Inc. (HOI), their subsidiaries and the Independent Electricity Market Operator (IMO) in exchange for debt payable to the OEFC. On the same day, the Province assumed \$8.9 billion of debt payable to the OEFC in exchange for an investment of \$5.1 billion and \$3.8 billion in the equity of OPG and HOI respectively. The Province's interest on this debt amounted to \$520 million (2000, \$520 million) this year.

Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers

The OEFC assumed approximately \$38.1 billion in total liabilities from the former Ontario Hydro on April 1, 1999. The OEFC received notes from the Province, OPG, HOI and the IMO amounting to \$17.2 billion and other assets of \$1.5 billion. The difference of approximately \$19.4 billion represented "stranded debt", defined for financial statement purposes as the amount of debt and other liabilities of OEFC that cannot reasonably be serviced and retired in a competitive electricity market. This stranded debt is included on the Statement of Financial Position as Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers.

Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers As at March 31	2001	2000
Balance at beginning of year	\$ 19,787	\$ 19,433
Adjustment during the year re: transfer of working capital to OPG and HOI	247	—
Adjusted balance	20,034	19,433
Decrease (Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers (see table below)	244	(354)
Balance at end of year	\$ 19,790	\$ 19,787

Under the *Electricity Act, 1998*, revenues of OEFC are applied to cover costs of operations and debt retirement. The government has a long-term plan in place to retire the OEFC debt from within the electricity sector. A legislated structure has been implemented to ensure that the OEFC's revenues are derived strictly from the electricity sector and not from taxpayers, and to ensure that these revenues be used to service and retire OEFC debt and not be used by the Province.

The government's long-term plan is to repay OEFC's obligations from the following sources:

- Notes receivable of \$8.9 billion (2000, \$8.9 billion) from the Province, \$3.3 billion (2000, \$3.4 billion) from OPG, \$3.4 billion (2000, \$4.8 billion) from HOI, and \$78 million (2000, \$78 million) from IMO, for a total of \$15.7 billion (2000, \$17.2 billion);
- Payments-in-lieu (PILs) of corporate income, property and capital taxes made by OPG, HOI and municipal electric utilities (MEUs), which amounted to \$988 million this year (2000, \$889 million);

- A Debt Retirement Charge, to be paid by ratepayers based on the consumption of electricity, which has not been implemented because the electricity market has not yet been opened to competition. Prior to this opening, OEFC received \$748 million (2000, \$172 million) this year from revenue pool residual income. This pool, managed by OPG, collects revenues from electricity consumers and allocates revenues to OPG, HOI and IMO, with the residual going to OEFC.
- A Provision for Electricity Sector, whereby the combined net income of OPG and HOI in excess of the Province's interest on Debt Issued for Investment in Electricity Sector of \$520 million (2000, \$520 million), is set aside for the retirement of OEFC's debt. In 2000-2001 net income of OPG and HOI amounted to \$542 million (2000, \$512 million) and \$386 million (2000, \$391 million), respectively. Consequently the Provision for Electricity Sector increased by \$408 million this year to \$791 million (2000, \$383 million).

Based on the long-term plan, it is estimated that the OEFC's obligations will be defeased in the years ranging from 2010 to 2017.

OEFC's excess of revenue over expenses, for the year ended March 31, 2001, is reflected on the Province's Statement of Revenue, Expenditure and Net Debt, as Decrease in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers, and is comprised of the following:

OEFC Revenues and Expenses		
For the year ended March 31	2001	2000
Revenue		
Payments-in-lieu of tax	\$ 988	\$ 889
Revenue pool residual income	748	172
Electricity sector excess income	408	383
Interest	1,070	1,118
Power sales and other	722	768
	3,936	3,330
Expenses		
Interest	2,671	2,785
Power purchases and other	1,021	1,099
	\$ 3,692	\$ 3,884
		(554)
Adjustment for accrual of payments-in-lieu of tax revenue		200
Decrease (Increase) in Stranded Debt from Electricity Sector Restructuring to be Recovered from Ratepayers	\$ 244	\$ (354)

See Volume 2 of the Public Accounts of Ontario for the complete financial statements of OEFC.

Sources of Additional Information

Public Accounts of the Province of Ontario

The 2000–2001 Public Accounts of the Province of Ontario are made up of the financial statements and three volumes:

1. **Volume 1** contains the Consolidated Revenue Fund schedules and ministry statements. The Consolidated Revenue Fund reflects the financial activities of the government's ministries on a modified cash basis.
2. **Volume 2** contains the financial statements of significant provincial corporations, boards and commissions which are part of the government's reporting entity and other miscellaneous financial statements.
3. **Volume 3** contains the details of expenditure and the Ontario Public Service senior salary disclosure.

The Ontario Budget

The Ontario Government presents a budget each year, usually in the early spring. This document outlines expected expenditure and revenue for the upcoming fiscal year. For electronic access to the Ontario Budget, go to <http://www.gov.on.ca/FIN/english/budeng.htm>.

The Estimates of the Province of Ontario

The government's spending estimates for the fiscal year commencing April 1 are presented to members of the Legislative Assembly following the presentation of the Ontario Budget by the Minister of Finance. The Estimates outline the spending plans of each Ministry, which are submitted for approval to the Legislative Assembly per the *Supply Act*.

Ontario Government Business Plans

Business Plans are published annually by each ministry, following the Ontario Budget and publication of the spending Estimates. Each plan includes an annual report highlighting what each ministry has done over the previous year, what is planned for the coming year, what performance measures have been set and how results will be measured. It also includes a summary of expenditures. For electronic access to the Business Plans, go to <http://www.gov.on.ca/MBS/english/mbs/businessplans.html>.

Ontario Finances

This is a quarterly report on the performance of the government's Budget for the fiscal year. It covers developments during a quarter and provides a revised outlook for the remainder of the year. Copies may be obtained free by writing directly to the Ministry of Finance, Communications Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access to Ontario Finances, go to <http://www.gov.on.ca/FIN/english/oecoeng.htm>.

Ontario Economic Accounts

This quarterly report contains data on the composition of Ontario's economic activity. Copies may be obtained free by writing directly to the Ministry of Finance, Communications Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto, Ontario, M7A 1Z1. For electronic access to Ontario Economic Accounts, go to <http://www.gov.on.ca/FIN/english/oecoeng.htm>.

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

This publication is available in English and in French. Copies in either language may be obtained by mail from Publications Ontario Mail Order, 50 Grosvenor Street, Toronto, Ontario, M7A 1N8; by calling (416) 326-5300, toll-free 1-800-668-9938; or by visiting the Publications Ontario Bookstore at 880 Bay Street, Toronto. For electronic access, visit the Ministry of Finance website at www.gov.on.ca/FIN and click on "Budget".

Ce document est publié en français et en anglais. On peut obtenir l'une ou l'autre de ces versions par la poste en écrivant au service des commandes postales de Publications Ontario, 50, rue Grosvenor, Toronto (Ontario) M7A 1N8 ou en téléphonant au (416) 326-5300 ou au 1 800 668-9938 (interurbains sans frais). On peut aller en chercher des exemplaires à la librairie de Publications Ontario, située au 880, rue Bay, Toronto. On peut aussi accéder au document par voie électronique en visitant le site Web du ministère des Finances à : www.gov.on.ca/FIN et en cliquant sur «Budget».

