



MINISTRY OF FINANCE

**Public
Accounts
of
ONTARIO**

2008–2009

**ANNUAL REPORT
AND
CONSOLIDATED FINANCIAL
STATEMENTS**



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To The Honourable
David C. Onley
Lieutenant Governor of Ontario

May It Please Your Honour:

The undersigned has the honour to present the Public Accounts of the Province of Ontario for the fiscal year ended March 31, 2009, in accordance with the requirements of the *Ministry of Treasury and Economics Act*.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Duncan', with a horizontal line extending to the right and a small 'x' mark below it.

The Honourable Dwight Duncan
Minister of Finance
Toronto, August 2009

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FOREWORD

I am pleased to present the 2008–2009 Ontario Public Accounts.

This past year, the global economy entered into a crisis unseen for some 80 years. No developed world economy was immune from the challenges presented by the global economic meltdown — Ontario was no exception.

The United States has lost 6.7 million jobs from the pre-recession peak and has undergone historic financial turmoil.

Businesses, in local neighbourhoods to downtown cores, banks and auto companies have closed their doors or entered into bankruptcy protection.

Other provinces and countries around the world have seen themselves move into deficit positions. This includes the federal government, the province of Alberta, Australia, Japan and the United Kingdom.

This past fiscal year, Ontario had a deficit of \$6.4 billion after three consecutive balanced budgets. Government revenues from corporate income taxes fell to the lowest level in five years. But more importantly, Ontario families and businesses were hurt.

The government's 2009 Budget took the single most important step to make Ontario's economy more competitive. The Budget announced that the outdated and burdensome Retail Sales Tax would be replaced with a single, value-added tax harmonized with the federal government's Goods and Services Tax by July 1, 2010.

This move will ensure Ontario's businesses are more competitive when economic growth returns to the economy. The single sales tax will also allow Ontario to better attract new investment to the province, increasing employment and prosperity. The tax rate on new investment will be cut by almost half, making Ontario one of the most competitive jurisdictions in North America and among developed nations.

To help Ontarians through the transition period, the government is proposing \$10.6 billion in tax relief over three years. This includes \$4 billion in transitional cash payments that would come in three instalments in the first year under the single sales tax. The remainder would be through a personal income tax cut for the lowest tax bracket — bringing Ontario to the lowest rate of any province in Canada.

It is estimated that Ontario businesses would save over \$500 million a year in compliance costs — for businesses large and small.

In the 2009 Budget, we also took measures to ensure that jobs are created today. The government will invest \$34 billion in stimulus spending — \$32.5 billion of which will go to infrastructure projects across the province over the next two years.

We also invested, along with the U.S. and Canadian governments, \$4.8 billion in General Motors and Chrysler. The government support means jobs for the thousands of Ontario workers directly employed by the companies and stability for the auto industry and the communities that depend on it. If we did not make these investments, these jobs would have been lost.

As we move forward during this period of economic stabilization, tough choices will have to be made. However, the public services Ontarians depend on will continue to be protected.

The Ontario economy under the single sales tax will become more competitive, creating a more prosperous Ontario.

The task of leading Ontario through this recession — and beyond — to the next generation of growth falls to all of us.

The task of building a powerful Ontario economy falls to all of us.

Our government will take up that challenge confidently and with determination, just as those who came before us did.

A handwritten signature in black ink, appearing to read 'Duncan', with a long horizontal stroke extending to the right.

The Honourable Dwight Duncan
Minister of Finance

INTRODUCTION

The Annual Report, which forms part of the Public Accounts of the Province of Ontario, outlines Ontario's financial results and position for the fiscal year ended March 31, 2009. It is a key element of the Province's financial accountability, providing readers with a summary of activities over the fiscal year. It compares actual financial results to the initial Budget Plan set out in March 2008, outlines the impact of unforeseen events, and explains how the government managed through the year. In providing an overview of financial and other results achieved, it helps readers to assess the effectiveness of public-sector organizations and their accountability for public resources.

The importance of effective financial management and accountability was clearly evident as governments worldwide grappled with the serious economic downturn during the year. Ontario has worked diligently to strengthen these key elements of good government in the past several years, and as a result was able to respond quickly and appropriately as the seriousness of the fiscal situation became clearer. Ontario continues to build on its strong foundation of financial management and accountability.

Producing the Public Accounts of Ontario requires the teamwork and cooperation of many staff members across the provincial government and the broader public sector. In addition, the Office of the Auditor General plays a critical role in reviewing and reporting on the Province's financial statements. I would like to thank everyone who was involved in preparing the 2008–09 Public Accounts for their valuable assistance and efforts.

We welcome your comments on the Public Accounts. Please share your thoughts by e-mail at annualreport@ontario.ca, or by writing to the Office of the Provincial Controller, Re: Annual Report, Ontario Ministry of Finance, Second Floor, Frost Building South, 7 Queen's Park Crescent, Toronto, ON M7A 1Y7.

A handwritten signature in black ink, appearing to read 'Bruce L. Bennett'.

Bruce L. Bennett, CA
Assistant Deputy Minister and Provincial Controller
Ontario Ministry of Finance

GUIDE TO THE PUBLIC ACCOUNTS

The Public Accounts of the Province of Ontario comprise this Annual Report and three supporting volumes.

Annual Report

The Annual Report includes a Financial Statement Discussion and Analysis that explains the Province's financial and other results, as well as the Consolidated Financial Statements.

The Consolidated Financial Statements are made up of several documents and schedules:

- The Auditor General's Report expresses the opinion of the Auditor General as to whether the statements fairly report the activities of the government in accordance with Canadian generally accepted accounting principles.
- The Consolidated Statement of Operations reports the annual surplus or deficit from operations in the period. It shows government revenue, the cost of providing services and other expenses, and the difference between them. It also provides a comparison against the Budget Plan.
- The Consolidated Statement of Financial Position shows the assets of the Province, which are classified as financial or non-financial, against its obligations. The Province's obligations less its financial resources is called its net debt. The Province's accumulated deficit is its net debt less the value of its tangible capital assets and the net assets of hospitals, school boards and colleges.
- The Consolidated Statement of Change in Net Debt shows the combined impact on net debt of the Province's annual deficit, investments in capital assets and changes in the fair market value of Ontario Nuclear Funds Agreement (ONFA) investments during the year.
- The Consolidated Statement of Change in Accumulated Deficit shows the impact of the annual deficit and changes in elements of the fair market value of ONFA funds on the Province's accumulated deficit.
- The Consolidated Statement of Cash Flow shows the sources and uses of cash over the period. The government's operations either use or provide cash over the fiscal year, as do other activities such as capital investments and financing activities. Sources of cash include increases in debt and decreases in financial investments, while uses of cash include investments in infrastructure and other assets. The Consolidated Statement of Cash Flow shows the impact of all these activities on the Province's holdings of cash and cash equivalents over the year.
- Notes and schedules provide further information on the items in the various statements and form an integral part of the Consolidated Financial Statements. The notes also include a summary of the significant accounting policies that reflect the basis on which the Province's financial statements are prepared.

Supporting Volumes

- Volume 1 contains ministry statements and detailed schedules of debt and other items. The ministry statements, which are presented on the accrual basis of accounting, compare the amounts that were appropriated by the Legislative Assembly with actual expenses incurred. The expenses of government organizations including provincial corporations, boards, commissions, hospitals, school boards and colleges, are not appropriated. However, the impact of these organizations on the government's finances is reflected in the Consolidated Financial Statements.
- Volume 2 contains the financial statements of significant provincial corporations, boards and commissions that are part of the government's reporting entity, and other miscellaneous financial statements.
- Volume 3 contains detailed schedules of ministry payments.

STATEMENT OF RESPONSIBILITY

The Consolidated Financial Statements and Financial Statement Discussion and Analysis are prepared by the Government of Ontario in compliance with legislation and in accordance with generally accepted accounting principles for governments in Canada.

The government accepts responsibility for the objectivity and integrity of these Consolidated Financial Statements and the Financial Statement Discussion and Analysis.

The government is also responsible for maintaining systems of financial management and internal control to provide reasonable assurance that transactions recorded in the Consolidated Financial Statements are within statutory authority, assets are properly safeguarded and reliable financial information is available for preparation of these Consolidated Financial Statements.

The Consolidated Financial Statements have been audited by the Auditor General of Ontario and his report appears on page 27 of this document.



Peter Wallace
Deputy Minister
July 31, 2009



Bruce L. Bennett, CA
Assistant Deputy Minister
and Provincial Controller
July 31, 2009

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

HIGHLIGHTS

Ontario faced turbulent conditions as a result of global economic challenges over the 2008–09 fiscal year. These challenges have continued into 2009–10.

The United States, the province's largest trading partner, is experiencing a downturn whose severity became increasingly evident as 2008 progressed. The impacts included a worldwide credit crunch and a sharp reduction in U.S. domestic demand. Major elements of the Ontario economy that depend heavily on exports to the U.S., particularly the automotive and resource sectors, were hard hit as a result. The downturn — estimated as the largest global contraction since the Second World War — contributed to a contraction of 0.5 per cent in Ontario's real gross domestic product in 2008 and a sharp decrease in the Province's Corporate Tax revenues.

Like other forward-looking jurisdictions, Ontario was quick to respond as the impact of problems in the U.S. and other major economies became clearer. The key elements of its strategy are:

- **Investing in infrastructure, training and sector support** — Ontario's government invested in infrastructure valued at \$19 billion over the past two years and has committed an additional \$32.5 billion over the next two. These investments created more than 100,000 jobs last year and are giving Ontario the high-quality public assets it needs for global competitiveness. Focused and strategic training and retraining programs are giving people the right skills to help Ontario achieve sustained economic growth.
- **Continuing to transform Ontario's tax system to promote long-term prosperity and maintain competitive rates** — A comprehensive package of tax measures proposes to give Ontario's families \$10.6 billion in tax relief over three years and its businesses \$4.5 billion over the same period. This includes moving to a single, value-added tax structure on July 1, 2010. A value-added sales tax is more efficient than a retail sales tax and would enhance the ability of Ontario businesses to compete and grow. With the comprehensive package, Ontario businesses would benefit from both lower taxes and simpler structures that reduce the compliance burden.
- **Growing the green economy, accelerating innovation and attracting investment to help create the jobs of tomorrow** — Ontario is acting on major commitments to renewable energy and conservation, boosting the green economy. Key investments in innovative people and facilities are helping Ontario attract investments and move new ideas to the marketplace faster to create leading-edge jobs.
- **Investing in Ontario's children and families** — The government recognizes that people in Ontario need reliable public services now more than ever. Its strong commitment to those services since 2003 is paying dividends through better places to learn, stronger reading and writing skills, modernized hospitals, lower wait times for medical procedures and innovative ways of providing health care.
- **Managing its finances responsibly and ensuring accountability** — The current economic downturn heightens the importance of the fiscal management and accountability for public resources that have been key priorities of this government. The plan is to return to a balanced budget no later than 2015–16. To do so, Ontario's government will rely on the same financial management skills it used to help eliminate, a year earlier than planned, the \$5.5 billion deficit it inherited in 2003. At the same time, it is ensuring greater accountability among public-sector organizations across Ontario.

The global financial market crisis and economic downturn caused a steep decline in revenue, resulting in a deficit of \$6.4 billion. The major source of revenue weakness was Corporations Tax, which was down

almost 50 per cent from the previous year and \$5.6 billion less than forecast in the 2008 Budget. Expenses remained relatively close to the Budget Plan.

Higher-than-budgeted spending in some programs, driven largely by economic conditions, was offset by lower spending in other areas and other savings found during the year. As a result, Ontario recorded its lowest year-over-year growth in expense in eight years.

2008–09 Actual Results against Budget Plan			Table 1
(\$ Billions)			
	2008–09 Budget	2008–09 Actual	Change
Revenue	96.9	90.5	(6.4)
Expense			
Programs	87.3	88.3	1.0
Interest on debt	8.9	8.6	(0.3)
Total Expense	96.2	96.9	0.7
Reserve	0.8	–	(0.8)
Annual Surplus (Deficit)	0.0	(6.4)	(6.4)

Note: Budget numbers and related variances may not add due to rounding.

Through its actions, the government has strengthened Ontario's ability to deliver the public services on which people rely, and has improved accountability for the public funds entrusted to it and to organizations to which it provides funding. It is helping people across the province cope with tough economic times. Looking ahead, these investments are also ensuring a stronger and more competitive economy in Ontario in the years to come.

ANALYSIS OF 2008–09 RESULTS

Actual 2008–09 financial results were weaker than those forecast in the Budget of March 25, 2008.

2008–09 Operating Results against Budget Plan
(\$ Billions)

Table 2

	2008–09 Budget	2008–09 Actual	Change
Revenue			
Taxation	69.0	62.4	(6.6)
Government of Canada	16.5	16.6	0.1
Income from government business enterprises	4.1	4.0	(0.1)
Other non-tax revenue	7.4	7.5	0.1
Total Revenue	96.9	90.5	(6.4)
Expense			
Health	40.4	40.7	0.3
Education, postsecondary and training	19.4	19.3	(0.1)
Children's and social services	11.8	12.1	0.3
Other programs	15.6	16.2	0.6
Total Program Expense	87.3	88.3	1.0
Interest on debt	8.9	8.6	(0.3)
Total Expense	96.2	96.9	0.7
Reserve	0.8	–	(0.8)
Surplus (Deficit)	0.0	(6.4)	(6.4)

Note: Budget numbers and related variances may not add due to rounding.

Revenue

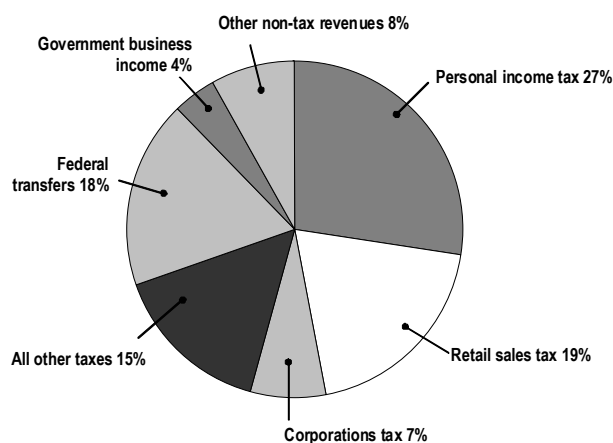
At \$90.5 billion, total revenue for 2008–09 was \$6.4 billion lower than forecast in the 2008 Budget.

Ontario's economy contracted by 0.5 per cent in 2008, as measured by the change in real gross domestic product (GDP). This performance, which was weaker than projected, resulted in lower taxation revenues, which are driven largely by economic activity.

Almost all the revenue decline was attributable to Corporations Tax, the most volatile major revenue source. At \$6.7 billion, it was significantly below the forecast level of \$12.3 billion and fell by almost half from the \$13.0 billion reported for the previous year. Its share

Revenue Sources, 2008–09

Chart 1



Note: Total revenue in 2008–09 was \$90.5 billion. Percentages may not add due to rounding.

of total revenues fell to 7 per cent from the previous year's 13 per cent. The decrease in this source of revenue reflects poorer-than-expected corporate results in most sectors of the economy.

Personal Income Tax revenue was \$24.7 billion, slightly below the Budget forecast of \$25.2 billion, also reflecting the poorer-than-expected economic performance. Taken together, all other tax sources totalled \$30.9 billion, \$0.5 billion below the Budget outlook.

Other major revenue sources for the Province include transfer payments from the federal government, income from government business enterprises and a range of other non-tax items. The net impact of changes in actual results for these items from the Budget Plan was an increase of \$132 million, resulting mainly from higher-than-budgeted transfers from the federal government.

Investing in people, services and the economy

The Province made key investments in 2008–09 to help families and communities, stimulate the economy, and provide strategic support for major industries, while limiting the growth of expenses through effective financial management and greater efficiencies.

Operating spending

Despite pressures on spending triggered by tougher economic times, Ontario's government kept total operating spending to \$96.9 billion, an increase of 0.37 per cent from the previous year and 0.73 per cent from the Budget Plan.

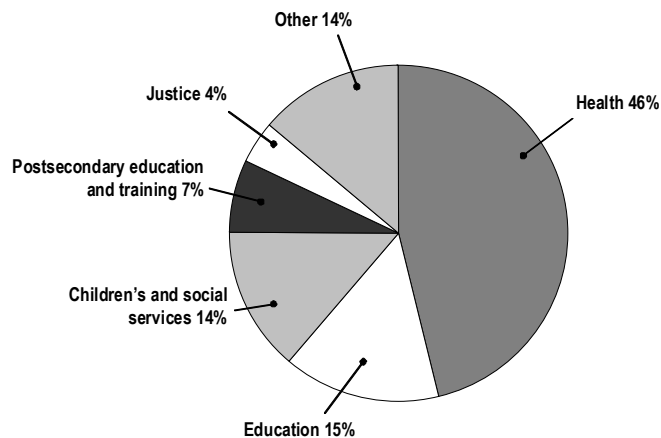
Recognizing the deteriorating economic situation, the Minister of Finance announced in the *Ontario Economic Outlook and Fiscal Review*, mid-way through the fiscal year, that the government would slow down or delay the startup or expansion of programs and restrain its internal spending. Together, these measures helped the government reduce spending by \$111 million over the rest of the fiscal year.

Most ministries spent less than or close to their planned allocation for the year. Increases in spending were linked in large part to economic conditions. The expense for children's and social services increased by \$256 million from the Budget Plan, mainly because spending on social assistance and other supports was higher in the downturn than budgeted.

Interest on debt was \$325 million less than forecast in the 2008 Budget Plan, reflecting lower interest rates than expected and cost-effective management of the borrowing program, offset to some extent by additional borrowing needs created by the deficit.

Expense by Sector, 2008–09

Chart 2



Note: Total program expense in 2008–09 was \$88.3 billion. Including expense for interest on debt of \$8.6 billion, total expense was \$96.9 billion.

Infrastructure stimulus and sector support

As the economic crisis deepened in 2008, forward-looking governments around the world acted quickly to provide immediate stimulus through spending on public works, transit and transportation systems, and other valuable infrastructure. This form of stimulus provides significant benefits in both the short and long term.

As well as creating jobs in the short term, these investments improve the Province's economic competitiveness on an ongoing basis. The availability and quality of public infrastructure has a major impact on where businesses choose to locate.

Ontario's government has shown a strong commitment to the value of infrastructure not just in the current downturn, but as a fundamental element of supporting the economy. These investments have helped to address the major infrastructure deficit that had built up over the three decades before 2003:

- The \$30 billion ReNew Ontario investment plan was completed in 2008–09, a full year ahead of schedule. Over a four-year period, this ambitious program helped to close the significant infrastructure deficit that had built up over the three decades before 2003. It brought major improvements to Ontario's highways, border crossings and transit systems, enhancing the flow of goods, people and ideas, as well as updating and expanding educational and hospital facilities.
- Over the past two years alone, the Province invested in infrastructure valued at \$19 billion. These investments supported more than 85,000 jobs in 2007–08, and created and sustained more than 100,000 jobs in 2008–09. In the 2009 Budget, the Province announced a further \$32.5 billion for infrastructure investments over two years, supporting an estimated 300,000 jobs.
- In 2008–09, work moved forward on key commitments such as the Windsor Gateway project that is enhancing one of Ontario's most critical economic linkages, the widening of Highway 11 to North Bay to four lanes, and Metrolinx projects to improve public transit in the Greater Toronto and Hamilton Area.
- In the Public Accounts for 2007–08, the government provided a one-time allocation of \$1.1 billion directly to municipalities through the *Investing in Ontario Act*.

Through Good Places to Learn and other initiatives, the government invested approximately \$1.7 billion in the education, postsecondary and training sectors in 2008–09. Since 2005, some 13,000 renewal projects at more than 2,600 schools across the province have been supported by government funding of \$1.45 billion in total. At the postsecondary level, the government has invested \$1.4 billion through ReNew Ontario for postsecondary campus renewal and strategic capital projects. Parallel investments in broadband, digital media and research institutions have paved the way for greater innovation in the province.

The following table provides total investments supported by the provincial government. Capital expenditures are presented in line with the Province's accounting policy of recognizing investment in capital assets on an accrual basis.

Infrastructure Expenditures, 2008–09
(\$ Billions)

Table 3

	Investment in Capital Assets¹	Transfers and Other²	Totals, 2008–09 Actual
Transportation and transit ³	2.6	0.4	3.0
Health	2.4	0.1	2.5
Education, postsecondary and training	1.6	0.1	1.7
Municipal and other ⁴	0.9	0.9	1.8
	7.5	1.5	9.0
Less: Third-party contributions ⁵	0.5	–	0.5
Total	7.0⁶	1.5	8.5

¹ The Province's capital investment in its own infrastructure and that of hospitals, colleges and school boards.

² The totals consist of transfers for capital purposes to municipalities and universities and expenditures for capital repairs. Transfers for capital-related purposes and other infrastructure expenditures are recorded as expenses in the Province's Consolidated Statement of Operations.

³ Includes investments in provincial and municipal transportation infrastructure, such as highways, roads, bridges and transit.

⁴ Includes water, wastewater and other environmental infrastructure; other municipal and local infrastructure; justice sector infrastructure; and other assets. Also includes a one-time adjustment of \$0.3 billion for consolidation of Ontario Northland Transportation Commission.

⁵ Third parties include charitable foundations and other contributors supporting hospitals and colleges.

⁶ The Province's direct investment of \$3.6 billion in its own capital assets, as outlined in the Consolidated Statement of Cash Flow, plus capital investments of hospitals, school boards and colleges of \$3.9 billion, less the \$0.5 billion contribution they received from third parties.

Note: Numbers may not add due to rounding.

In partnership with the governments of Canada and the United States, Ontario is also directly supporting one of the key pillars of its economy, the automotive sector. With several large automakers and more than 400 part manufacturers in Ontario, the sector in 2008 directly accounted for 3.7 per cent of Ontario's GDP and employed tens of thousands of people. Because of a high degree of sector integration within North America, the governments of Canada, Ontario and the United States are working together to ensure the long-term viability of the auto sector, which has been particularly hard hit by the economic downturn. As part of this initiative, Ontario agreed in 2009–10 to make investments supporting two automobile manufacturers.

Through these actions, the Ontario government is demonstrating its support to auto workers and their communities. The outcome should be not just a healthy automotive sector, but one that is more innovative and better able to provide high-quality jobs for people in Ontario.

Impacts on borrowing and financial position

The accumulated deficit is the difference between the Province's total liabilities and total assets. In 2008–09, the accumulated deficit rose from \$105.6 billion to \$113.2 billion, an increase of \$7.6 billion. This increase was the result of the Province's operating deficit of \$6.4 billion and \$1.2 billion from decreases in the market value of the Ontario Nuclear Funds Agreement investments during the year.

The debt of the Province increased by \$14.7 billion during the fiscal year. As the following table shows, the main reasons for the increase were the deficit from operations and the Province's capital investments, totalling \$7.0 billion, as well as an increase in cash and short-term investments held by the Province at the end of the fiscal year:

Application of New Borrowings by the Province, 2008–09 (\$ Billions)		Table 4
Applied to operating transactions: ¹		6.7
Applied to capital investments:		
Investments in directly owned provincial capital assets ²	3.6	
Investments in capital assets of hospitals, school boards and colleges ³	3.4	
		7.0
Provided to hospitals, school boards and colleges from their operating and financing transactions ⁴		(2.7)
Increase in the Province's cash and temporary investments		3.7
Increase in the Province's debt		14.7

¹ The Province's operating deficit of \$6.4 billion plus \$0.3 billion for net changes in assets and liabilities that also used cash for operating purposes. See the Consolidated Statement of Cash Flow.

² Includes a one-time adjustment of \$0.3 billion for consolidation of Ontario Northland Transportation Commission.

³ Represents \$3.9 billion investment in the capital assets of these organizations less third-party contributions of \$0.5 billion.

⁴ Consists of changes in the net assets and liabilities of these organizations that provided cash for operating and capital financing purposes. See Schedule 10 to the Consolidated Financial Statements.

MANAGING EFFECTIVELY AND ACHIEVING RESULTS

Managing well in difficult times

Risk and uncertainty in the global economy are today at levels seen rarely, if ever, since the end of the Second World War. In this environment, the Province's steady focus on managing effectively is helping people and businesses through difficult times and positioning Ontario for renewed growth as recovery develops. It is enhancing the efficiency of its own operations and those of organizations in the broader public sector, while continuing to ensure greater accountability for the use of public resources. At the same time, Ontario's government is building on its existing five-point plan for a more innovative and flexible economy, creating and supporting existing jobs today and preparing a highly educated workforce for tomorrow's needs. The sections that follow explain in more detail how the government's efforts are achieving real and measurable results for Ontario.

Maintaining focus

Ontario's government remains focused on steady improvements to quality of life and economic growth in the province, underpinned by sound financial management.

The government inherited a \$5.5 billion deficit in 2003. It committed to return Ontario's fiscal plan to a sustainable path while giving people and businesses in Ontario the services and infrastructure they needed.

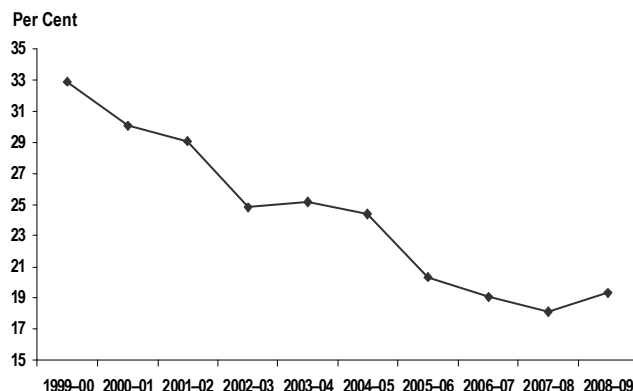
It has not just kept its commitment, but has built on it. Through responsible financial management, the Province eliminated the deficit by 2005–06, ahead of the schedule it had set, and then went on to record three consecutive surpluses. It achieved this critical rebalancing of the fiscal situation while making significant strides to restore public services and modernize infrastructure.

Ontario has been providing for several years the supports that many governments have only recently recognized as critical to economic growth. Ontario's government will continue to make the investments needed to support people and stimulate the economy, and has laid out a plan to return Ontario to budgetary balance no later than 2015–16.

Maintaining a reasonable debt-to-GDP ratio is another important goal. The ratio of accumulated deficit to Ontario GDP is a measure of Ontario's fiscal and economic health, showing the impact both of changes in economic activity and in the government's fiscal position. After moving downward over several years, this ratio increased in 2008–09 from 18.1 per cent to 19.3 per cent, owing to the contraction of the Ontario economy during the year and an increase in the accumulated deficit, as Chart 3 shows.

Accumulated Deficit to Ontario GDP

Chart 3

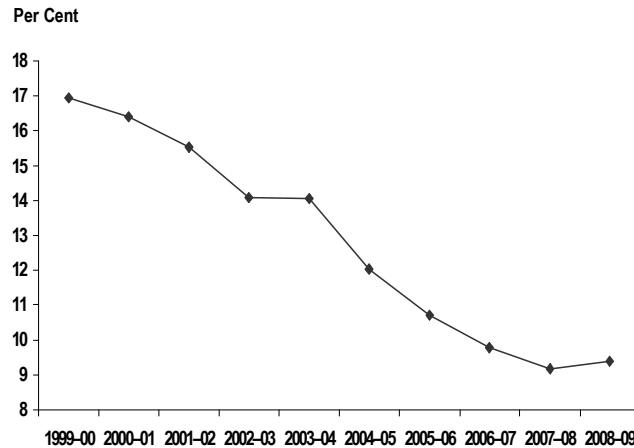


Note: The sharp drop in 2005–06 was due mainly to a one-time reduction of \$16.3 billion in the accumulated deficit as a result of consolidating the net assets of hospitals, colleges and school boards in the Province's financial statements for the first time.

The government's plan to return to budgetary balance will help prevent the ratio from returning to the historically high levels of a decade ago.

Another measure of fiscal position is the ratio of interest expense to government revenue. It shows how much of the government's revenues must be allocated each year to servicing its debt. Chart 4 shows Ontario's interest expense as a share of total revenue over the past 10 years. In 2008–09, the ratio rose slightly, from 9.2 to 9.5 per cent. While interest expense was lower than in the previous year, provincial revenue fell by a proportionately greater amount. This meant that debt expense increased as a share of revenue.

Interest Expense as a Share of Provincial Revenue Chart 4



More efficient government

As 2008–09 unfolded, the government recognized that economic conditions called for ways of achieving savings in its own operations. It announced a rigorous program of internal restraint that included such measures as reducing travel and consulting costs, freezing the purchase of government vehicles, freezing the existing government real estate holdings and leasehold improvements, and expanding green workplace practices to reduce printing, photocopying and fax costs. It announced that the size of the Ontario Public Service (OPS) would be held at 68,645 full-time equivalent staff, and constrained salary increases for senior staff. It has since committed to reducing the size of the OPS by 5 per cent over three years through attrition and other measures.

As a result of these and other factors, Ontario's spending per resident on "general government services," including administration costs, was the second lowest among provincial governments in 2008–09, according to Statistics Canada data. At \$134 per resident, Ontario's spending in this area per resident was 28 per cent below the \$185 average of other provincial governments.

To strengthen efficiency across Ontario's public sector, the 2009 Budget announced that the government would build on the success of the OntarioBuys initiative, which has focused on getting hospitals, school boards, colleges and universities to work together to reduce the costs of purchasing goods and services. It plans to propose legislation expanding the OntarioBuys program to mandate more partners in the broader public sector to collaborate when buying common goods and services. This coordinated and integrated approach to procurement would result in an estimated \$200 million in annual savings within the first three years of operation.

Making it easier to do business in Ontario

The Open for Business initiative is making government faster and friendlier for families and businesses. This initiative aims to modernize regulations while protecting the public interest. The government will also reduce the amount of regulation by 25 per cent in the next two years.

The 2009 Budget proposed moving to a single, value-added tax structure in Ontario that would be in place on July 1, 2010. Four Canadian provinces and more than 130 countries around the world have adopted a value-added tax structure because of its greater efficiency. British Columbia has also recently announced its plan to move to a single sales tax over the same period. With adoption by British Columbia and Ontario, six Canadian provinces would use a value-added tax structure.

The current retail sales tax applies to many purchases that businesses make in providing goods and services for sale. This cost becomes embedded in the final price and is passed on to consumers. In a value-added structure, most businesses are reimbursed for the tax they pay on most of their inputs. Studies show that most of the cost savings are passed on to consumers through lower prices, and exports also become more price-competitive. In Ontario, alignment with the framework for the federal goods and services tax would also give businesses the benefit of a more streamlined approach to reporting. It is estimated this would result in savings of more than \$500 million a year in compliance costs. Ontario has already transferred corporate tax administration to the federal government for tax years ending after 2008. This is making compliance simpler and less costly, providing Ontario businesses with additional savings of up to \$100 million a year.

Enhanced accountability

Ontario's government has also focused on ensuring that the resources entrusted to it and other entities in the public sector are used in ways that provide value for money. Never is this need more critical than in times of economic hardship, so that people have the assurance that public funds are being used properly and achieving the right results. Ontario's government continues to refine and strengthen the frameworks and practices that underpin its commitment to greater accountability.

Transfer payments — which fund a wide range of not-for-profit organizations delivering health and social programs on behalf of the government — are the major component of the Province's spending. Through an enhanced directive on transfer payments, the government now requires greater accountability for both the spending of transfers and the results they achieve. The directive sets out clearly the relationship between the Province and any organization receiving transfer payments. An agreement must document expectations, terms and conditions of funding that support good governance, value for money and transparency. To achieve optimum results, a risk-based approach is used that ensures the government constantly assesses and manages effectively the risks to achieving the government's goals. Provisions allow the Province to take corrective action to ensure funds are either used as spelled out in agreements or returned.

The government is in the process of revising its Agency Establishment and Accountability Directive, which sets out the responsibilities of agencies it creates and its role in overseeing them. The changes will improve both the accountability of government agencies and oversight of them, and also help to ensure that they follow consistent business standards and practices.

Ontario's government is ensuring that its partners in the broader public sector also strive to ensure the best possible use of public dollars:

- When making investments in municipal infrastructure through the *Investing in Ontario Act* last year, the Province set out several measures to ensure accountability for the \$1.1 billion in funding. Municipalities must report back on the planned and actual use of the funds. The Province also maintains the right to carry out audits to ensure funds were used for the purposes intended, and to recover any funds not used as intended.
- The 2009 Budget announced \$32.5 billion in infrastructure investments over the next two years. A significant part of this funding reflects federal-provincial infrastructure programs to provide short-term economic stimulus. The focus is on distributing funding in a timely manner to achieve stimulus goals while maintaining accountability and ensuring transparent decision-making. In line with that goal, the government is planning to launch a website to report publicly on the progress of these stimulus investments.

Achieving measurable results

Ontario's government has set the bar high for its public services. To help achieve its ambitious goals for people in Ontario, it has committed to a planning and reporting process that revolves around setting goals and reporting on progress towards them. These goals range from better student skills to shorter wait times for medical procedures, from safer roads to better-planned communities, and from increasing Ontario's use of green energy to attracting more innovators and investors. By focusing on key goals, the government is continuing to build better lives and brighter futures for people in Ontario despite the economic downturn.

Strong people, strong economy

Helping students succeed — Through several initiatives, Ontario's government is ensuring that more students succeed, which is a priority of creating a well-educated workforce and helping every citizen achieve greater lifelong success. Strategies to reduce class sizes in the crucial primary school years, boost students' reading, writing and mathematical skills, and ensure more young people graduate from secondary school are succeeding:

- The government achieved its class-size target in 2008–09, with more than 90 per cent of kindergarten to Grade 3 classrooms at 20 or fewer students and no classes with more than 23 students. That means more than 540,000 primary students are in classes of 20 or fewer, compared to only 166,000 students five years before. Class sizes at each school for the past five years are available through an online tracker at www.edu.gov.on.ca/eng/cst/.
- In 2002–03, only 54 per cent of Grade 3 and 6 students were achieving the provincial standard (equivalent to a B grade) in reading, writing and math assessments. Students who struggle with these skills often become discouraged and later drop out of school. In 2007–08, the most recent year for which results are available, 65 per cent of Grade 3 and 6 students met the provincial standard in reading, writing and math. This represents an 11 percentage-point increase since 2002–03 and significant progress towards the goal of 75 per cent. The results for each school are available on the website of the Education Quality and Accountability Office, which carries out the tests, at www.eqao.com. Ontario's students rank strongly against those in other jurisdictions. The province's nine- and ten-year-old students rank among the top in the world in reading, according to the 2006 Progress in International Reading Literacy Study. In addition, the 2007 Pan-Canadian Assessment

Program report showed that Ontario's 13-year-old English-language students scored significantly higher in reading than their peers in other provinces and territories.

- In 2003–04, only 68 per cent of students were completing their high school diploma. Studies show that those students who do not graduate face a future with an increased risk of unemployment and financial and social problems. In response, the government set a graduation target of 85 per cent. In 2007–08, Ontario's graduation rate increased to 77 per cent. This represents an increase of nine percentage points — or 13,500 more students — compared to 2003–04. Ontario's strategy also received a positive evaluation from the Canadian Council on Learning in 2008. Its report concluded that, over the past four years, more students were getting the attention and learning options they needed to be successful in school. The report suggests that other jurisdictions could benefit from reviewing Ontario's high school strategy.

Meeting the economy's need for skilled workers — A key commitment of the government's five-point plan is to strengthen the knowledge and skills of Ontario's labour force so that the province will remain competitive in the global knowledge-based economy. In line with that, it has:

- Launched the Second Career program, which is on track to give 20,000 laid-off workers the help they need to move into new industries through skills training courses, needs-based income supports and career planning services. At the end of the 2008–09 fiscal year, more than 8,000 laid-off workers were involved — above target for the program's first year.
- Offered help to more than 82,000 people under the Rapid Re-employment and Training Service, which provides an immediate and appropriate response to large-scale layoffs.
- Helped to achieve an increase of 100,000 in the number of students at colleges and universities in Ontario, up by 25 per cent from 2002–03, with increases in operating grants to colleges and universities of \$1.7 billion or almost 63 per cent since 2002–03.
- Improved and enhanced training and apprenticeship supports and facilities to attract interested individuals and build the profile of the skilled trades in Ontario. There are 120,000 apprentices learning a trade today, nearly 60,000 more than in 2002–03.

Ensuring access to clean, affordable energy — Ontario's government is broadening its commitment to ensuring that people and businesses have access to reliable, clean, affordable energy. In February 2009, it introduced the landmark Green Energy Act to spark investment in wind, solar, water, biomass and biogas energy projects and create up to 50,000 jobs in Ontario in its first three years. The government has already achieved significant progress in making Ontario a leader in clean energy and conservation:

- Ontario has already surpassed, by roughly 300 megawatts, its goal of 2,700 megawatts of signed contracts for new renewable energy by 2010.
- In 2007–08, Ontario achieved its then-current target for energy conservation and is now working towards a new goal of reducing peak demand by a further 1,350 megawatts by 2010 and a total of 6,300 megawatts by 2025.
- Since October 2003, more than 7,100 megawatts of new and refurbished capacity have come online to help replace coal-fired capacity in Ontario's energy mix and increase renewable energy capacity. Between 2003 and 2008, coal generation fell by close to 40 per cent.

- Progress continues on installing “smart meters” in all homes and small businesses across the province by the end of 2010 to support a time-of-use electricity pricing system, with more than two million meters installed to date.

Providing better access to health care — As a result of increased funding and restructuring efforts, people in Ontario are today waiting much less time for key services, enjoying better access to health care professionals, and benefiting from a more effective system with greater local accountability.

- Wait times are down for targeted health procedures, in many cases by a significant amount. Targeted procedures for lower wait times include cataract surgeries, angiography, angioplasty, knee and hip replacements, CT and MRI scans, and cancer surgeries. Improvements to these procedures have been tracked since August 2005. More recently, wait times for pediatric surgeries and general surgeries have been targeted and successfully reduced as well. Detailed information on wait times by region and medical procedure is regularly updated at www.ontariowaittimes.com.
- The government is also addressing the complex issue of reducing emergency-room wait times by investing in programs to prevent and better manage chronic diseases; creating nurse-led outreach teams to provide residents in long-term care homes with care and interventions to avoid emergency visits; freeing up hospital beds by opening more long-term care beds; and improving capacity and performance in emergency rooms.
- The government is further supporting wellness and disease prevention by creating the Ontario Agency for Health Protection and Promotion, which gives specialized and technical advice and on-the-ground support to front-line health care workers, public health units and government in the areas of infectious disease, infection control and prevention, health promotion, and other elements of public health.
- It has implemented a Smoke-Free Ontario Strategy to prevent young people from starting to smoke and to help smokers to quit. It has also banned the display of tobacco products and smoking in cars in which children are riding.
- Roughly two million Ontarians have chosen to receive their primary health care through the Province’s Family Health Teams, including about 280,000 who did not previously have a family doctor. Family Health Teams enable family doctors, nurses, nurse practitioners and other health professionals to work in partnership, improving access and enhancing the effectiveness of primary health care. Ontario also developed Health Care Connect, an innovative, made-in-Ontario program that helps people without a family health care provider to find one in their community.
- The government is increasing the number of doctors, nurses and nurse practitioners available to help patients. It increased first-year medical school enrolment by 23 per cent from 2003–04 to 2008–09, and in September 2008 funded 852 entry-level undergraduate medical positions across the province’s six medical schools. This includes the Northern Ontario School of Medicine, the first new medical school in Canada in more than 30 years, which had 224 students in September 2008. In May 2009, 100 additional spaces were allocated to medical schools. Combined with the increase of 160 spaces since 2003–04, this will create 260 first-year spaces overall, representing a 38 per cent increase.
- Overall, the government has increased the number of family medicine residency positions by 75 per cent between 2004–05 and 2007–08, leading to 330 more family doctors ready to enter practice as of June 2008.

- To support nurse practitioners, the government funded 163 education seats in 2008–09, a 60 per cent increase from three years earlier. Nurse practitioners are registered nurses with advanced knowledge and decision-making skills in health assessment, diagnosis, therapeutics, health care management, and community development and planning. The increased supply of nurse practitioners will help improve access to primary health care for people in Ontario.
- Through the Nursing Graduate Guarantee Program, more than 5,500 new nursing graduates have been matched to a guaranteed job opportunity to work full time for up to 7.5 months since the program's inception in 2007. There are about 10,000 more nurses employed in Ontario since 2003. The government has created over 2,300 nursing positions since the fall of 2007.
- With the introduction of Local Health Integration Networks (LHINs), the Ministry of Health and Long-Term Care has assumed a stewardship role focusing on the strategic and overall direction for the province's health care system. Local Health Integration Networks were established in 2006 and are responsible for hospitals, long-term care homes, community care access centres, community support service agencies, mental health and addictions agencies, and community health centres in their local areas.
- All hospitals are now required to collect and report patient safety measures in a clear, standard manner, with data on a total of eight indicators now provided through a website for patients, health care providers and the public.

Moving people and products efficiently and safely — The transportation sector is an important cornerstone of Ontario's economic prosperity and high quality of life. Ontario's export-driven economy relies on this system to move goods and people efficiently and competitively, particularly within the current climate of just-in-time delivery, as well as safely.

- Ontario is getting more people onto public transit by working with its partners to make it a convenient and accessible option. Municipal transit systems serving Ontario's 15 largest urban centres carried 703 million passengers in 2007. Ridership is expected to increase to 740 million trips in 2009 and 809 million trips by 2012. GO Transit carried 51.6 million passengers in 2007–08. Ridership is expected to increase from 52.8 million in 2009–10 to 57.7 million by 2012–13.
- Projects such as the expanded crossing at the Queenston-Lewiston Bridge in Niagara, the new international truck route in Sault Ste. Marie, and the new high-occupancy vehicle (HOV) lanes on Highways 403 and 404 all helped to improve Ontario's transportation network and links to its largest trading partner.
- Another top priority is promoting road safety. Ontario was the safest jurisdiction in North America as measured by motor-vehicle collision fatalities, according to the most recent publicly available data. It reported 0.87 fatalities per 10,000 licensed drivers, the lowest rate it has ever achieved.

ACTUAL TO INTERIM RESULTS IN 2009 BUDGET

The Province provided interim estimates of results for 2008–09 in the 2009 Budget, tabled in March of this year. The final deficit of \$6.4 billion reported for the year represents an increase of \$2.5 billion from the interim estimate of a \$3.9 billion deficit, consisting of a reduction of \$2.9 billion in estimated revenues, offset somewhat by expenses that were \$0.4 billion less than anticipated.

The 2009 Budget interim estimate for revenues was \$3.5 billion below the 2008 Budget Plan. The final results for 2008–09 are a further \$2.9 billion below the interim estimate due to larger-than-expected revenue impacts of the global financial crisis and economic downturn beginning in the fourth quarter of calendar 2008. In particular, Corporations Tax revenues are \$1.9 billion lower than the interim estimate due to extraordinarily higher refunds than expected. Personal Income Tax revenues were also \$0.8 billion lower, based on new information from 2008 tax-return processing indicating lower levels of employment and capital gains income than previously estimated. All sources of revenue apart from taxation increased by \$0.1 billion from interim.

Final expense was \$96.9 billion, \$0.4 billion less than expected in the interim results. This reflects more complete information that became available after the interim information was presented in the 2009 Budget.

**Comparison of 2008–09 Interim and Actual Results
(\$ Billions)**

Table 5

	2008–09 Interim	2008–09 Actual	Change
Revenue			
Taxation	65.4	62.4	(3.0)
Government of Canada	16.6	16.6	–
Income from government business enterprises	3.9	4.0	0.1
Other	7.5	7.5	–
Total Revenue	93.4	90.5	(2.9)
Expense			
Programs	88.5	88.3	(0.1)
Interest on debt	8.9	8.6	(0.3)
Total Expense	97.3	96.9	(0.4)
Annual Surplus (Deficit)	(3.9)	(6.4)	(2.5)

Notes:

Interim numbers and related variances may not add due to rounding.

A reserve of \$750 million included in the fiscal plan in the 2008 Budget was used to reduce the size of the deficit.

CONSOLIDATED FINANCIAL STATEMENTS



Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Auditor's Report

To the Legislative Assembly of the
Province of Ontario

I have audited the consolidated statement of financial position of the Province of Ontario as at March 31, 2009 and the consolidated statements of operations, change in net debt, change in accumulated deficit, and cash flow for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian 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. The audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 2009 and the results of its operations, the change in its net debt, the change in its accumulated deficit, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

Toronto, Ontario
July 31, 2009

Province of Ontario
Consolidated Statement of Operations

(\$ Millions)	2008–09 Budget¹	2008–09 Actual	2007–08 Actual
Revenues <i>(Schedules 1 and 2)</i>			
Personal Income Tax	25,171	24,727	24,538
Retail Sales Tax	17,206	17,267	16,976
Corporations Tax	12,339	6,748	12,990
Employer Health Tax	4,821	4,617	4,605
Gasoline and Fuel Taxes	3,122	3,021	3,093
Ontario Health Premium	2,809	2,776	2,713
Other Taxes	3,507	3,239	3,517
Total Taxation	68,975	62,395	68,432
Transfers from Government of Canada	16,457	16,591	16,597
Income from Investment in Government Business Enterprises <i>(Schedule 9)</i>	4,122	4,042	4,437
Other	7,366	7,444	7,656
	96,920	90,472	97,122
Expenses <i>(Schedules 3 and 4)</i>			
Health	40,437	40,747	38,118
Education	13,196	13,215	12,618
Children's and Social Services	11,798	12,054	11,265
Interest on Debt	8,891	8,566	8,914
Environment, Resources and Economic Development	7,449	7,165	10,298
Post-Secondary Education and Training	6,240	6,076	6,486
Justice	3,699	3,804	3,643
General Government and Other	4,460	5,254	5,180
	96,170	96,881	96,522
Reserve	750	—	—
Annual (Deficit) Surplus	—	(6,409)	600

See accompanying Notes and Schedules to the Financial Statements.

¹ Amounts reported as "Plan" in 2008 Budget.

Province of Ontario
Consolidated Statement of Financial Position

As at March 31 (\$ Millions)	2009	2008
Liabilities		
Accounts Payable and Accrued Liabilities (<i>Schedule 5</i>)	12,708	15,359
Debt (<i>Note 2</i>)	176,915	162,217
Power Purchase Contracts (<i>Note 4</i>)	2,206	2,579
Pensions and Other Employee Future Benefits (<i>Note 5</i>)	404	1,024
Other Liabilities (<i>Note 6</i>)	4,383	4,340
	196,616	185,519
Financial Assets		
Cash and Cash Equivalents	5,746	4,001
Temporary Investments (<i>Note 7</i>)	6,132	4,143
Accounts Receivable (<i>Schedule 6</i>)	4,942	8,358
Loans Receivable (<i>Schedule 7</i>)	9,822	8,825
Other Assets (<i>Note 8</i>)	1,994	2,068
Investment in Government Business Enterprises (<i>Schedule 9</i>)	14,655	15,706
	43,291	43,101
Net Debt	(153,325)	(142,418)
Non-Financial Assets		
Tangible Capital Assets (<i>Note 9</i>)	21,671	19,112
Net Assets of Broader Public Sector Organizations (<i>Schedule 10</i>)	18,416	17,689
	40,087	36,801
Accumulated Deficit	(113,238)	(105,617)
Contingent Liabilities (<i>Note 11</i>) and Contractual Obligations (<i>Note 12</i>) See accompanying Notes and Schedules to the Financial Statements.		

Province of Ontario
Consolidated Statement of Change in Net Debt

For the year ended March 31 (\$ Millions)	2009	2008
Annual (Deficit) Surplus	(6,409)	600
Acquisition of Tangible Capital Assets	(3,553)	(2,748)
Amortization of Tangible Capital Assets <i>(Note 9)</i>	988	880
Proceeds on Sale of Tangible Capital Assets	59	9
Gain on Sale of Tangible Capital Assets	(53)	(8)
Increase in Net Assets of Broader Public Sector Organizations <i>(Schedule 10)</i>	(727)	(610)
	(3,286)	(2,477)
Decrease in Fair Value of Ontario Nuclear Funds <i>(Note 10)</i>	(1,212)	(935)
Increase in Net Debt	(10,907)	(2,812)
Net Debt at Beginning of Year	(142,418)	(141,100)
Increase in Fair Value of Ontario Nuclear Funds at Beginning of Year <i>(Note 10)</i>	–	1,494
Restated Net Debt at Beginning of Year	(142,418)	(139,606)
Net Debt at End of Year	(153,325)	(142,418)
See accompanying Notes and Schedules to the Financial Statements.		

Province of Ontario
Consolidated Statement of Change in Accumulated Deficit

For the year ended March 31 (\$ Millions)	2009	2008
Accumulated Deficit at Beginning of Year	(105,617)	(106,776)
Increase in Fair Value of Ontario Nuclear Funds at Beginning of Year <i>(Note 10)</i>	–	1,494
Restated Accumulated Deficit at Beginning of Year	(105,617)	(105,282)
Annual (Deficit) Surplus	(6,409)	600
Decrease in Fair Value of Ontario Nuclear Funds <i>(Note 10)</i>	(1,212)	(935)
Accumulated Deficit at End of Year	(113,238)	(105,617)
See accompanying Notes and Schedules to the Financial Statements.		

Province of Ontario
Consolidated Statement of Cash Flow

For the year ended March 31	2009	2008
(\$ Millions)		
Operating Transactions		
Annual (Deficit) Surplus	(6,409)	600
Amortization of Tangible Capital Assets (<i>Note 9</i>)	988	880
Gain on Sale of Tangible Capital Assets	(53)	(8)
Income from Investment in Government Business Enterprises (<i>Schedule 9</i>)	(4,042)	(4,437)
Remittances from Government Business Enterprises (<i>Schedule 9</i>)	3,631	3,271
Decrease in Liability for Pensions and Other Employee Future Benefits (<i>Note 5</i>)	(620)	(374)
Decrease in Power Purchase Contracts (<i>Note 4</i>)	(373)	(398)
(Decrease) Increase in Accounts Payable and Accrued Liabilities (<i>Schedule 5</i>)	(2,651)	2,637
Increase (Decrease) in Other Items	2,786	(2,206)
Cash Applied to Operating Transactions	(6,743)	(35)
Capital Transactions		
Acquisition of Tangible Capital Assets	(3,553)	(2,748)
Proceeds from Sale of Tangible Capital Assets	59	9
Increase in Net Assets of Broader Public Sector Organizations (<i>Schedule 10</i>)	(727)	(610)
Cash Applied to Capital Transactions	(4,221)	(3,349)
Investing Transactions		
Increase in Temporary Investments (<i>Note 7</i>)	(1,989)	(1,850)
Cash (Applied to) Investing Transactions	(1,989)	(1,850)
Financing Transactions		
Debt Issued	35,877	20,761
Debt Retired	(21,179)	(15,855)
Cash Provided by Financing Transactions	14,698	4,906
Net Increase (Decrease) in Cash and Cash Equivalents	1,745	(328)
Cash and Cash Equivalents at Beginning of Year	4,001	4,329
Cash and Cash Equivalents at End of Year	5,746	4,001
See accompanying Notes and Schedules to the Financial Statements.		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(ALL TABLES IN MILLIONS OF DOLLARS)

1. Summary of Significant Accounting Policies

Basis of Accounting

The Consolidated Financial Statements are prepared in accordance with the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and, where applicable, the recommendations of the Accounting Standards Board (AcSB) of the CICA.

Reporting Entity

These financial statements report the activities of the Consolidated Revenue Fund combined with those organizations that are controlled by the government.

Public hospitals, specialty psychiatric hospitals, school boards and colleges, collectively referred to as the “Broader Public Sector (BPS) organizations,” are consolidated on a sector basis in these financial statements.

Government business enterprises and other organizations that are controlled by the Province are individually consolidated provided they meet one of the following criteria: i) their revenues, expenses, assets or liabilities are greater than \$50 million, or ii) their outside sources of revenues, deficit or surplus are greater than \$10 million. A listing of these organizations is provided in Schedule 8.

The activities of organizations that do not meet the materiality thresholds 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 but are disclosed in Note 13.

Principles of Consolidation

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

Government business enterprises are defined as those government organizations that i) are separate legal entities with the power to contract in their own name and that can sue and be sued; ii) have the financial and operating authority to carry on a business; iii) have as their principal activity and source of revenue the selling of goods and services to individuals and non-government organizations; and iv) are able to maintain their operations and meet their obligations from revenues generated outside the government reporting entity. The activities of government business enterprises are recorded in the financial statements using the modified equity method. Under this method, government business 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 Consolidated Statement of Financial Position and their

combined net income is shown as a separate item, Income from Investment in Government Business Enterprises, on the Consolidated Statement of Operations.

Broader Public Sector (BPS) organizations are recorded in the financial statements using the equity method. Under the equity method or “one-line” basis, BPS organizations are reported in accordance with the accounting principles generally accepted for governments. Significant gains and losses resulting from inter-organizational transactions occurring from within the government reporting entity are eliminated upon consolidation. Their combined net assets are included in the financial statements as Net Assets of Broader Public Sector Organizations on the Consolidated Statement of Financial Position. Their combined net expenses, that is, the total annual expenses of all BPS organizations net of revenues they receive from sources other than the Province, are included in Expenses on the Consolidated Statement of Operations. The combined net expenses of hospitals are included with Health expenses, school board net expenses are included with Education expenses, and college net expenses are included in Post-Secondary Education and Training expenses in the Consolidated Statement of Operations.

Measurement Uncertainty

Uncertainty in the determination of the amount at which an item is recognized or disclosed in the financial statements is known as measurement uncertainty. Such uncertainty exists when there could be a material variance between the recognized or disclosed amount and another reasonably possible amount.

Measurement uncertainty in these financial statements and notes thereto exists in the valuation of the accruals for pensions and other employee future benefits obligations, the value of tangible capital assets, the accruals for personal income and corporations tax revenues, the valuation of the Canada Health Transfer and Canada Social Transfer entitlements, and the valuation of the Canadian third-party asset-backed commercial paper.

Uncertainty related to pensions and other employee future benefits accruals arises because actual results may differ significantly from the Province’s best estimate of expected results (for example, the difference between actual results and actuarial assumptions regarding return on investment of pension fund assets and health care cost trend rates for retiree benefits). Uncertainty in the value of tangible capital assets exists because of differences between estimated useful lives of the assets and their actual useful lives. Uncertainty related to the accrual for personal income tax and corporations tax revenues arises due to possible subsequent revisions of estimates based on forthcoming information from past-year tax return processing. Uncertainty in the estimation of the Canada Health Transfer and Canada Social Transfer entitlements arises from variances between the estimated and actual Ontario shares of the Canada-wide personal income and corporation tax base and population.

The uncertainties relating to the valuation of the Canadian third-party asset-backed commercial paper are detailed in Note 8 to these financial statements.

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

Revenues

Revenues are recognized in the fiscal year that the events giving rise to the revenues occur and they are earned. Amounts received prior to the end of the year, which relate to revenues that will be earned in a subsequent fiscal year, are deferred and reported as liabilities.

Expenses

Expenses are recognized in the fiscal year that the events giving rise to the expenses occur and resources are consumed. Expenses include:

- accounts payable accruals
- transfer payments
- interest accruing on debt
- pension and other employee future benefits
- the amortization of tangible capital assets
- net expenses of hospitals, school boards and colleges.

Transfer payments are recognized in the year during which the events giving rise to them occur, provided that the transfer is authorized, all eligibility criteria are met and a reasonable estimate of the amount can be made.

Interest on Debt includes the following: i) interest on outstanding debt net of interest income on investments and loans; ii) amortization of foreign exchange gains or losses; iii) amortization of debt discounts, premiums and commissions; iv) amortization of deferred hedging gains and losses; and v) servicing and other costs.

Employee future benefits such as pensions, other retirement benefits and entitlements upon termination are recognized as expenses over the years in which the benefits are earned by employees. These expenses are the government's share of the current year's cost of benefits, interest on the net benefits liability or asset, amortization of actuarial gains or losses, cost of or gain on plan amendment, and other adjustments.

Other employee future benefits are recognized in the period when the event that obligates the government occurs or in the period when the benefits are earned and accumulated by employees.

The costs of buildings and transportation infrastructure owned by the Province are amortized and recognized as expenses over their estimated useful lives on a straight-line basis. Amortization of tangible capital assets owned by government organizations consolidated in these financial statements is also included in expenses.

The Province is phasing in the implementation of PSAB recommendations on tangible capital assets (see Tangible Capital Assets, page 38). Consequently, the costs of acquisition of other tangible capital assets owned by the Province, such as furniture and vehicles, are recorded as expenses. Also, for significant capital leases entered into by the Province, an amount equal to the present value of the minimum lease payments required over the term of the lease is recorded as an expense at the inception of the lease, with an offsetting liability recorded for the lease obligation.

Liabilities

Liabilities are recorded to the extent that they represent present obligations of the government to outside parties as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in the sacrifice of economic benefits in the future.

Liabilities include present obligations for environmental costs, probable losses on loan guarantees issued by the government, and contingencies when it is likely that a loss will be realized and the amount can be reasonably determined.

Liabilities also include obligations to government business enterprises.

Debt

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

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

The Province uses derivative financial instruments (derivatives) for the purposes of minimizing interest costs and managing risk. The Province does not use derivatives for speculative purposes. Derivatives are financial contracts, the value of which is derived from underlying instruments. Gains or losses arising from derivative transactions are deferred and amortized over the remaining life of the related debt issue.

Pensions and Other Employee Future Benefits

The liabilities for pensions and other employee future benefits are calculated on an actuarial basis using the government's best estimates of future inflation rates, investment returns, employee salary levels and other underlying assumptions, and, where applicable, the government's borrowing rate. When actual plan experience of pensions, other retirement benefits and termination pay differs from that expected, or when assumptions are revised, actuarial gains and losses arise. These gains and losses are amortized over the expected average remaining service life of plan members.

The liabilities for selected employee future benefits (such as pensions, other retirement benefits and termination pay) represent the government's share of the actuarial present values of benefits attributed to services rendered by employees and former employees, less its share of the assets of the plans. In addition, the liability includes the Province's share of the unamortized balance of actuarial gains or losses, and other adjustments primarily for differences between the fiscal year-end of the pension plans and that of the Province.

Assets

Assets are resources controlled by the government from which it will derive future benefits. Assets are recognized in the year the events giving rise to the government's control of the benefit occur.

Financial Assets

Financial assets are resources that can be used to discharge existing liabilities or finance future operations. They include cash, temporary investments, accounts receivable, loans receivable, advances, and investments in government business enterprises.

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

Accounts receivables are recorded at cost. A valuation allowance is recorded when collection of the receivable is considered doubtful.

Loans receivable with significant concessionary terms are considered in part as grants and are recorded on the date of issuance at face value discounted by the amount of the grant portion. The grant portion is recognized as an expense at the date of issuance of the loan. The amount of the loan discount is amortized to revenue over the term of the loan. Loans receivable include amounts owing from government business enterprises.

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

Net Assets of Broader Public Sector Organizations

The net assets of the broader public sector (BPS) organizations consist of tangible capital and financial assets of BPS organizations net of their liabilities. Although the assets of BPS organizations are consolidated, they are owned, managed and operated by BPS organizations. Tangible capital assets of hospitals and colleges are recorded at historical cost in their financial statements. Interest incurred during construction of major projects is capitalized and included in historical cost when specific project financing is provided. Although school boards do not presently record tangible capital assets in their financial statements, an adjustment is made upon consolidation to record the estimated historical cost of their land and buildings in the Province's consolidated financial statements.

Tangible Capital Assets

Tangible capital assets are recorded at historical cost less accumulated amortization. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. Cost includes overheads directly attributable to construction and development but excludes interest. Estimated historical cost was used to record existing tangible capital assets if actual cost was unknown when the Province first implemented tangible capital assets accounting. Tangible capital assets, except land, are amortized over the estimated useful lives of the assets on a straight-line basis.

As the Province is phasing in the implementation of PSAB recommendations on provincially owned tangible capital assets, the following categories are included under tangible capital assets and recorded at historical cost: land, buildings and transportation infrastructure owned by the Province; and all tangible capital assets owned by government organizations that are consolidated in these financial statements. The remaining other tangible capital assets, including leased assets, computers, equipment, vehicles and furniture, are expensed as acquired. The Province intends to apply PSAB's recommendations on the remaining other tangible capital assets in 2009–10.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a tangible capital asset

are capitalized. External contributions for acquisition of tangible capital assets are recorded as deferred revenue and amortized on the same basis as the related tangible capital assets.

2. Debt

The Province borrows in both domestic and international markets. Debt of \$176.9 billion, as at March 31, 2009 (2008, \$162.1 billion), is composed mainly of bonds and debentures issued in both the short- and long-term public capital markets and non-public debt held by certain federal and provincial public sector pension plans. Debt comprises Debt Issued for Provincial Purposes of \$149.2 billion (2008, \$133.9 billion) and Ontario Electricity Financial Corporation (OEFC) debt of \$27.7 billion (2008, \$28.3 billion). The table on page 40 presents the maturity schedule of the Province's outstanding debt, by currency of repayment, expressed in Canadian dollars, and reflects the effects of related derivative contracts.

Debt As at March 31						2009	2008
Currency	Canadian Dollar	U.S. Dollar	Japanese Yen	Euro¹	Other Currencies²	Total	Total
Maturing in:							
2009							\$27,035
2010	\$18,736	3,640	747	1,490	769	\$25,382	13,696
2011	12,605	3,537	–	–	252	16,394	11,038
2012	8,771	4,924	–	–	47	13,742	7,352
2013	7,889	3,536	–	–	550	11,975	11,317
2014	12,776	1,010	178	2,405	569	16,938	–
1–5 years	60,777	16,647	925	3,895	2,187	84,431	70,438
6–10 years	19,286	4,957	159	206	2,493	27,101	30,670
11–15 years	11,097	–	–	–	–	11,097	9,037
16–20 years	16,658	–	–	–	–	16,658	14,710
21–25 years	8,816	–	–	–	–	8,816	13,469
26–45 ³ years	28,722	–	–	–	–	28,722	23,732
	\$145,356	21,604	1,084	4,101	4,680	\$176,825	\$162,056
Unamortized Foreign Exchange Gains	–	85	5	–	–	90	161
Total^{4, 5}	\$145,356	21,689	1,089	4,101	4,680	\$176,915	162,217
Debt Issued for Provincial Purposes⁶	120,950	19,959	1,089	4,101	3,148	149,247	133,880
OEFC Debt	24,406	1,730	–	–	1,532	27,668	28,337
Total^{4, 5}	\$145,356	21,689	1,089	4,101	4,680	\$176,915	\$162,217
Effective Interest Rates (Weighted Average)							
2009	5.45%	3.73%	3.83%	4.02%	4.56%	5.17%	–
2008	5.97%	4.76%	2.42%	4.65%	4.42%	–	5.76%

¹ Euro debt includes debt issues in Euro and French franc legacy currency.

² Other currencies comprise Australian dollar, New Zealand dollar, Pound sterling, Swiss franc, Hong Kong dollar and South African rand.

³ The longest term to maturity is to June 2, 2054.

⁴ Total foreign currency denominated debt as at March 31, 2009, was \$31.5 billion (2008, \$24.7 billion). Of that, \$31.2 billion or 99.1% (2008, \$23.9 billion or 96.8%) was fully hedged to Canadian dollars. The remaining 0.9% (2008, 3.2%) of foreign debt was unhedged as follows: \$241 million (2008, \$720 million) Japanese yen denominated debt and \$55 million (2008, \$26 million) Swiss franc denominated debt.

⁵ Total debt includes issues totalling \$2.4 billion (2008, \$2.7 billion), which have embedded options exercisable by either the Province or the bond holder under specific conditions.

⁶ Debt denominated in Canadian dollars as at March 31, 2009 includes \$0.5 billion (2008, \$1.2 billion) long-term debt purchased and held by the Province.

Debt As at March 31	2009	2008
Debt Payable to:		
Public Investors	\$158,211	\$141,730
Canada Pension Plan Investment Fund	10,233	10,233
Ontario Teachers' Pension Plan	3,001	4,466
Public Service Pension Plan	1,991	2,260
Ontario Public Service Employees Union Pension Fund	946	1,074
Canada Mortgage and Housing Corporation	811	863
Others ¹	1,632	1,430
Total	\$176,825	\$162,056
¹ Debt payable to others is comprised mainly of the School Board Trust Debt of \$814 million (2008, \$831 million) and Ontario Immigrant Investor Corporation Debt of \$818 million (2008, \$599 million).		

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

The estimated fair value of debt as at March 31, 2009 was \$196.7 billion (2008, \$180.1 billion). This is higher than the book value of \$176.8 billion (2008, \$162.1 billion) because current interest rates are generally lower than the interest rates at which the debt was issued. The fair value of debt does not reflect the effect of related derivative contracts.

School Board Trust Debt

A School Board Trust was created in June 2003 to permanently refinance debt incurred by 55 school boards. The Trust issued 30-year sinking fund debentures amounting to \$891 million in June 2003. The Trust provided \$882 million of the proceeds to the 55 school boards in exchange for the irrevocable right to receive future transfer payments from the Province related to this debt. These amounts will be reduced over the 30-year period by the transfer payments made by the Ministry of Education to the Trust under the School Board Operating Grant program. As at March 31, 2009, the outstanding amount of \$806 million (2008, \$822 million) advanced to school boards is included in Other Assets and outstanding debentures of \$814 million (2008, \$831 million) are included in Debt.

3. Risk Management and Derivative Financial Instruments

The Province employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost-effective manner. A variety of strategies are used, including the use of derivative financial instruments ("derivatives").

Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives to hedge and to minimize interest costs. Hedges are created primarily through swaps, which are legal contracts under which the Province agrees with another party to exchange cash flows based on one or more notional amounts using stipulated reference interest rates

for a specified period. Swaps allow the Province to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by the Province include forward foreign exchange contracts, forward rate agreements, futures, options, caps and floors.

Foreign exchange or currency risk is the risk that foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, the Province uses derivative contracts including forward foreign exchange contracts, futures, options and swaps to convert foreign currency cash flows into Canadian dollar denominated cash flows. Most of the derivative contracts hedge the underlying debt by matching all the critical terms to achieve effectiveness. In the instances where the term of forward foreign exchange contracts used for hedging is shorter than the term of the underlying debt, the effectiveness is maintained by continuously rolling the forward foreign exchange contract over the remaining term of the underlying debt, or until it is replaced with a long-term derivative contract.

The current policy allows the amount of unhedged foreign currency debt principal net of foreign currency holdings to reach a maximum of 5 per cent of Debt Issued for Provincial Purposes and OEFC debt. At March 31, 2009, the respective unhedged levels were 0.2 and nil per cent (2008, 0.6 and nil per cent). The Province's unhedged level of 0.2 per cent was primarily relating to Japanese yen denominated debt. For every one Japanese yen decrease versus the Canadian dollar, there would be an increase in debt amount of \$3.1 million (2008, \$7.5 million) and an increase in Interest on Debt of \$0.9 million (2008, \$4.0 million). Total foreign exchange gains recognized in the Statement of Operations for 2008-09 were \$67 million (2007-08, \$131 million).

Interest on debt expense may also vary as a result of changes in interest rates. In respect of Debt Issued for Provincial Purposes and OEFC debt, the risk is measured as interest rate resetting risk, which is the net of floating rate exposure, liquid reserves and fixed-rate debt maturing within the next 12-month period as a percentage of Debt Issued for Provincial Purposes and OEFC debt respectively. Depending on market conditions, the Province creates or reduces its exposure to interest rate changes by issuing or retiring short-term debt, or by entering into or closing out derivative positions. The current policy limits interest rate resetting risk for Debt Issued for Provincial Purposes and OEFC to a maximum of 35 per cent.

As at March 31, 2009, interest rate resetting risk for Debt Issued for Provincial Purposes and OEFC debt was 11.5 per cent and 19.5 per cent respectively (2008, 15.6 per cent and 23.6 per cent). Based on floating rate interest-bearing financial instruments on hand at the balance sheet date plus planned refinancing of maturing debt in the coming year, a one per cent (100 basis points) increase in interest rates would result in an increase in Interest on Debt of \$230 million (2008, \$290 million).

Liquidity risk is the risk that the Province will not be able to meet its current short-term financial obligations. To reduce liquidity risk, the Province maintains liquid reserves, that is, cash and temporary investments (Note 7), at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has short-term note programs as alternative sources of liquidity.

The table below presents a maturity schedule of the Province's derivatives, by type, outstanding as at March 31, 2009, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value As at March 31								2009	2008
Maturity in Fiscal Year	2010	2011	2012	2013	2014	6–10 Years	Over 10 Years	Total	Total
Swaps:									
Interest Rate ¹	\$10,411	\$9,545	\$11,408	\$7,608	\$5,809	\$23,271	\$6,155	\$74,207	\$61,028
Cross Currency	4,906	3,192	3,096	3,784	6,507	10,362	–	31,847	27,032
Forward Foreign Exchange Contracts	8,881	–	–	–	–	–	–	8,881	2,649
Caps and Floors	88	–	–	–	–	–	–	88	88
Total	\$24,286	\$12,737	\$14,504	\$11,392	\$12,316	\$33,633	\$6,155	\$115,023	\$90,797

¹ Includes \$1.3 billion of interest rate swaps related to loans receivable held by consolidated entity.

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which the Province has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2009.

Credit Risk Exposure As at March 31	2009	2008
Gross Credit Risk Exposure ¹	\$5,492	\$2,247
Less: Netting ²	(4,254)	(1,487)
Net Credit Risk Exposure	\$1,238	\$760

¹ Gross credit risk exposure is the gross credit exposure to counterparties with net positive exposure (that is, the Province has an unrealized gain).

² "Netting" is the gross negative credit exposure to counterparties with net positive credit exposures covered by master agreements providing for closeout netting when contracts do not have co-terminus settlement dates.

The Province manages its credit risk exposure from derivatives by, among other things, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. In addition, the Province enters into contractual agreements ("master agreements") that provide for termination netting and, if applicable, payment netting with most of its counterparties. Gross credit risk exposure represents the loss that the Province would incur if every counterparty to which the Province had credit risk exposure were to default at the same time, and the contracted netting provisions were not exercised or could not be enforced. Net credit risk exposure is the loss including the mitigating impact of these netting provisions.

4. Power Purchase Contracts

Power purchase contracts and related loan agreements were entered into by Ontario Hydro with non-utility generators (NUGs) located in Ontario. As the legal continuation of Ontario Hydro, Ontario Electricity Financial Corporation is the counterparty to these contracts. The contracts, expiring on various dates to 2048, provided for the purchase of power at prices that were expected to be in excess of the market price. Accordingly, a liability was recorded at \$4.3 billion on a discounted cash-flow basis when Ontario Hydro was continued as OEFC on April 1, 1999.

Under the *Electricity Restructuring Act, 2004*, effective January 1, 2005, OEFC began receiving actual contract prices for power from ratepayers and will no longer incur losses on these power purchase contracts. At that time, it was estimated that the bulk of the liability would be eliminated over 12 years as

electricity contracts expire. The decrease in the liability for power purchase contracts for 2008–09 was \$373 million (2007–08, \$398 million). This results in a liability of \$2.2 billion as at March 31, 2009 (2008, \$2.6 billion).

5. Pensions and Other Employee Future Benefits

Pensions and Other Employee Future Benefits Liability (Asset)				
As at March 31	2009	2009	2009	2008
	Pensions	Other Employee Future Benefits	Total	Total
Obligation for benefits	\$68,081	\$6,348	\$74,429	\$70,828
Less: plan fund assets	(76,396)	(426)	(76,822)	(75,251)
Unamortized actuarial gains (losses)	1,745	(699)	1,046	3,833
Adjustments ¹	1,751	–	1,751	1,614
Total	(\$4,819)	\$5,223	\$404	\$1,024

¹ Adjustments for pensions consist of:
i) differences for amounts reported by the pension plans at December 31, instead of the Province's year-end of March 31
ii) unamortized difference between employer and employee contributions for jointly sponsored pension plans
iii) unamortized employee contribution reductions for solely sponsored plans
iv) unamortized initial unfunded liabilities of jointly sponsored plans
v) amounts payable by the Province that are reflected as contributions in the pension plan assets.

Pensions and Other Employee Future Benefits Expense

For the year ended March 31	2009	2009	2009	2008
	Pensions	Other Employee Future Benefits	Total	Total
Cost of benefits	\$1,756	\$265	\$2,021	\$1,936
Amortization of actuarial losses (gains)	(533)	65	(468)	(391)
Employee contributions	(220)	–	(220)	(200)
Cost of plan amendments	–	280	280	–
Interest expense (income)	(620)	233	(387)	(217)
Adjustments ¹	(12)	–	(12)	(24)
Total²	\$371	\$843	\$1,214	\$1,104

¹ Adjustments for Pensions consist of amortization of:

- i) the difference between employer and employee contributions for jointly sponsored pension plans
- ii) employee contribution reductions for solely sponsored plans
- iii) initial unfunded liability of jointly sponsored pension plans.

² Total Pensions and Other Employee Future Benefits Expense is reported in Schedule 3. The Teachers' Pension expense of \$50 million (2007–08, \$342 million) is included in the Education expense in the Consolidated Statement of Operations and is disclosed separately in Schedule 4. The Public Service and OPSEU Pension expense of \$321 million (2007–08, \$131 million) and Other Employee Future Benefits — Retirement Benefits expense of \$650 million (2007–08, \$400 million) are included in the General Government and Other expense in the Consolidated Statement of Operations. The combined total of Public Service and OPSEU Pension and Other Employee Future Benefits — Retirement Benefits expense of \$971 million (2007–08, \$531 million) is disclosed separately in Schedule 4. The remainder of Other Employee Future Benefits expense is included in the relevant ministries' expenses in Schedule 4.

Pensions

The Province sponsors several pension plans. It is the sole sponsor of the Public Service Pension Plan (PSPP) and joint sponsor of the Ontario Public Service Employees Union (OPSEU) Pension Plan and the Ontario Teachers' Pension Plan (OTPP).

These three plans are contributory defined benefit plans that provide Ontario government employees and elementary and secondary school teachers and administrators with a guaranteed amount of retirement income. Benefits are based primarily on the best five-year average salary of members and their length of service, and are indexed to changes in the Consumer Price Index to provide protection against inflation. Plan members normally contribute seven to nine per cent of their salaries to these plans. The Province matches these contributions.

Funding of these plans is based on statutory actuarial funding valuations undertaken at least every three years. The Province contributed \$1,073 million to OTPP in 2008–09 (2007–08, \$809 million), \$227 million (including a \$4 million special payment) to PSPP (2007–08, \$213 million including a \$59 million special payment) and \$157 million to OPSEU Pension Plan (2007–08, \$153 million). During calendar year 2008, OTPP paid benefits, including transfers to other plans of \$4.2 billion (2007, \$4.0 billion), PSPP paid \$881 million (2007, \$856 million) and OPSEU Pension Plan paid \$590 million (2007, \$542 million). Under agreements between the Province and OPSEU, and between the Province and the Ontario Teachers' Federation (OTF), gains and losses arising from statutory actuarial funding valuations are shared by the co-sponsors.

The government's best estimate of the long-term annual inflation rate used in the pension and other employee future benefits calculations disclosed in these financial statements is 2.5 per cent; the salary escalation rate is 3.5 per cent; and the discount rate and expected rate of return on pension plan

assets are 6.75 per cent for OTPP, 6.5 per cent for PSPP and 6.75 per cent for OPSEU Pension Plan. Actuarial gains or losses are amortized over periods of 10 to 14 years.

The Province is also responsible for sponsoring the Ontario Teachers' Retirement Compensation Arrangement and the Public Service Supplementary Benefits Plan. Expenses and liabilities of these plans are included in the Pensions Expense and Pensions Liability reported in the above tables.

Other Employee Future Benefits

Other Employee Future Benefits are non-pension retirement benefits, post-employment benefits and compensated absences. The discount rate used in the Other Employee Future Benefits (except retirement benefits) calculation for 2008-09 is 4.95 per cent (2007-08, 4.95 per cent).

Retirement Benefits

The Province provides dental, basic life insurance, supplementary health and hospital benefits to retired employees through a self-insured, unfunded defined benefit plan. The Province paid \$137 million for benefits under the plan in 2008-09 (2007-08, \$127 million). The liability for non-pension retirement benefits of \$3.5 billion as at March 31, 2009 (2008, \$3.0 billion) is included in the Other Employee Future Benefits Liability. The expense for 2008-09 of \$650 million (2007-08, \$400 million) is included in the Other Employee Future Benefits Expense.

The discount rate used in the other retirement benefits calculation for 2008-09 is 5.10 per cent (2007-08, 5.10 per cent).

Post-Employment Benefits

For employees who have completed five years of service, the Province provides termination pay equal to one week's salary for each year of service up to a maximum of 50 per cent of their annual salary. Employees who have completed one year of service but less than five years are also entitled to termination pay in the event of death, retirement or release from employment. The termination pay benefits are unfunded and are administered by the Province. The Province paid \$84 million in termination pay in 2008-09 (2007-08, \$46 million). The liability for termination pay of \$858 million as at March 31, 2009 (2008, \$859 million) is included in the Other Employee Future Benefits Liability. The expense for 2008-09 of \$83 million (2007-08, \$71 million) is included in the Other Employee Future Benefits Expense, on Schedule 4.

The Province also provides, on a self-insured basis, workers' compensation benefits, long-term disability benefits and regular benefits to employees who are on long-term disability. The liability for workers' compensation of \$405 million as at March 31, 2009 (2008, \$408 million) net of deposits of \$1 million (2008, \$1 million) is included in the Other Employee Future Benefits Liability. The expense for 2008-09 of \$43 million (2007-08, \$35 million), including a \$46 million payment made in 2008-09 (2007-08, \$43 million), is included in the Other Employee Future Benefits Expense.

The unfunded liability for long-term disability benefits of \$224 million as at March 31, 2009 (2008, \$250 million) is net of deposits of \$425 million (2008, \$404 million), and is included in the Other Employee Future Benefits Liability. The 2008-09 expense of \$57 million (2007-08, \$99 million) is included in the Other Employee Future Benefits Expense. A payment of \$82 million payment for long-term disability benefits was made in 2008-09 (2007-08, \$72 million).

6. Other Liabilities

Other Liabilities As at March 31	2009	2008
Deferred Revenue:		
Federal Transfers	\$1,150	\$1,337
Vehicle and Driver Licences	637	625
Other	934	843
Total Deferred Revenue	2,721	2,805
Other Funds and Liabilities	1,662	1,535
Total	\$4,383	\$4,340

Federal transfers were received by the Province to provide multi-year funding for provincial expenditures. They are recognized as revenue in the periods identified by the federal government in the underlying agreements. Details are provided in the following table:

Deferred Revenue — Federal Transfers						
	Total Transfer Received	Included in Revenue		Revenue Deferred to Future Periods		Deferred Revenue
		2007–08 and prior	2008–09	2009–10	2010–11 and thereafter	As at March 31, 2009
Community Development Trust	\$358	–	\$119	\$119	\$120	\$239
ecoTrust for Clean Air and Climate Change	586	195	195	196	–	196
Strategic Highway Infrastructure Fund	168	15	7	7	139	146
Police Officers Recruitment Fund	156	–	31	31	94	125
Public Transit Capital Trust 2008	195	–	97	98	–	98
Border Infrastructure Fund	107	5	4	4	94	98
Labour Market Agreement	194	–	117	77	–	77
Patient Wait Times Guarantee Trust	205	68	68	69	–	69
HPV Immunization Trust	117	39	39	39	–	39
Wait Times Reduction	1,656	1,421	235	–	–	–
Public Transit Capital	351	234	117	–	–	–
Affordable Housing Trust	312	234	78	–	–	–
Other Federal Transfers	160	54	43	37	26	63
Total	\$4,565	\$2,265	\$1,150	\$677	\$473	\$1,150

The Province provides a two-year vehicle licence plate renewal option and multi-year driver licence renewals (two years for seniors and five years for all others). Amounts received under these multi-year renewals are recognized as revenue over the periods covered by the licences.

Other deferred revenue includes deferred capital contributions of \$786 million (2008, \$668 million) from external sources for the acquisition and construction of tangible capital assets owned by the Province.

Other funds and liabilities include pension and benefit funds related to the Provincial Judges' Pension Fund, the Public Service and the Deputy Ministers' Supplementary Benefit Accounts and externally restricted funds.

7. Temporary Investments

Temporary Investments As at March 31	2009	2008
Temporary Investments	\$4,142	\$3,315
Add: Assets Purchased under Resale Agreements	3,079	1,679
Less: Assets Sold under Repurchase Agreements	(1,089)	(851)
Total	\$6,132	\$4,143

The fair value of temporary investments, including assets purchased and sold under resale and repurchase agreements, at March 31, 2009 is \$6.2 billion (2008, \$4.3 billion). Temporary investments primarily consist of investments in government bonds. Fair value is determined using quoted market prices.

A resale agreement is an agreement between two parties where the Province purchases and subsequently resells a security at a specified price on a specified date. A repurchase agreement is an agreement between two parties where the Province sells and subsequently repurchases a security at a specified price on a specified date.

8. Other Assets

Other assets include prepaids, long-term investments and deferred charges.

On January 21, 2009, the restructuring of the frozen Canadian third-party asset-backed commercial paper (ABCP) was completed. Under the agreement, the Province along with the federal government, Alberta and Quebec provided assistance to the ABCP restructuring efforts through a Senior Funding Facility (SFF). Ontario's contribution to the SFF was \$250 million, and is not expected to be called upon. A small indemnity fee will be received annually.

The Province received \$636.8 million in restructured long-term notes issued by the new Master Asset Vehicle (MAV) as a result of the restructuring of third-party ABCP. This was comprised of approximately \$49.6 million of notes backed by traditional assets, \$33.2 million of notes with exposure to the U.S. residential mortgage market, and \$554 million of notes backed by a combination of structured and traditional assets, 44 per cent of which are rated A and 43 per cent of which are also rated A but are under review with negative implications, by Dominion Bond Rating Service (DBRS). The amount outstanding will decrease as principal repayments are received over the life of the notes.

Management's best estimate of the net recoverable value of the Province's investment in MAV notes, as at March 31, 2009, is approximately \$501.1 million (2008, \$530.1 million).

In addition, government business enterprises received \$58 million in MAV notes. As at March 31, 2009, the estimated fair value of the government business enterprises' MAV notes was \$35 million, resulting from a valuation adjustment of \$5 million (2007-08, \$18 million). This write-down is included in Income from Investments in Government Business Enterprises for the year ended March 31, 2009.

9. Tangible Capital Assets

Tangible Capital Assets As at March 31	2009	2009	2009	2008
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$5,809	–	\$5,809	\$5,682
Buildings	5,480	1,674	3,806	3,243
Transportation Infrastructure	18,408	7,181	11,227	9,543
Other	2,309	1,480	829	644
Total	\$32,006	\$10,335	\$21,671	\$19,112

Land includes land acquired for transportation infrastructure, parks, buildings and other program use, and land improvements that have an indefinite life and are not being amortized. Land excludes Crown lands acquired by right.

Buildings includes administrative and service structures, and buildings under construction, but leased premises are excluded.

Transportation Infrastructure includes provincial highways, railways, bridges and related structures and facilities, but excludes land and buildings.

Other includes railway equipment, computer equipment, vehicles, furniture, and administrative and service equipment owned by government organizations that are consolidated. Similar assets owned by provincial ministries will be included in the Province's financial statements in 2009–10. Works of art and historical treasures including the Legislative Building are excluded from tangible capital assets.

All tangible capital assets, except buildings under construction, land and land improvements with an indefinite life, are being amortized on a straight-line basis over their estimated useful lives. Amortization expense for the fiscal year 2008–09 totalled \$988 million (2007–08, \$880 million). The useful lives of the Province's tangible capital assets have been estimated as:

Buildings	20 to 40 years
Transportation Infrastructure	10 to 60 years
Other	3 to 25 years

10. Changes in the Fair Value of Ontario Nuclear Funds

The Ontario Nuclear Funds Agreement (ONFA) Funds were established by Ontario Power Generation Inc. (OPG) to ensure that sufficient funds will be available to pay for the costs of nuclear station decommissioning and nuclear used fuel waste management. Effective January 1, 2007, OPG adopted the new accounting standards issued by the Canadian Institute of Chartered Accountants on the recognition and measurement of financial instruments. As a result, the ONFA Funds are carried at fair value in OPG's financial statements.

Effective April 1, 2007, the fair value of ONFA Funds is reflected in the Province's consolidated financial statements. Unrealized gains and losses of ONFA Funds are included in Investment in Government Business Enterprises and recorded as an Increase (Decrease) in Fair Value of Ontario Nuclear Funds in the Consolidated Statement of Change in Net Debt and the Consolidated Statement of Change in Accumulated Deficit. Realized gains and losses of ONFA Funds are included in Income from Investment in Government Business Enterprises. Inter-organizational balances related to ONFA Funds are eliminated.

ONFA Funds incurred unrealized losses in 2008–09 of \$1,212 million (2007–08, \$935 million) which resulted in a decrease in Investment in Government Business Enterprises, and a corresponding increase in Net Debt and Accumulated Deficit.

11. Contingent Liabilities

Obligations Guaranteed by the Province

The authorized limit for loans guaranteed by the Province as at March 31, 2009 was \$912 million (2008, \$1,010 million). The outstanding loans guaranteed and other contingencies amounted to \$721 million as at March 31, 2009 (2008, \$963 million). A provision of \$36 million (2008, \$49 million) based on an estimate of the likely loss arising from guarantees under the Student Support Programs has been reflected in these financial statements.

Ontario Nuclear Funds Agreement (ONFA)

Under ONFA, the Province is liable to make payments should the cost estimate for nuclear used fuel waste management rise above specified thresholds, for a fixed volume of used fuel. The likelihood and amount by which the cost estimate could rise above these thresholds cannot be determined at this time. The cost estimate will be updated periodically, to reflect new developments in the management of nuclear used fuel waste.

As well, under ONFA, the Province guarantees a return of 3.25 per cent over the Ontario Consumer Price Index for the nuclear used fuel waste management fund. If the earnings on assets in that fund exceed the guaranteed rate, the Province is entitled to the excess.

Two agreements are in place to satisfy the Canadian Nuclear Safety Commission (CNSC) licensing requirements for financial guarantees in respect of OPG's nuclear station decommissioning and nuclear waste management obligations. One agreement gives the CNSC access to the segregated funds established under ONFA. The other agreement provides a direct provincial guarantee to the CNSC on behalf of OPG. This guarantee, for up to \$760 million, effective January 1, 2008, relates to the portion of the decommissioning and waste management obligations not funded by the value of the segregated funds at the time the Provincial guarantee level was reset. In return, the Province receives from OPG an annual fee equal to 0.5 per cent of the value of the direct provincial guarantee.

Social Housing — Loan Insurance Agreements

For all non-profit housing projects in the provincial portfolio, the Province is liable to indemnify and reimburse the Canada Mortgage and Housing Corporation (CMHC) for any net costs, including any environmental liabilities, incurred as a result of project defaults through the Ministry of Municipal Affairs and Housing or the Ontario Housing Corporation.

At March 31, 2009, there were \$7.7 billion (2008, \$8.0 billion) of mortgage loans outstanding. As operating subsidies provided by the Province are sufficient to ensure that all mortgage payments can be made when due, default is unlikely. To date, there have been no claims for defaults on insured mortgage loans.

Claims Against the Crown

There are claims outstanding against the Crown of which 66 (2008, 72) are for amounts over \$50 million. These claims arise from legal action, either in progress or threatened, in respect of aboriginal land claims, breach of contract, damages to persons and property, and like items. The cost to the Province, if any, cannot be determined because the outcome of these actions is uncertain.

Canadian Blood Services

The provincial and territorial governments of Canada have entered into a Canadian Blood Services Excess Insurance Captive Support Agreement (the "Captive Support Agreement") with Canadian Blood Services (CBS) and Canadian Blood Services Captive Insurance Company Limited (CBSI), a wholly owned subsidiary of CBS. Under the Captive Support Agreement, each government indemnifies CBSI for its pro-rata share of any payments that CBSI becomes obliged to make under a comprehensive blood risks insurance policy it provides to CBS. The policy has an overall limit of \$750 million, which may cover settlements, judgments and defence costs. The policy is in excess of, and secondary to, a \$250 million comprehensive insurance policy underwritten by CBS Insurance Company Limited, a subsidiary of CBS. Given current populations, Ontario's maximum potential liability under the Captive Support Agreement is approximately \$376 million. The Province is not aware of any proceedings that could lead to a claim against it under the Captive Support Agreement.

12. Contractual Obligations

Contractual Obligations as at March 31			Minimum Payments to be made in:					
	2009	2008	2010	2011	2012	2013	2014	2015 and thereafter
Ontario Power Generation	\$10,935	\$11,464	\$2,266	\$2,726	\$1,114	\$1,050	\$489	\$3,290
Transfer Payments	8,861	9,040	2,267	1,811	1,646	746	486	1,905
Leases	3,070	1,328	335	309	270	221	168	1,767
Construction Contracts	5,291	2,837	1,915	797	464	220	169	1,726
Other	2,639	3,625	790	759	368	256	134	332
Total Contractual Obligations	\$30,796	\$28,294	\$7,573	\$6,402	\$3,862	\$2,493	\$1,446	\$9,020

Ontario Power Generation Inc.'s contractual obligations include future contributions under the Ontario Nuclear Funds Agreement of \$2.1 billion, long-term debt repayment obligations of \$3.7 billion and fuel supply agreements of \$2.3 billion.

13. Trust Funds Under Administration

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

Workplace Safety and Insurance Board		
As at December 31	2008	2007
Assets	\$13,207	\$15,972
Liabilities	24,676	24,066
Unfunded Liability	(11,469)	(8,094)
Revenues	1,398	3,370
Expenditures	4,773	5,467
(Deficit)	(3,375)	(2,097)
Unfunded Liability, Beginning of Year	(8,094)	(5,997)
Unfunded Liability, End of Year	(\$11,469)	(\$8,094)

Other Trust Funds **As at March 31, 2009**

	Assets	Liabilities	Fund Balance (Unfunded Liability)
The Public Guardian and Trustee for Province of Ontario	\$1,375	\$1,294	\$81
Motor Vehicle Accident Claims Fund	\$56	\$247	(\$191)
Pension Benefits Guarantee Fund	\$195	\$242	(\$47)
As at December 31, 2008	Assets	Liabilities	Fund Balance
Deposit Insurance Corporation of Ontario	\$135	\$39	\$96

Unfunded liabilities of trusts under administration are not included in the Province's consolidated financial statements as it is intended that they will be discharged by external parties. The most recent financial statements of these trusts are reproduced in Volume 2 of the Public Accounts of Ontario.

14. Subsequent Event

Subsequent to year-end, the Province joined with the Canadian and U.S. federal governments to support the restructuring of North America's automotive industry. Under these arrangements, Ontario will provide a total of approximately \$4.8 billion to support General Motors and Chrysler. These loans and investments will be accounted for in accordance with generally accepted accounting principles for governments in Canada.

15. Comparative Figures

The comparative figures have been reclassified as necessary to conform to the 2009 presentation.

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Province of Ontario
Schedule 1: Revenues by Source

(\$ Millions)	2008–09 Budget¹	2008–09 Actual	2007–08 Actual
Taxation			
Personal Income Tax	25,171	24,727	24,538
Retail Sales Tax	17,206	17,267	16,976
Corporations Tax	12,339	6,748	12,990
Employer Health Tax	4,821	4,617	4,605
Ontario Health Premium	2,809	2,776	2,713
Gasoline Tax	2,380	2,323	2,360
Tobacco Tax	1,092	1,044	1,127
Land Transfer Tax	1,343	1,013	1,363
Electricity Payments-In-Lieu of Taxes	600	830	546
Fuel Tax	742	698	733
Other Taxes	472	352	481
	68,975	62,395	68,432
Transfers from Government of Canada			
Canada Health Transfer	8,826	8,942	8,487
Canada Social Transfer	4,089	4,079	3,778
Labour Market Development Agreement	597	604	587
Social Housing	514	520	525
Wait Times Reduction Fund	235	235	468
ecoTrust for Clean Air and Climate Change	195	195	195
Indian Welfare Services Agreement	185	189	186
Infrastructure Programs	234	151	207
Corporations Tax Administration Redesign	–	150	250
Community Development Trust	119	119	–
Labour Market Agreement	195	117	–
Public Transit Capital Trust	117	117	117
Public Transit Capital Trust 2008	98	97	–
Federal Capital Tax Incentive	72	87	83
Bilingualism Development	83	85	97
Affordable Housing Trust	78	78	117
Labour Market Agreement for Persons with Disabilities	76	76	77
Patient Wait Times Guarantee	68	68	68
Youth Criminal Justice	66	66	64
Legal Aid Criminal	50	50	51
Transition Trust	–	–	574
Post-Secondary Education Infrastructure Trust	–	–	195
Child Care Spaces	–	–	97
Other	560	566	374
	16,457	16,591	16,597

Province of Ontario
Schedule 1: Revenues by Source (cont'd)

(\$ Millions)	2008-09 Budget¹	2008-09 Actual	2007-08 Actual
Income from Investment in Government Business Enterprises (Schedule 9)	4,122	4,042	4,437
Other			
Vehicle and Driver Registration Fees	1,044	1,034	1,051
Electricity Debt Retirement Charge	1,004	970	982
Power Sales	856	953	929
Sales and Rentals	701	733	553
Local Services Realignment	734	721	827
Other Fees and Licences	615	674	668
Liquor Licence Board of Ontario Revenues	454	468	475
Net Reduction of Power Purchase Contracts	373	373	398
Royalties	242	205	193
Independent Electricity System Operator Revenue	129	133	135
Miscellaneous	1,214	1,180	1,445
	7,366	7,444	7,656
Total Revenues	96,920	90,472	97,122

¹ Amounts reported as "Plan" in 2008 Budget.

Province of Ontario
Schedule 2: Revenues by Sector

Sectors	Health¹		Education²		Children's and Social Services³		Environment, Resources and Economic Development⁴	
	2009	2008	2009	2008	2009	2008	2009	2008
For the year ended March 31 (\$ Millions)								
Revenues								
Taxation (<i>Schedule 1</i>)	–	–	–	–	–	–	2	2
Transfers from Government of Canada (<i>Schedule 1</i>)	82	87	64	78	293	288	964	837
Income from Investment in Government Business Enterprises (<i>Schedule 9</i>)	–	–	–	–	–	–	711	1,206
Other (<i>Schedule 1</i>)	107	211	29	9	694	800	2,231	2,238
Total	189	298	93	87	987	1,088	3,908	4,283

¹ Includes the activities of the Ministries of Health and Long-Term Care, and Health Promotion.

² Includes the activities of the Ministry of Education.

³ Includes the activities of the Ministries of Children and Youth Services, and Community and Social Services.

⁴ Includes the activities of the Ministries of Aboriginal Affairs, Agriculture, Food and Rural Affairs, Citizenship and Immigration, Culture, Economic Development, Energy and Infrastructure (Energy programs), Environment, International Trade and Investment, Labour, Municipal Affairs and Housing, Natural Resources, Northern Development and Mines, Research and Innovation, Small Business and Consumer Services, Tourism, and Transportation.

Post-Secondary Education and Training ⁵		Justice ⁶		General Government and Other ⁷		Interest on Debt ⁸		Total	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
–	–	–	–	62,393	68,430	–	–	62,395	68,432
808	673	94	102	14,286	14,532	–	–	16,591	16,597
–	–	–	–	3,331	3,231	–	–	4,042	4,437
37	72	641	593	3,705	3,733	–	–	7,444	7,656
845	745	735	695	83,715	89,926	–	–	90,472	97,122

⁵ Includes the activities of the Ministry of Training, Colleges and Universities.

⁶ Includes the activities of the Ministries of Attorney General, and Community Safety and Correctional Services.

⁷ Includes the activities of the Ministries of Government Services, Energy and Infrastructure (Infrastructure programs), Finance, Revenue, the Board of Internal Economy, Executive Offices and the Office of Francophone Affairs.

⁸ Includes the activities related to the management of debt of the Province.

Province of Ontario
Schedule 3: Expenses by Sector¹

Sectors	Health²		Education³		Children's and Social Services⁴		Environment, Resources and Economic Development⁵	
	2009	2008	2009	2008	2009	2008	2009	2008
For the year ended March 31 (\$ Millions)								
Expenses								
Transfer Payments	39,111	36,482	12,698	11,834	11,281	10,565	2,806	6,254
Interest on Debt	–	–	53	53	–	–	–	–
Salaries and Wages	523	469	174	156	450	455	1,415	1,248
Services	714	704	110	113	156	120	1,239	1,194
Pensions and Employee Future Benefits (Note 5)	8	8	50	342	8	7	11	9
Power Purchases	–	–	–	–	–	–	–	–
Supplies and Equipment	375	360	13	12	26	26	329	221
Amortization of Tangible Capital Assets (Note 9)	38	31	9	5	–	–	838	749
Employee Benefits	86	76	27	24	80	78	217	203
Transportation and Communication	105	101	21	18	25	57	84	85
Increase in Net Assets of Broader Public Sector Organizations	(521)	(330)	(15)	(11)	–	–	–	–
Other	150	67	25	27	139	61	302	405
	40,589	37,968	13,165	12,573	12,165	11,369	7,241	10,368
Adjustments ¹⁰	158	150	50	45	(111)	(104)	(76)	(70)
Total	40,747	38,118	13,215	12,618	12,054	11,265	7,165	10,298

¹ The information in the sectors columns represents activities of ministries and consolidated agencies before adjustments to eliminate transactions between sectors.

² Includes the activities of the Ministries of Health and Long-Term Care, and Health Promotion.

³ Includes the activities of the Ministry of Education.

⁴ Includes the activities of the Ministries of Children and Youth Services, and Community and Social Services.

⁵ Includes the activities of the Ministries of Aboriginal Affairs, Agriculture, Food and Rural Affairs, Citizenship and Immigration, Culture, Economic Development, Energy and Infrastructure (Energy programs), Environment, International Trade and Investment, Labour, Municipal Affairs and Housing, Natural Resources, Northern Development and Mines, Research and Innovation, Small Business and Consumer Services, Tourism, Transportation, and *Investing in Ontario Act* (IOA) expense.

Post-Secondary Education and Training ⁶		Justice ⁷		General Government and Other ⁸		Interest on Debt ⁹		Total	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
6,108	6,634	307	381	1,288	1,725	–	–	73,599	73,875
–	–	–	–	–	–	8,513	8,861	8,566	8,914
87	80	1,888	1,787	978	935	–	–	5,515	5,130
57	44	831	784	153	132	–	–	3,260	3,091
–	–	17	17	1,120	721	–	–	1,214	1,104
–	–	–	–	953	929	–	–	953	929
5	2	199	206	81	97	–	–	1,028	924
–	–	4	3	99	92	–	–	988	880
12	11	239	215	64	132	–	–	725	739
6	6	78	82	82	136	–	–	401	485
(191)	(269)	–	–	–	–	–	–	(727)	(610)
30	25	254	181	459	295	–	–	1,359	1,061
6,114	6,533	3,817	3,656	5,277	5,194	8,513	8,861	96,881	96,522
(38)	(47)	(13)	(13)	(23)	(14)	53	53	–	–
6,076	6,486	3,804	3,643	5,254	5,180	8,566	8,914	96,881	96,522

⁶ Includes the activities of the Ministry of Training, Colleges and Universities.

⁷ Includes the activities of the Ministries of Attorney General, and Community Safety and Correctional Services.

⁸ Includes the activities of the Ministries of Government Services, Energy and Infrastructure (Infrastructure programs), Finance (except for IOA expense), Revenue, the Board of Internal Economy, Executive Offices and the Office of Francophone Affairs.

⁹ Includes the activities related to the management of debt of the Province.

¹⁰ Includes adjustments to eliminate transactions between sectors.

Province of Ontario
Schedule 4: Expenses by Ministry

	2008-09 Budget ¹	2008-09 Actual	2007-08 Actual
(\$ Millions)			
Aboriginal Affairs	56	55	234
Agriculture, Food and Rural Affairs	1,112	890	1,081
Attorney General	1,592	1,662	1,643
Board of Internal Economy	174	188	257
Children and Youth Services	4,074	4,056	3,721
Citizenship and Immigration	89	89	90
Community and Social Services	7,724	7,998	7,544
Community Safety and Correctional Services	2,107	2,142	2,000
Culture	380	381	407
Economic Development	372	155	394
Education	472	443	446
School Boards (Schedule 10)	12,670	12,722	11,830
Teachers' Pension (Note 5)	54	50	342
Energy and Infrastructure	457	263	851
Environment	398	433	349
Executive Offices	35	35	36
Finance	1,463	1,655	1,362
Contingency Fund	420	—	—
Interest on Debt	8,891	8,566	8,914
Power Purchases	856	953	929
Investing in Ontario Act	—	—	1,149
Government Services	1,101	953	941
Public Service/OPSEU Pension and Other	715	971	531
Employee Future Benefits (Note 5)			
Health and Long-Term Care	21,607	21,780	20,373
Hospitals (Schedule 10)	18,436	18,585	17,381
Health Promotion	394	382	364
International Trade and Investment	73	63	55
Labour	170	177	170
Municipal Affairs and Housing	796	756	844
Natural Resources	781	780	794
Northern Development and Mines	358	491	346
Office of Francophone Affairs	5	5	5
Research and Innovation	383	295	388
Revenue	638	557	554
Small Business and Consumer Services	42	45	45
Tourism	176	185	234
Training, Colleges and Universities	4,826	4,581	5,083
Colleges (Schedule 10)	1,414	1,495	1,403
Transportation	1,959	2,044	3,432
Year-End Savings ²	(1,100)	—	—
Total Expenses	96,170	96,881	96,522

¹ Amounts reported as "Plan" in 2008 Budget, except for changes to reflect ministry reorganization.

² For Budget purposes, these items were not allocated to individual ministries.

Province of Ontario
Schedule 5: Accounts Payable and Accrued Liabilities

As at March 31 (\$ Millions)	2009	2008
Transfer Payments	4,153	7,483
Interest on Debt	3,331	3,715
Liability for CRA ¹ Overpayment	690	798
Salaries, Wages and Benefits	665	655
Other	3,869	2,708
Total Accounts Payable and Accrued Liabilities	12,708	15,359

¹ CRA – Canada Revenue Agency.

Province of Ontario
Schedule 6: Accounts Receivable

As at March 31 (\$ Millions)	2009	2008
Taxes	3,324	6,373
Transfer Payments ¹	1,092	1,089
Other Accounts Receivable	1,104	995
	5,520	8,457
Less: Allowance for Doubtful Accounts ²	(1,927)	(1,969)
	3,593	6,488
Government of Canada	1,349	1,870
Total Accounts Receivable	4,942	8,358

¹ The transfer payment receivable consists primarily of recoverables of \$900 million (2008, \$880 million) for the Ontario Disability Support Program – Financial Assistance.

² The allowance for doubtful accounts includes a provision of \$819 million (2008, \$806 million) for the Ontario Disability Support Program – Financial Assistance.

Province of Ontario
Schedule 7: Loans Receivable

As at March 31 (\$ Millions)	2009	2008
Government Business Enterprises ¹	3,881	4,081
Students ²	2,342	2,260
Municipalities ³	1,964	1,682
School Boards and Colleges ⁴	2,419	1,511
Pension Benefit Guarantee Fund ⁵	275	286
Industrial and Commercial ⁶	445	327
Universities ⁷	185	185
Other	60	57
	11,571	10,389
Unamortized Concession Discounts ⁸	(398)	(403)
Allowance for Doubtful Accounts ⁹	(1,351)	(1,161)
Total Loans Receivable	9,822	8,825

¹ Loans to government business enterprises bear interest at rates of 3.22% to 6.65% (2008, 1.99% to 6.65%).

² Loans to students bear interest at rates of 4.00% to 6.25% (2008, 4.25% to 6.25%).

³ Loans to municipalities bear interest at rates up to 8.00% (2008, 8.00%).

⁴ Loans to school boards and colleges bear interest at rates of up to 5.35% (2008, 11.04%).

⁵ The loan to the Pension Benefit Guarantee Fund is interest-free.

⁶ Loans to industrial and commercial enterprises bear interest at rates up to 7.95%, which are fully provided for in the allowance for doubtful accounts.

⁷ Loans to universities are mortgages bearing interest at rates of 5.85% to 10.81% (2008, 5.85% to 10.81%).

⁸ Unamortized concession discounts are related to loans to municipalities of \$132 million (2008, \$130 million), loans to Pension Benefit Guarantee Fund of \$135 million (2008, \$140 million), and loans to industrial and commercial enterprises of \$131 million (2008, \$129 million).

⁹ Allowance for doubtful accounts is related to loans to students of \$956 million (2008, \$980 million), loans to municipalities of \$158 million (2008, \$168 million), loans to industrial and commercial enterprises and other of \$97 million (2008, \$23 million), and the Pension Benefit Guarantee Fund of \$140 million (2008, \$0).

Repayment Terms	Principal Repayment (\$ Millions)	
Years to Maturity	2009	2008
1 year	1,880	1,577
2 years	962	892
3 years	569	770
4 years	616	362
5 years	196	588
1–5 years	4,223	4,189
6–10 years	2,617	2,151
11–15 years	647	573
16–20 years	1,395	553
21–25 years	894	492
Over 25 years	145	175
Subtotal	9,921	8,133
No fixed maturity	1,650	2,256
Total	11,571	10,389

Province of Ontario

Schedule 8: Government Organizations

Government Business Enterprises ¹	Responsible Ministry
Algonquin Forestry Authority	Natural Resources
Hydro One Inc.	Energy and Infrastructure
Liquor Control Board of Ontario	Finance
Niagara Parks Commission	Tourism
Ontario Clean Water Agency	Environment
Ontario Lottery and Gaming Corporation	Energy and Infrastructure
Ontario Power Generation Inc.	Energy and Infrastructure
Other Government Organizations ¹	Responsible Ministry
Agricorp	Agriculture, Food and Rural Affairs
Agricultural Research Institute of Ontario	Agriculture, Food and Rural Affairs
Cancer Care Ontario	Health and Long-Term Care
Education Quality and Accountability Office	Education
eHealth ²	Health and Long-Term Care
GO Transit (Greater Toronto Transit Authority)	Transportation
Independent Electricity System Operator	Energy and Infrastructure
Legal Aid Ontario	Attorney General
Local Health Integration Networks	Health and Long-Term Care
Central East Local Health Integration Network	Health and Long-Term Care
Central Local Health Integration Network	Health and Long-Term Care
Central West Local Health Integration Network	Health and Long-Term Care
Champlain Local Health Integration Network	Health and Long-Term Care
Erie St. Clair Local Health Integration Network	Health and Long-Term Care
Hamilton Niagara Haldimand Brant Local Health Integration Network	Health and Long-Term Care
Mississauga Halton Local Health Integration Network	Health and Long-Term Care
North East Local Health Integration Network	Health and Long-Term Care
North Simcoe Muskoka Local Health Integration Network	Health and Long-Term Care
North West Local Health Integration Network	Health and Long-Term Care
South East Local Health Integration Network	Health and Long-Term Care
South West Local Health Integration Network	Health and Long-Term Care
Toronto Central Local Health Integration Network	Health and Long-Term Care
Waterloo Wellington Local Health Integration Network	Health and Long-Term Care
Metropolitan Toronto Convention Centre	Tourism
Northern Ontario Heritage Fund Corporation	Northern Development and Mines
Ontario Agency for Health Protection and Promotion ³	Health and Long-Term Care
Ontario Capital Growth Corporation ³	Research and Innovation
Ontario Educational Communications Authority	Education
Ontario Electricity Financial Corporation	Finance
Ontario Energy Board	Energy and Infrastructure
Ontario Financing Authority	Finance
Ontario French-Language Educational Communications Authority	Education
Ontario Immigrant Investor Corporation	International Trade and Investment
Ontario Infrastructure Projects Corporation (Infrastructure Ontario)	Energy and Infrastructure
Ontario Mortgage and Housing Corporation	Municipal Affairs and Housing
Ontario Northland Transportation Commission ⁴	Northern Development and Mines

¹ The most recent audited financial statements of these organizations are included in Volume 2, Public Accounts of Ontario.

² Formerly known as Smart Systems for Health Agency.

³ The organization met the criteria for consolidation in fiscal year 2008–09.

⁴ Ontario Northland Transportation Commission no longer meets the criteria for classification as a government business enterprise.

Province of Ontario

Schedule 8: Government Organizations

Other Government Organizations (cont'd)	Responsible Ministry (cont'd)
Ontario Place Corporation	Tourism
Ontario Power Authority	Energy and Infrastructure
Ontario Racing Commission	Energy and Infrastructure
Ontario Realty Corporation	Energy and Infrastructure
Ontario Science Centre	Culture
Ontario Securities Commission	Finance
Ontario Tourism Marketing Partnership Corporation	Tourism
Ontario Trillium Foundation	Culture
Ornge	Health and Long-Term Care
Royal Ontario Museum	Culture
Toronto Area Transit Operating Authority	Transportation
Waterfront Toronto	Energy and Infrastructure

Broader Public Sector Organizations

Public Hospitals – Ministry of Health and Long-Term Care

Alexandra Hospital Ingersoll	Groves Memorial Community Hospital
Alexandra Marine & General Hospital	Guelph General Hospital
Almonte General Hospital	Haldimand War Memorial Hospital
Anson General Hospital	Haliburton Highlands Health Services Corporation
Arnprior and District Memorial Hospital	Halton Healthcare Services Corporation
Atikokan General Hospital	Hamilton Health Sciences Corporation
Baycrest Centre for Geriatric Care	Hanover & District Hospital
Bingham Memorial Hospital	Headwaters Health Care Centre
Blind River District Health Centre	Hôpital Général de Hawkesbury and District General Hospital Inc.
Bloorview MacMillan Centre	Hôpital Glengarry Memorial Hospital
Bluewater Health	Hôpital Montfort
Brant Community Healthcare System	Hôpital Notre Dame Hospital
Bridgepoint Hospital	Hôpital régional de Sudbury Regional Hospital
Brockville General Hospital	Hornepayne Community Hospital
Bruyere Continuing Care	Hospital for Sick Children
Cambridge Memorial Hospital	Hôtel-Dieu Grace Hospital
Campbellford Memorial Hospital	Hôtel-Dieu Health Sciences Hospital, Niagara
Carleton Place and District Memorial Hospital	Hôtel-Dieu Hospital, Cornwall
Casey House Hospice	Humber River Regional Hospital
Chatham-Kent Health Alliance	Huron District Hospital
Children's Hospital of Eastern Ontario	James Bay General Hospital
Clinton Public Hospital	Joseph Brant Memorial Hospital
Collingwood General and Marine Hospital	Kemptville District Hospital
Cornwall Community Hospital	Kingston General Hospital
Credit Valley Hospital	Kirkland and District Hospital
Deep River and District Hospital Corporation	Lady Dunn Health Centre
Dryden Regional Health Centre	Lady Minto Hospital at Cochrane
Englehart and District Hospital	Lake of the Woods District Hospital
Espanola General Hospital	Lakeridge Health Corporation
Four Counties Health Services	Leamington District Memorial Hospital
Geraldton District Hospital	Lennox and Addington County General Hospital
Grand River Hospital	Listowel Memorial Hospital
Grey Bruce Health Services	London Health Sciences Centre

Province of Ontario

Schedule 8: Government Organizations

Public Hospitals – Ministry of Health and Long-Term Care (cont'd)

Manitoulin Health Centre	Southlake Regional Health Centre
Manitouwadge General Hospital	St. Francis Memorial Hospital
Markham Stouffville Hospital	St. John's Rehabilitation Hospital
Mattawa General Hospital	St. Joseph's Care Group
McCausland Hospital	St. Joseph's Continuing Care (Sudbury)
Mount Sinai Hospital	St. Joseph's General Hospital, Elliot Lake
Muskoka Algonquin Healthcare	St. Joseph's Health Care, London
Niagara Health System	St. Joseph's Health Centre (Guelph)
Nipigon District Memorial Hospital	St. Joseph's Health Centre (Toronto)
Norfolk General Hospital	St. Joseph's Healthcare Hamilton
North Bay General Hospital	St. Mary's General Hospital
North Wellington Health Care Corporation	St. Mary's Memorial Hospital
North York General Hospital	St. Mary's of the Lake Hospital (Kingston PCCC)
Northumberland Hills Hospital	St. Michael's Hospital
Orillia Soldiers' Memorial Hospital	St. Thomas - Elgin General Hospital
Ottawa Hospital	Stevenson Memorial Hospital
Pembroke Regional Hospital Inc.	Stratford General Hospital
Penetanguishene General Hospital Inc.	Strathroy Middlesex General Hospital
Perth and Smiths Falls District Hospital	Sunnybrook Health Sciences Centre
Peterborough Regional Health Centre	Temiskaming Hospital
Providence Healthcare	Thunder Bay Regional Health Sciences Centre
Queensway-Carleton Hospital	Tillsonburg District Memorial Hospital
Quinte Healthcare Corporation	Timmins and District Hospital
Red Lake Margaret Cochenour Memorial Hospital	Toronto East General Hospital
Religious Hospitallers of St. Joseph of the Hôtel Dieu of Kingston	Toronto Rehabilitation Institute
Renfrew Victoria Hospital	Trillium Health Centre
Riverside Health Care Facilities Inc.	University Health Network
Ross Memorial Hospital	University of Ottawa Heart Institute
Rouge Valley Health System	West Haldimand General Hospital
Royal Victoria Hospital of Barrie Inc.	West Lincoln Memorial Hospital
Runnymede Healthcare Centre	West Nipissing General Hospital
Salvation Army Toronto Grace Hospital	West Park Healthcare Centre
Sault Area Hospital	West Parry Sound Health Centre
Scarborough Hospital	William Osler Health Centre
Seaforth Community Hospital	Wilson Memorial General Hospital
Sensenbrenner Hospital	Winchester District Memorial Hospital
Services de santé de Chapleau Health Services	Windsor Regional Hospital
Sioux Lookout Meno-Ya-Win Health Centre	Wingham and District Hospital
Smooth Rock Falls Hospital	Women's College Hospital
South Bruce Grey Health Centre	Woodstock General Hospital
South Huron Hospital Association	York Central Hospital

Province of Ontario

Schedule 8: Government Organizations

Specialty Psychiatric Hospitals – Ministry of Health and Long-Term Care

Centre for Addiction and Mental Health	Royal Ottawa Health Care Group
Mental Health Centre Penetanguishene	Whitby Mental Health Centre
Northeast Mental Health Centre	

School Boards – Ministry of Education

Air and Sabine District School Area Board	Hamilton-Wentworth Catholic District School Board
Algoma District School Board	Hamilton-Wentworth District School Board
Algonquin and Lakeshore Catholic District School Board	Hastings and Prince Edward District School Board
Asquith-Garvey District School Area Board	Hornepayne Roman Catholic Separate School Board
Atikokan Roman Catholic Separate School Board	Huron-Perth Catholic District School Board
Avon Maitland District School Board	Huron-Superior Catholic District School Board
Bloorview MacMillan School Authority	James Bay Lowlands Secondary School Board
Bluewater District School Board	John McGivney Children's Centre
Brant Haldimand Norfolk Catholic District School Board	Kawartha Pine Ridge District School Board
Bruce-Grey Catholic District School Board	Keewatin-Patricia District School Board
Campbell Children's School Authority	Kenora Catholic District School Board
Caramat District School Area Board	KidsAbility School Authority
Catholic District School Board of Eastern Ontario	Lakehead District School Board
Collins District School Area Board	Lambton Kent District School Board
Connell and Ponsford District School Area Board	Limestone District School Board
Conseil des écoles publiques de l'Est de l'Ontario	London District Catholic School Board
Conseil scolaire de district catholique Centre-Sud	Mine Centre District School Area Board
Conseil scolaire de district catholique de l'Est ontarien	Missarenda District School Area Board
Conseil scolaire de district catholique des Aurores boréales	Moose Factory Island District School Area Board
Conseil scolaire de district catholique des Grandes Rivières	Moosonee District School Area Board
Conseil scolaire de district catholique du Centre-Est de l'Ontario	Moosonee Roman Catholic Separate School Board
Conseil scolaire de district catholique du Nouvel-Ontario	Murchison and Lyell District School Area Board
Conseil scolaire de district catholique Franco-Nord	Nakina District School Area Board
Conseil scolaire de district des écoles catholiques du Sud-Ouest	Near North District School Board
Conseil scolaire de district du Centre Sud-Ouest	Niagara Catholic District School Board
Conseil scolaire de district du Grand Nord de l'Ontario	Niagara Peninsula Children's Centre School Authority
Conseil scolaire de district du Nord-Est de l'Ontario	Nipissing-Parry Sound Catholic District School Board
District School Board of Niagara	Northeastern Catholic District School Board
District School Board Ontario North East	Northern District School Area Board
Dubreuilville Roman Catholic Separate School Board	Northwest Catholic District School Board
Dufferin-Peel Catholic District School Board	Ottawa Catholic District School Board
Durham Catholic District School Board	Ottawa Children's Treatment Centre School Authority
Durham District School Board	Ottawa-Carleton District School Board
Foley District School Area Board	Parry Sound Roman Catholic Separate School Board
Foley Roman Catholic Separate School Board	Peel District School Board
Gogama District School Area Board	Penetanguishene Protestant Separate School Board
Gogama Roman Catholic Separate School Board	Peterborough Victoria Northumberland and
Grand Erie District School Board	Clarington Catholic District School Board
Greater Essex County District School Board	Rainbow District School Board
Halton Catholic District School Board	Rainy River District School Board
Halton District School Board	Red Lake Area Combined Roman Catholic Separate School Board

Province of Ontario

Schedule 8: Government Organizations

School Boards – Ministry of Education (cont'd)

Renfrew County Catholic District School Board	Toronto District School Board
Renfrew County District School Board	Trillium Lakelands District School Board
Simcoe County District School Board	Upper Canada District School Board
Simcoe Muskoka Catholic District School Board	Upper Grand District School Board
St. Clair Catholic District School Board	Upsala District School Area Board
Sudbury Catholic District School Board	Waterloo Catholic District School Board
Superior North Catholic District School Board	Waterloo Region District School Board
Superior-Greenstone District School Board	Wellington Catholic District School Board
Thames Valley District School Board	Windsor-Essex Catholic District School Board
Thunder Bay Catholic District School Board	York Catholic District School Board
Toronto Catholic District School Board	York Region District School Board

Colleges – Ministry of Training, Colleges and Universities

Algonquin College of Applied Arts and Technology	Lambton College of Applied Arts and Technology
Cambrian College of Applied Arts and Technology	Le collège d'arts appliqués et de technologie la Cité collégiale
Canadore College of Applied Arts and Technology	Loyalist College of Applied Arts and Technology
Centennial College of Applied Arts and Technology	Mohawk College of Applied Arts and Technology
Collège Boréal d'arts appliqués et de technologie	Niagara College of Applied Arts and Technology
Conestoga College Institute of Technology and Advanced Learning	Northern College of Applied Arts and Technology
Confederation College of Applied Arts and Technology	Sault College of Applied Arts and Technology
Durham College of Applied Arts and Technology	Seneca College of Applied Arts and Technology
Fanshawe College of Applied Arts and Technology	Sheridan College Institute of Technology and Advanced Learning
George Brown College of Applied Arts and Technology	Sir Sandford Fleming College of Applied Arts and Technology
Georgian College of Applied Arts and Technology	St. Clair College of Applied Arts and Technology
Humber College Institute of Technology and Advanced Learning	St. Lawrence College of Applied Arts and Technology

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Schedule 9: Government Business Enterprises

Summary financial information of Government Business Enterprises is provided below.

For the year ended March 31, 2009 (\$ Millions)	Algonquin Forestry Authority	Hydro One Inc.	Liquor Control Board of Ontario	Niagara Parks Commission
Assets				
Cash and Temporary Investments	5	142	162	–
Accounts Receivable	4	840	22	–
Inventories	1	22	339	7
Prepaid Expenses	–	–	17	–
Long-Term Investments	–	–	–	–
Fixed Assets	–	12,158	260	156
Other Assets	–	1,766	–	1
Total Assets	10	14,928	800	164
Liabilities				
Bank Indebtedness	–	22	–	10
Accounts Payable	2	842	395	6
Notes Payable	–	150	–	–
Deferred Revenue	–	–	–	–
Long-Term Debt	–	6,337	55	31
Other Liabilities	1	2,362	–	6
Total Liabilities	3	9,713	450	53
Net Assets	7	5,215	350	111
Revenue	21	4,690	4,298	77
Expenses	23	4,160	2,888	81
Net Income (Loss)	(2)	530	1,410	(4)
Net Assets at Beginning of Year	9	5,011	340	115
Decrease in Fair Value of Ontario Nuclear Funds (Note 10)	–	–	–	–
Remittances (to) Consolidated Revenue Fund	–	(326)	(1,400)	–
Net Assets	7	5,215	350	111

Ontario Clean Water Agency	Ontario Lottery and Gaming Corporation	Ontario Power Generation Inc.	Total
23	693	197	1,222
23	72	456	1,417
–	–	815	1,184
2	58	38	115
37	–	–	37
4	2,482	12,698	27,758
120	58	11,006	12,951
209	3,363	25,210	44,684
–	–	–	32
15	410	1,272	2,942
–	–	–	150
–	–	125	125
10	170	3,803	10,406
–	285	13,720	16,374
25	865	18,920	30,029
184	2,498	6,290	14,655
141	6,486	5,994	21,707
137	4,565	5,811	17,665
4	1,921	183	4,042
180	2,482	7,319	15,456
–	–	(1,212)	(1,212)
–	(1,905)	–	(3,631)
184	2,498	6,290	14,655

Algonquin Forestry Authority

The Algonquin Forestry Authority is responsible for forest management in Algonquin Park.

Hydro One Inc.

The principal business of Hydro One Inc. is the transmission and distribution of electricity to customers within Ontario. It is regulated by the Ontario Energy Board.

Liquor Control Board of Ontario

The Liquor Control Board of Ontario regulates the purchase, sale and distribution of liquor for home consumption and liquor sales to licensed establishments through Liquor Control Board stores, Brewers' Retail stores and winery retail stores throughout Ontario. The Board buys wine and liquor products for resale to the public, tests all products sold and establishes prices for beer, wine and spirits.

Niagara Parks Commission

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

Ontario Clean Water Agency

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

Ontario Lottery and Gaming Corporation

The Corporation conducts lottery games and operates commercial casinos, charity casinos, and slot machines at Ontario racetracks.

Ontario Power Generation Inc.

The principal business of Ontario Power Generation Inc. is the generation and sale of electricity in the Ontario wholesale market and in the interconnected markets of Quebec, Manitoba and the northeast and midwest United States.

Province of Ontario

Schedule 10: Broader Public Sector Organizations

Summary financial information of Broader Public Sector Organizations is provided below.

For the year ended March 31, 2009¹ (\$ Millions)	Hospitals	School Boards	Colleges	Total
Expense				
Salaries, Wages and Benefits	14,959	15,690	1,762	32,411
Bursaries, Student Aid and Other Grants	–	–	85	85
Interest Expense	112	404	37	553
Amortization Expense	892	593	148	1,633
Other	5,796	3,740	879	10,415
Total Expenses	21,759	20,427	2,911	45,097
Revenue				
School Property Taxes	–	6,461	–	6,461
Fees, Donations and Other Primary Revenues	1,883	175	1,199	3,257
Interest and Investment Income	81	69	21	171
Other	1,210	1,000	196	2,406
Total Revenue	3,174	7,705	1,416	12,295
Net Expenses	18,585	12,722	1,495	32,802
Transfers from the Province	19,106	12,737	1,686	33,529
Increase in Net Assets of Broader Public Sector Organizations	521	15	191	727
Net Assets – Beginning of Year	8,390	7,284	2,015	17,689
Net Assets	8,911	7,299	2,206	18,416
Financial Assets	5,017	2,624	1,212	8,853
Liabilities	10,124	12,737	1,455	24,316
Net Debt	(5,107)	(10,113)	(243)	(15,463)
Tangible Capital Assets	14,018	17,412	2,449	33,879
Net Assets	8,911	7,299	2,206	18,416

¹ Amounts reported include consolidation adjustments made to eliminate significant inter-organizational gains and losses, to record tangible capital assets for school boards, and to conform to the Province's fiscal year.

GLOSSARY

Note: The descriptions of the terms in the glossary are provided for the purpose of assisting readers of the 2008–09 Public Accounts. The descriptions do not affect or alter the meaning of any term under law. The glossary does not form part of the audited consolidated financial statements.

Accumulated Amortization: the total amortization that has been recorded over the life of an asset to date. The asset's total cost less the accumulated amortization gives the asset's net book value.

Accumulated Deficit: the difference between liabilities and assets. It represents the total of all past annual deficits minus all past annual surpluses, including prior period adjustments.

Amortization: expensing a portion of an asset's cost in an accounting period by allocating its cost over its estimated useful life. This is applicable to tangible capital assets and items such as expenses relating to a debt issue.

Appropriation: an authority of the Legislative Assembly to pay money out of the Consolidated Revenue Fund or to incur a non-cash expense.

Broader Public Sector (BPS): public hospitals, special psychiatric hospitals, school boards and colleges. For financial statements purposes, universities and other organizations such as municipalities are excluded because they do not meet the criteria of government organizations as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

Canada Health Transfer (CHT): a federal transfer provided to each province and territory in support of health care.

Canada Social Transfer (CST): a federal transfer provided to each province and territory in support of post-secondary education, social assistance and social services, including early childhood development, early learning and child care.

Capital Gain: the profit arising from the sale or transfer of capital assets or investments. For accounting purposes, it is the proceeds or market value received less the net book value of the capital asset or investment.

Capital Lease: a lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incident to ownership of property to the lessee.

Cash and Cash Equivalents: cash or other short-term liquid low-risk instruments that are readily convertible to cash, typically within three months or less.

Consolidated Revenue Fund (CRF): the aggregate of all public monies on deposit to the credit of the Minister of Finance or in the name of any agency of the Crown approved by the Lieutenant Governor in Council. Payments made from the CRF must be appropriated by a statute. See Appropriation.

Consolidation: the inclusion of the financial results of government-controlled organizations in the Province's consolidated financial statements.

Consumer Price Index (CPI): a broad measure of the cost of living. Through the monthly CPI, Statistics Canada tracks the retail price of a representative shopping basket of goods and services from an average household's expenditure: food, housing, transportation, furniture, clothing, and recreation. The percentage of the total basket that any item occupies is termed the "weight" and reflects typical consumer spending patterns. Since people tend to spend more on food than clothing, changes in the price of food have a bigger impact on the index than, for example, changes in the price of clothing and footwear.

Contingency Fund: an amount of expense that is approved by the Legislative Assembly at the beginning of the year to cover higher spending due to unforeseen events. This approved spending limit is allocated during the year to ministries for their programs and activities. The actual costs incurred are charged to the respective programs and activities and not to the contingency fund. Therefore, contingency fund as at the end of the Province's fiscal year is nil. See Reserve.

Contingent Liabilities: possible obligations that may result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the government's control occurs or fails to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Contractual Obligations: obligations of a government to others that will become liabilities when the terms of any contract or agreement, which the government had entered into, are met.

Debenture: a debt instrument where the issuer promises to pay interest and repay the principal by the maturity date. It is unsecured, meaning there is no lien on any specific asset.

Debt: an obligation resulting from the borrowing of money.

Deficit: the amount by which government expenses exceed revenues in any given year. On a forecast basis, a reserve may be included.

Derivatives: financial contracts that derive their value from other underlying instruments. The Province uses derivatives including swaps, forward foreign exchange contracts, forward rate agreements, futures and options to hedge and minimize interest costs.

Fair Value: the price that would be agreed upon in an arm's length transaction and in an open market between knowledgeable, willing parties who are under no compulsion to act. It is not the effect of a forced or liquidation sale.

Financial Assets: assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. Financial assets include cash; an asset that is convertible to cash; a contractual right to receive cash or another financial asset from another party; a temporary or portfolio investment; a financial claim on an outside organization or individual; and inventory.

Financial Instrument: liquid asset, equity security in an entity, or a contract that gives rise to a financial asset of one contracting party and a financial liability or equity instrument of the other contracting party.

Fiscal Plan: an outline of the government's consolidated revenue and expense plan for the upcoming fiscal year and the medium term, including information on the projected surplus/deficit. The plan is

formally presented in the Budget, which the government presents in the spring of each year and is updated, as required, during the year. The fiscal plan numbers can be different from the expenditures outlined in the Printed Estimates.

Fiscal Year: the Province of Ontario's fiscal year runs from April 1 of a year to March 31 of the following year.

Floating Rate Notes (FRNs): debt instruments that bear a variable rate of interest.

Forgivable Loan: advances where the terms and conditions of the loan agreement allow for the non-repayment of the principal or accrued interest when certain conditions are met.

Forward Contract: a contract that obligates one party to buy, and another party to sell, a specified amount of a particular asset at a specified price, on a given date in the future.

Forward Rate Agreement: a forward contract in which one party pays a fixed interest rate and receives a floating interest rate.

Fund: fiscal and accounting entity segregated for the purpose of carrying on specific activities, or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Futures: an exchange-traded contract that confers an obligation to buy or sell a physical or financial commodity at a specified price and amount on a future date.

Gross Domestic Product (GDP): the total unduplicated value of the goods and services produced in the economy of a country or region during a given period of time such as a quarter or a year. Gross domestic product can be measured three ways: as total income earned in current production, as total final expenditures, or as total net value added in current production.

Hedging: a strategy to minimize the risk of loss on an asset (or a liability) from market fluctuations such as interest rate or foreign exchange rate changes. This is accomplished by entering into offsetting commitments with the expectation that a future change in the value of the hedging instrument will offset the change in the value of the asset (or the liability).

Indemnity: an agreement whereby one party agrees to compensate another party for any loss suffered by that party. The Province can either seek or provide indemnification.

Infrastructure: the facilities, systems and equipment required to provide public services and support private sector economic activity including network infrastructure (e.g., roads, bridges, water and wastewater systems, large information technology systems), buildings (e.g., hospitals, schools, courts), and machinery and equipment (e.g., medical equipment, research equipment).

Loan Guarantee: an agreement to pay all or part of the amount due on a debt obligation in the event of default by the borrower.

Net Book Value of Tangible Capital Assets: historical cost of tangible capital assets less both the accumulated amortization and the amount of any write-downs.

Net Debt: the difference between the Province's total liabilities and financial assets. It represents the Province's future revenue requirements to pay for past transactions and events.

Nominal: an amount expressed in dollar terms without adjusting for changes in prices due to inflation or deflation. It is not a good basis for comparing values of GDP in different years, for which a “real” value expressed in constant dollars (i.e., adjusted for price changes) is needed. See Real GDP.

Non-Financial Assets: assets that normally do not generate cash capable of being used to repay existing debts. For the Province, it comprises tangible capital assets and net assets of broader public sector organizations.

Non-Tax Revenue: revenue received by the government from external sources. This also includes revenues from the sale of goods and services, fines and penalties associated with the enforcement of government regulations and laws; fees and licences; royalties; profits from a self-sustaining Crown agency; and asset sales.

Ontario Disability Support Program (ODSP): a program designed to meet the unique needs of people with disabilities who are in financial need, or who want and are able to work and need support. Ontarians aged 65 years or older who are ineligible for Old Age Security may also qualify for ODSP supports if they are in financial need.

Option: a contract that confers the right, but not the obligation, to buy or sell a specific amount of a commodity, currency or security at a specific price, on a certain future date.

Other than a Temporary Decline: a loss in value of a portfolio investment that is other than a temporary decline occurs when the actual value of the investment to the government becomes lower than the carrying value and the impairment is expected to remain for a prolonged period.

Present Value: the current worth of one or more future cash payments, determined by discounting the payments using a given rate of interest.

Program Expense: total expense excluding interest on debt.

Public Accounts: the Consolidated Financial Statements of the Province along with supporting statements and schedules as required by the *Financial Administration Act*, *Treasury Board Act* and *Management Board of Cabinet Act*.

Real GDP: gross domestic product measured to exclude the impact of changing prices.

Recognition: the process of including an item in the financial statements of an entity.

Reserve: an amount included in the fiscal plan to protect the plan against unforeseen adverse changes in the economic outlook, or in the Provincial revenue and expense. Actual costs incurred by the ministry, which pertains to the reserve, are recorded as expenses of that ministry. See Contingency Fund.

Segment: a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to help users of the financial statements identify the resources allocated to support the major activities of the government.

Sinking Fund Debenture: a debenture that is secured by periodic payments into a fund established to retire long-term debt.

Straight-Line Basis of Amortization: a method whereby the annual amortization expense is computed by dividing i) the historical cost of the asset by ii) the number of years the asset is expected to be used.

Surplus: the amount by which revenues exceed government expenses in any given year. On a forecast basis, a reserve may be included.

Tangible Capital Assets: physical assets including land, buildings, transportation infrastructure, information technology infrastructure and systems, vehicles and equipment. At this time the Province only includes land, buildings and transportation infrastructure in Tangible Capital Assets.

Temporary Investments: investments that are transitional or current in nature and generally capable of reasonably prompt liquidation.

Total Debt: the Province's total borrowings outstanding.

Total Expense: sum of program expense and interest on debt expense.

Transfer Payments: grants or transfers of monies to individuals, organizations or other levels of government for which the government making the transfer does not

- receive any goods or services directly in return, as would occur in a purchase or sale transaction;
- expect to be repaid, as would be expected in a loan; or
- expect a financial return, as would be expected in an investment.

Treasury Bills: short-term debt instrument issued by governments on a discount basis.

Unrealized Gain or Loss: an increase or decrease in the fair value of an asset accruing to the holder. Once the asset is disposed of or written off, the gain or loss is realized.

SOURCES OF ADDITIONAL INFORMATION

The Ontario Budget

The Ontario government presents a Budget each year, usually in the early spring. This document outlines expected expense and revenue for the upcoming fiscal year. For an electronic copy of the Ontario Budget, visit the Ministry of Finance website at www.fin.gov.on.ca.

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 and are submitted for approval to the Legislative Assembly according to the *Supply Act*. For electronic access, go to: www.fin.gov.on.ca.

Ontario Finances

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

Ontario Economic Accounts

This quarterly report contains data on Ontario's economic activity. Copies may be obtained free by writing to the Ministry of Finance, Communications and Corporate Affairs Branch, 3rd Floor, Frost Building North, 95 Grosvenor Street, Toronto ON M7A 1Z1. For electronic access, go to: www.fin.gov.on.ca.

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You can also send your comments to the Minister by
electronic mail to:
annualreport@ontario.ca

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