



**Ministry of Finance**

# **Province of Ontario**

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**Annual Report**

**1999-2000**



## Table of Contents

	Page
<b>Message from The Honourable Ernie Eves, Minister of Finance</b> .....	5
<b>The Year in Review</b> .....	7
<b>Economic Highlights</b> .....	8
<b>Fiscal Highlights Overview</b> .....	12
Revenue .....	13
Expenditure .....	14
<b>1999-00 Revenue Performance</b> .....	15
<b>Summary of In-Year Changes to Expenditure</b> .....	16
<b>Borrowing and Debt Management</b> .....	17
<b>Five-Year Review of Selected Financial and Economic Statistics</b> .....	22
<b>Condensed Financial Statements</b> .....	23
Statement of Responsibility for the Condensed Financial Statements .....	24
Opinion of the Provincial Auditor on the Condensed Financial Statements of the Province of Ontario .....	25
Statement of Revenue, Expenditure and Net Debt .....	26
Statement of Financial Position .....	27
Statement of Cash Flows .....	28
Condensed Significant Accounting Policies .....	29
<b>Sources of Additional Information</b> .....	31



## Message From The Minister of Finance



**Hon. Ernie Eves**

With a surplus of \$668 million for 1999–2000, the Provincial budget has been balanced one year ahead of schedule. The Balanced Budget Plan introduced in November 1995 specified declining annual deficit reduction targets, culminating in a balanced budget in 2000–01. Through prudent and realistic planning, 1999–2000 is the fifth year in a row in which the Government's deficit-reduction targets have been overachieved.

These are the benchmarks by which our Government measures Ontario's progress today and I am proud to record them in the 1999–2000 Public Accounts and Annual Report of the Province of Ontario.

The Ontario economy grew by 6.1 per cent in 1999, over 50 per cent more than private sector experts predicted, with Ontario leading the rest of Canada, the United States and all the industrialized countries in the G-7.

Consumer spending was up 4.2 per cent, boosted by ongoing Provincial income tax cuts, rising consumer confidence and more disposable personal income. Ontario's retail sales were up 7.3 per cent with 198,000 new jobs created during 1999. As of September 2000, 768,000 net new jobs have been created since September 1995.

With more people working and more people spending, Provincial revenues surpassed our projections by an amazing \$5.8 billion. After investing in priority services such as health care and quality education and returning \$1 billion to taxpayers, Ontario had a \$668 million surplus to apply to reduce the Province's debt. Net Provincial Debt for 1999–2000 was \$113.7 billion, \$3.1 billion lower than it would have been under the 1999 Budget Plan, as a result of Ontario's robust economy.

In the 2000 Ontario Budget, the Ontario Government promised to more than double its \$2 billion Net Provincial Debt reduction pledge to at least \$5 billion during this mandate. The 1999–2000 surplus has been applied toward the \$5 billion commitment.

We will continue with our commitment to reducing taxes and letting taxpayers keep more of their hard-earned money so more people can enjoy Ontario's prosperity and the renewed spirit of optimism in our province.

A handwritten signature in blue ink, appearing to read 'Ernie Eves', written over a light blue horizontal line.

**The Honourable Ernie Eves, Q.C.**  
**Minister of Finance**  
**November 2000**



## The Year in Review

With a surplus of \$668 million for 1999–00, the Provincial budget has been balanced one year ahead of schedule. The Balanced Budget Plan introduced in November 1995 specified declining annual deficit reduction targets, culminating in a balanced budget in 2000–01. Through prudent and realistic planning, 1999–00 is the fifth year in a row in which the Government's deficit-reduction targets have been overachieved.

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

In the 2000 Ontario Budget, the Ontario Government promised to more than double its \$2 billion Net Provincial Debt reduction pledge to at least \$5 billion during this mandate. The 1999–00 surplus has been applied to meet this \$5 billion commitment.

### 1999–00 Fiscal Highlights

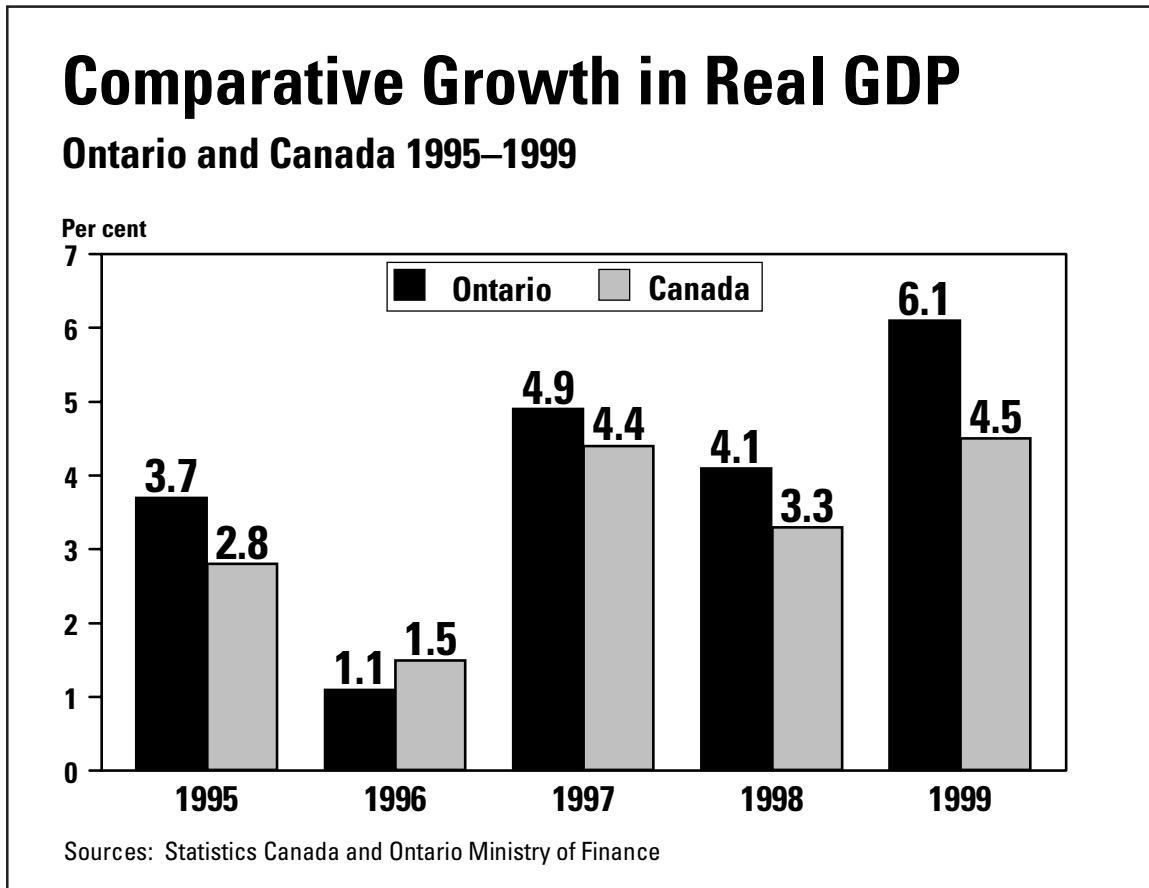
(\$ Millions)	1998–99	1999–00
Revenue	55,786	<b>62,931</b>
Expenditure	57,788	<b>61,909</b>
Net impact of Electricity Restructuring to be Recovered from Ratepayers		<b>354</b>
Surplus/(Deficit)	(2,002)	<b>668</b>

Source: Ontario Ministry of Finance

## Economic Highlights

### Real Gross Domestic Product (GDP) Growth

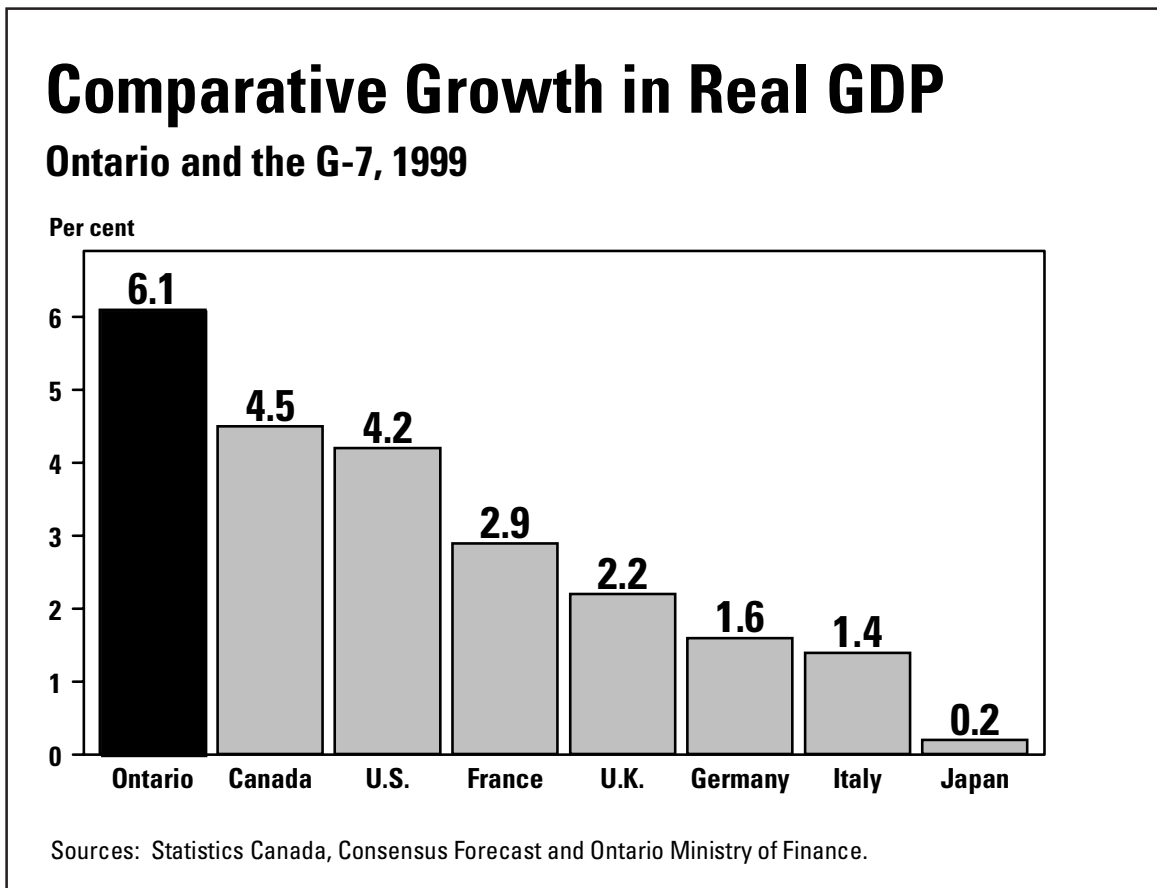
For the calendar year 1999, the Ontario economy recorded strong economic growth, rising 6.1 per cent. Economic growth was broadly based with consumer spending, housing, business investment and exports all increasing strongly.





With solid domestic and foreign demand, business investment in machinery and equipment increased 14.1 per cent. Exports increased 11.3 per cent, with gains concentrated in automotive products and machinery and equipment. Consumer expenditure recorded another healthy advance in 1999, up 4.2 per cent.

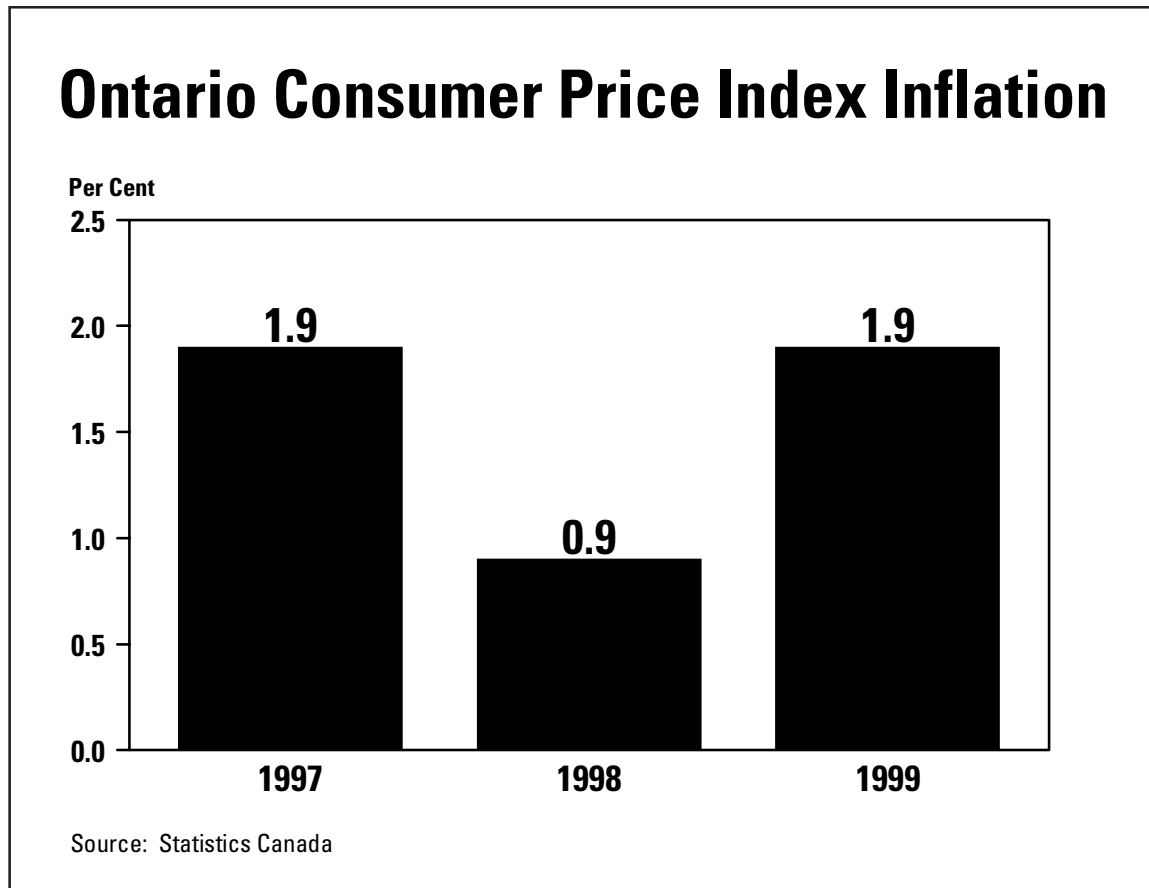
Ontario's economic performance surpassed that of the rest of Canada, the United States and all of the other G-7 major industrial countries.



## Consumer Price Index Inflation

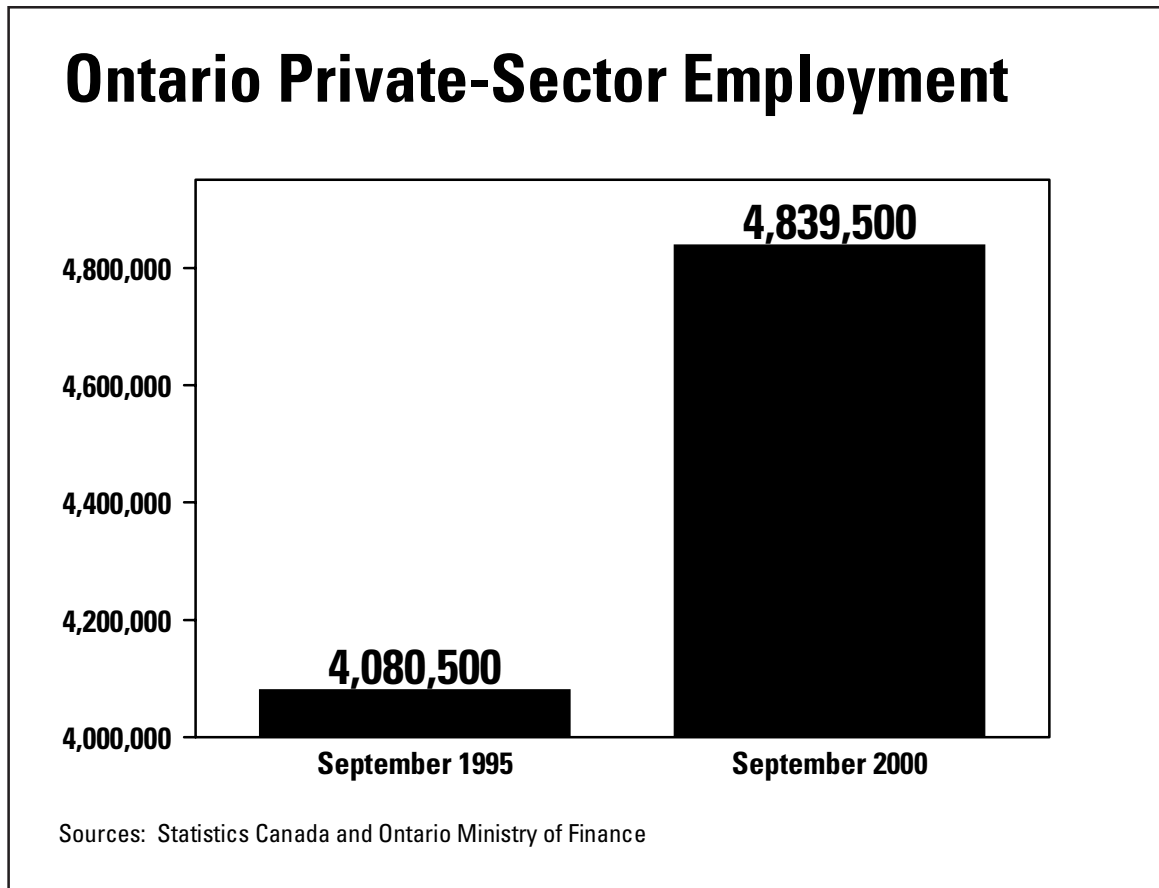
Ontario's inflation rate, as measured by the changes in the consumer price index (CPI), was 1.9 per cent in 1999, up one percentage point from 0.9 per cent in 1998.

The one percentage point rise in 1999 CPI inflation resulted mainly from the climb in energy prices.



## Employment

Since the September 1995 Throne Speech, Ontario's private sector has created 759,000 net new jobs.



Total employment, including the public sector, has risen by 768,000 over the same period.

The largest gains in employment were in the manufacturing sector with 220,000 new jobs, followed by professional, scientific and technical services with 125,000 new jobs, and wholesale and retail trade with 109,000 new jobs.

During 1999, on an average annual basis, 198,000 net new jobs were created economy-wide.

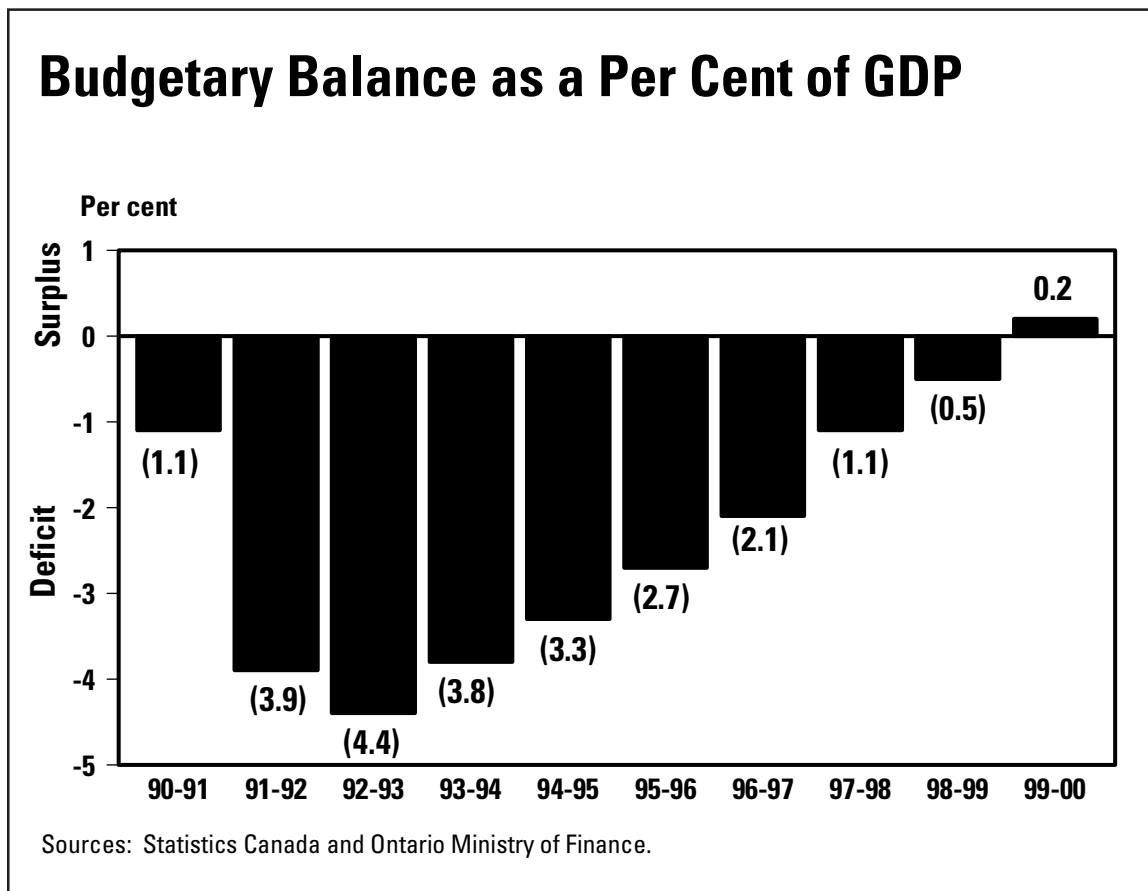
Since September 1995, the unemployment rate has fallen 2.6 percentage points from 8.4 per cent to 5.8 per cent.

## Fiscal Highlights Overview

### Budgetary Balance

The \$668 million surplus in 1999–2000 represents a \$2,670 million improvement in the fiscal balance from the 1998–99 deficit of \$2,002 million and a \$2,744 million improvement from the 1999 Budget deficit target for 1999–00 of \$2,076 million. The deficit has been completely eliminated.

The deficit as a share of the economy peaked at 4.4 per cent in 1992–93. With a Provincial surplus in 1999–00 at 0.2 per cent of GDP, and a legislated commitment to balanced budgets, the deficits of the past will not be repeated.

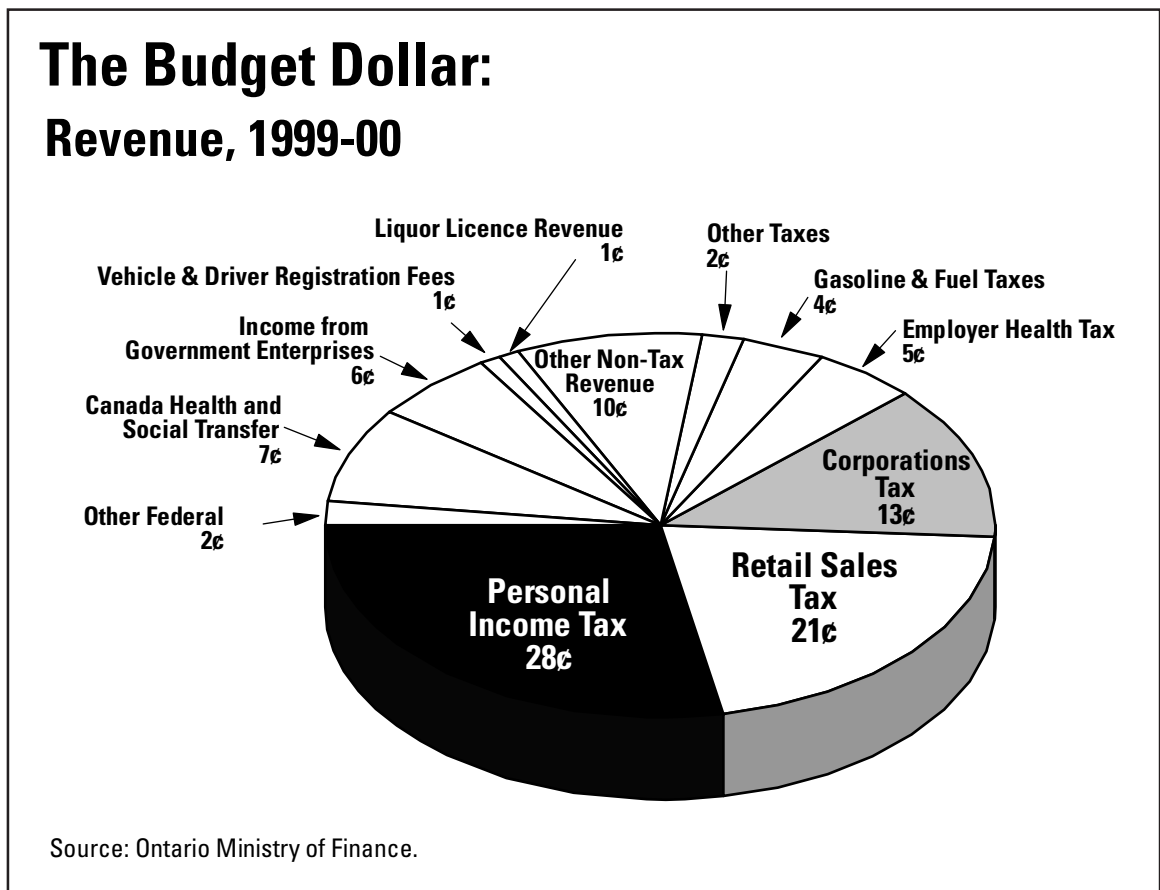


The \$500 million reserve included in the 1999 Budget to protect the fiscal plan against unexpected and adverse changes in the economic and fiscal outlook was not needed and was applied to deficit reduction and debt repayment.

## Revenue

Total revenue was \$62,931 million in 1999–00, an increase of \$7,145 million from 1998–99 levels.

Ontario’s tax cuts have fuelled robust growth in domestic demand and helped to increase the productive potential of the economy. Government revenues have increased substantially. Tax revenue in 1999–00 was \$2,804 million above 1998–99 levels. Other Revenue, Income from Government Enterprises and Federal Payments were all higher in 1999–00 than in 1998–99. Other Revenue includes the net proceeds from the sale of Highway 407.

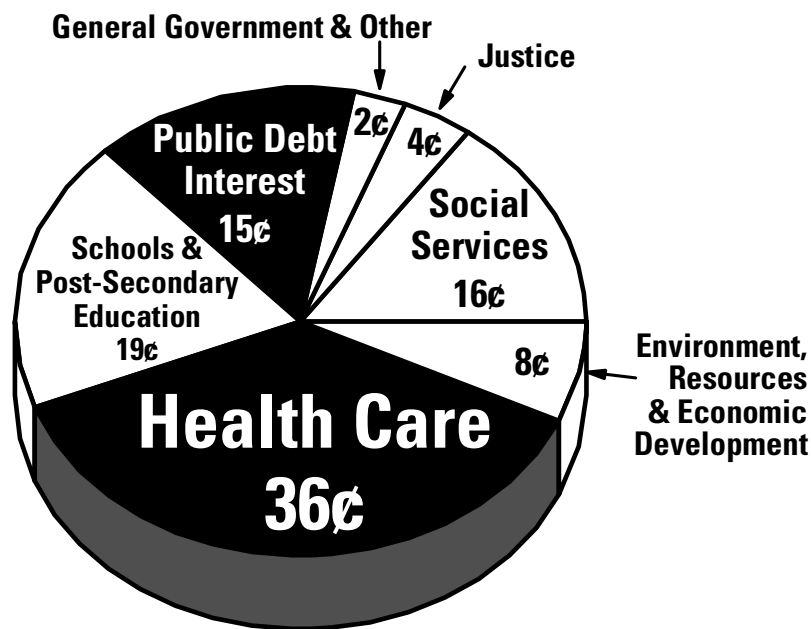


## Expenditure Highlights

Total expenditure in 1999–00 at \$61,909 million was \$4,121 million higher than the 1998–99 level of \$57,788 million. This increase is mainly due to one-time investments in health, education and infrastructure, increases in ongoing health care spending, and the expenditure impact of the first-time consolidation of the Independent Electricity Market Operator.

About 71 per cent of the total Provincial spending is related to social programs spending, including health, education and social services. Interest on Ontario's outstanding debt accounted for another 15 per cent of expenditure. Environment, resources and economic development, justice and general Government expenditure accounted for the remaining 14 per cent.

### Expenditure by Major Category\*



\* Restructuring changes totaling \$211 million have been allocated to the appropriate sector.

Source: Ontario Ministry of Finance.

## 1999-00 REVENUE PERFORMANCE

Total revenue in 1999–00 was \$4,781 million above the level projected in the 1999 Budget. Most of the increase was a result of the vigorous pace of economic growth, which boosted tax revenues \$3,296 million above forecast. Tax revenue in 1999–00 is reported net of the taxpayer dividend of \$1 billion. Other revenue sources including Federal Payments, Income from Government Enterprises and Other Revenue were also above projection.

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### Summary of In-Year Changes to Revenue in 1999–00

(\$ Millions)

#### Taxation Revenue

Personal Income Tax	1,947	
Retail Sales Tax	769	
Corporations Tax	275	
Employer Health Tax	128	
All Other	177	
		3,296

#### Federal Payments

329

#### Income from Government Enterprises

461

#### Other Revenue

695

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#### Total In-Year Revenue Changes

**4,781**

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Source: Ontario Ministry of Finance

## Summary of In-Year Changes to Expenditure

Total provincial government expenditure was \$2,183 million above the 1999 Budget Plan mainly due to strategic, one-time, in-year increases in health, education, and infrastructure spending, as well as the expenditure impact of the first-time consolidation of the Independent Electricity Market Operator.

### Major Sources of Change in Spending from the 1999 Ontario Budget Plan

- Through SuperBuild, unconditional grants of \$1,004 million were provided to hospitals to help accelerate Health Services Restructuring Commission (HSRC) directed capital projects. By providing its 70 per cent share for these projects up front, the Province has ensured that hospitals will be better positioned to accelerate restructuring in the health care sector.
- An additional \$500 million endowment to the Ontario Innovation Trust provided added resources to Ontario research institutions for research infrastructure, including laboratories and equipment, while helping them to attract other public and private-sector contributions. The initial endowment in 1998-99 was \$250 million.
- A \$459 million increase in expenditure resulting from the first-time consolidation of the Independent Electricity Market Operator (IMO) as a government service organization. These expenditures are offset by a miscellaneous revenue increase of \$312 million. The difference of \$147 million relates to the IMO's opening capital assets and in-year capital acquisitions which, under the Province's accounting policies, are expensed on consolidation.
- An additional \$383 million was provided in-year to hospitals including \$208 million to improve access to front-line patient care services and \$175 million primarily for transitional health care restructuring.
- A one-time grant of \$268 million was provided in-year to school boards in order to complete the phase-in funding component of the School Board Operating Grant. This will facilitate the move to fair funding and enable affected school boards to proceed with restructuring projects.
- Teachers' Pension Plan expenditure fell in-year by \$278 million, mainly due to a higher-than-expected investment return on pension fund assets and increased interest revenue on a higher-than-expected pension plan surplus.
- In year Public Debt Interest (PDI) savings of \$321 million is attributable mainly to a smaller financing program, coupled with higher interest earnings on the Province's liquid reserve portfolio.



## **Borrowing and Debt Management**

### **1999–00 Borrowing Program**

In 1999-00, the Province's total requirements to finance cash needs, maturing debt and debt buybacks were \$10.4 billion.

Total requirements were financed through an increase in short-term borrowing of \$0.6 billion, long-term borrowing of \$9.5 billion (\$0.9 billion of which was from the Canada Pension Plan) and \$0.3 billion through an increase in deposits with the Province of Ontario Savings Office (POSO).

The Canadian dollar market remained Ontario's primary source of funds. Of the \$9.5 billion in long-term borrowing, \$8.8 billion was borrowed from the Canadian dollar market and \$0.7 billion from the Japanese yen market. Ontario residents invested over \$2.0 billion in the fifth Ontario Savings Bond campaign.

### **Debt Management**

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

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

The debt managed on behalf of the Province, which stood at \$118.7 billion on March 31, 2000, comprises Debt Issued for Provincial Purposes, Debt Issued for Investment in the Electricity Sector, and deposits with the Province of Ontario Savings Office and Other Liabilities. Nearly one-third of this amount (32.5 per cent) is held as non-marketable or non-public debentures by Ontario's public-sector pension funds, the Canada Pension Plan Investment Fund and the Canada Mortgage and Housing Corporation.

For more details on risk management and derivative financial instruments, please refer to Note 3 in the Financial Statements, 1999–2000 Public Accounts of Ontario and the Financial Statements of the OEFC detailed in Volume 2 of the Public Accounts of Ontario.

## **Electricity Industry Restructuring**

In November 1998, the Province enacted *The Energy Competition Act, 1998*, the statutory framework for the restructuring of the Ontario electricity industry. With legislation in place, the government moved one step closer to meeting its promise to eliminate the monopoly on electricity generation and distribution in Ontario with the introduction of competition to the electricity sector.

In moving forward with this agenda, the Province has been guided by the overriding principles of:

- Keeping electricity prices in Ontario as low as possible;
- Placing the new commercial companies on a sound financial footing with solid investment grade capital structures and credit ratings so that they can operate and compete in the new environment;
- Recovering any stranded debt identified as a result of the restructuring from the electricity sector, and not from taxpayers;
- Maintaining maximum value in the electricity sector until stranded debt is retired or defeased; and
- Creating a structure where investments are undertaken on a sound commercial basis.

On April 1, 1999, the Government's plan was put into effect: Ontario Hydro continued as the Ontario Electricity Financial Corporation (OEFC), responsible for managing and retiring the outstanding debt and certain other liabilities of the former Ontario Hydro not transferred to other successor companies; and two new commercial companies, Ontario Power Generation Inc. (OPG), an electricity generation company, and Hydro One Inc. (HOI), a regulated electricity transmission and distribution company were created. (See Note 1 to the Financial Statements, 1999–2000 Public Accounts of Ontario for more information.)

To effect this transfer, on April 1, 1999, the respective business units, including assets, liabilities, employees, rights and obligations of the former Ontario Hydro were transferred to OPG, HOI (and their subsidiaries) and IMO for \$8.5 billion, \$8.6 billion, and \$0.1 billion respectively, in exchange for debt payable to the OEFC. In order for OPG and HOI to have capital structures competitive with those of other industry participants, the two companies entered into a debt-for-equity swap with the Province. In exchange for \$3.8 billion in equity (\$3.4 billion common, \$323 million cumulative preferred) in HOI and \$5.1 billion of common equity in OPG, the Province assumed \$8.9 billion of the debt issued by the two corporations to the OEFC.

## Ontario Electricity Financial Corporation

The OEFC commenced operations on April 1, 1999, inheriting approximately \$38.1 billion in total liabilities from the former Ontario Hydro. Its mandate is to provide the risk management, cash management and other services required to manage and retire this outstanding debt and other obligations of the Corporation in an orderly and cost effective manner. On a temporary basis, the OEFC is also responsible for the administration of the pension assets of the former Ontario Hydro until they can be allocated among the pension plans of the successor companies.

Pursuant to the *Electricity Act, 1998*, (the Act) and consistent with the principles of electricity restructuring, the government has a long-term plan in place to retire this debt from the electricity sector.

The OEFC obligations of \$38.1 billion will be repaid by cash flows from the following sources:

- **Notes receivable** from the Province of \$8.9 billion, OPG of \$3.4 billion, HOI of \$4.8 billion and IMO of \$0.1 billion for a total of \$17.2 billion;
- **Payments-in-lieu (PILs)** of corporate income, property and capital taxes made by Hydro One Inc., Ontario Power Generation Inc. and municipal electric utilities (MEUs). Under the Act, these revenue streams, dedicated to the OEFC, will not form part of the Consolidated Revenue Fund of the Province and will not be available to the taxpayer. All of these payments except for those income tax PILs from the MEUs, commenced April 1, 1999. Those payments from the MEUs will commence when the market opens to competition in 2001;
- **A Debt Retirement Charge (DRC)**, to be paid by ratepayers based on the consumption of electricity. The DRC will begin to be collected when the market opens to competition, currently scheduled for 2001. Commencing April 1, 1999 until open access, the OEFC is party to a revenue allocation agreement among the successor entities to Ontario Hydro, where it is entitled to the residual amount in the revenue pool after costs of OPG, HOI and IMO are paid. This is received by the OEFC and is reflected as a proxy DRC; and
- **Provision for the Electricity Sector** Consistent with the Government's commitment to keep electricity income in the electricity sector, net income of OPG and HOI in excess of the Province's cost of investment in its electricity subsidiaries will be set aside for the retirement of OEFC's debt. The cost of the Province's investment amounts to approximately \$520 million annually.

## **Independent Assurance of the OEFC Dedicated Revenue Streams**

In his 1999 Annual Report, the Provincial Auditor requested independent assurance annually of the future estimated value of the dedicated revenue streams to the OEFC.

To comply with this request, the Government, in consultation with the Provincial Auditor, hired an independent accounting firm to review the assumptions and consistency of the OEFC debt recovery plan. Based on the conservative estimates and assumptions used in the preparation of the OEFC debt recovery plan, and the work performed by the independent accounting firm noted above, the Province anticipates that OEFC's obligations will be defeased in the years ranging from 2010 to 2017.

## **Public Response**

The credit rating agencies provided favourable reviews in 1999 in assessing the impact of the electricity industry restructuring on the Province's fiscal outlook. The Dominion Bond Rating Service Limited (DBRS) stated,

*"The new electricity industry structure, combined with the use of a Debt Retirement Charge, will allow for the recovery of all 'stranded debt' from the electricity ratepayer, without requiring access to the provincial taxpayer."*

*"DBRS believes that the stranded debt of the former Ontario Hydro can be fully retired without access to the Ontario taxpayer, and therefore is not including the OH stranded debt in its calculation of tax supported debt."*

Similarly, Moody's stated in its 1999 report on Ontario:

*"The utility's ability to service its debt through its own revenue, without calling on provincial support, has long been a positive attribute of the province's debt profile. The Energy Competition Act left unaltered the guiding principle of not calling on provincial support to service Ontario Hydro debt..."*

## Accounting Treatment for OEFC

Given that:

- a legislated structure has been put in place to ensure that the OEFC's revenues are derived strictly from the electricity sector and not the taxpayer;
- these revenues can only be used to service and retire OEFC debt and liabilities;
- under the Act, the dedicated revenue sources to the OEFC continue until debt is defeased, at which point, a decision to dissolve the OEFC may be made;

the financial statements of the Province have reflected the impact of the electricity restructuring as a \$354 million charge to be recovered from ratepayers. The stranded debt from electricity restructuring to be recovered from ratepayers of \$19,787 million is shown after net provincial debt. This disclosure recognizes the fact that ratepayers, not taxpayers, are responsible for the stranded debt of the former Ontario Hydro.

See Volume 2 for the Financial Statements of the OEFC.

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

(\$ Millions)	1995–96	1996–97	1997–98	1998–99	1999-00
Revenue	49,473	49,450	52,518	55,786	62,931
Expenditure					
Programs and Capital	48,944	45,568	46,160	48,696	52,201
Interest on Provincial Purpose Debt	8,475	8,607	8,729	9,016	8,977
Interest on Investment in Electricity Sector					520
Restructuring	854	2,180	1,595	76	211
Total Expenditure	58,273	56,355	56,484	57,788	61,909
Net impact of Electricity Restructuring to be Recovered from Ratepayers					354
<b>Surplus/ (Deficit)</b>	<b>(8,800)</b>	<b>(6,905)</b>	<b>(3,966)</b>	<b>(2,002)</b>	<b>668</b>
Ontario's Debt					
Debt Issued for Provincial Purposes	98,486	98,392	101,982	105,133	106,137
Debt Issued for Investment in Electricity Sector					8,885
Province of Ontario Savings Office	2,220	2,135	2,245	2,517	2,812
Other Liabilities*	19,548	20,938	21,995	19,237	19,403
Total Liabilities for Provincial Purposes	120,254	121,465	126,222	126,887	137,237
Financial Assets	(18,390)	(12,696)	(13,487)	(12,150)	(23,522)
<b>Net Provincial Debt</b>	<b>101,864</b>	<b>108,769</b>	<b>112,735</b>	<b>114,737</b>	<b>113,715</b>
Debt Guaranteed by the Province					
OEFC	29,077	29,027	27,772	26,238	21,691
Other	2,513	2,759	2,903	2,913	3,230
<b>Gross Domestic Product (GDP) at Market Prices</b>	<b>327,246</b>	<b>335,843</b>	<b>357,300</b>	<b>372,630</b>	<b>396,775</b>
<b>Personal Income Per Capita (Dollars)</b>	<b>24,748</b>	<b>24,889</b>	<b>25,718</b>	<b>26,676</b>	<b>27,590</b>
<b>Net Provincial Debt as a Per Cent of GDP</b>	<b>31.1</b>	<b>32.4</b>	<b>31.6</b>	<b>30.8</b>	<b>28.7</b>

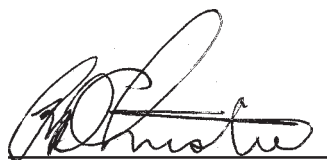
\* Other Liabilities include Accounts Payable and Accrued Liabilities and Pensions.

# **Condensed Financial Statements**

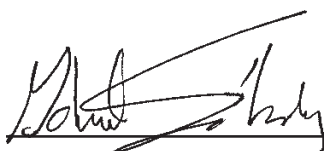
## Statement of Responsibility for the Condensed Financial Statements

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

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



Dr. Robert Christie  
Deputy Minister  
October 16, 2000



Gabriel F. Sékaly  
Assistant Deputy Minister  
October 16, 2000



Robert Siddall, CA  
Provincial Controller  
October 16, 2000





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

To the Minister of Finance:

I have audited, in accordance with generally accepted auditing standards, the statement of financial position of the Province of Ontario as at March 31, 2000 and the statements of revenue, expenditure and net debt and of cash flows for the year then ended. In my Auditor's Report to the Legislative Assembly dated August 9, 2000, I expressed an unqualified opinion on those financial statements. My audit report and the complete financial statements are included in the *1999-2000 Public Accounts of Ontario*.

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

The condensed financial statements provide only a brief summary of the significant accounting policies followed by the province and do not include the notes and schedules that accompany the complete financial statements. Accordingly, these condensed financial statements do not include all the disclosures required by accounting principles recommended for governments by the Canadian Institute of Chartered Accountants. Therefore, readers are cautioned that these statements may not be appropriate for their purposes. For more extensive information on the province's financial position, results of operations and cash flows, reference should be made to the complete financial statements included in the *1999-2000 Public Accounts of Ontario*.

Erik Peters, FCA  
Provincial Auditor

Toronto, Ontario  
August 9, 2000

## Province of Ontario

## Statement of Revenue, Expenditure and Net Debt

For the year ended March 31 (\$ Millions)	Budget <sup>1</sup> 2000	Actual 2000	Actual 1999
<b>Revenue</b>			
Personal Income Tax	15,670	<b>17,617</b>	17,190
Retail Sales Tax	12,110	<b>12,879</b>	11,651
Corporations Tax	7,820	<b>8,095</b>	7,447
Employer Health Tax	2,990	<b>3,118</b>	2,882
Gasoline and Fuel Taxes	2,750	<b>2,819</b>	2,660
Other Taxes	1,245	<b>1,353</b>	1,247
Total Taxation	42,585	<b>45,881</b>	43,077
Government of Canada	5,556	<b>5,885</b>	4,515
Income from Investment in Government Business Enterprises	3,247	<b>3,708</b>	2,547
Other Revenue	6,762	<b>7,457</b>	5,647
	58,150	<b>62,931</b>	55,786
<b>Expenditure</b>			
Health	20,677	<b>21,963</b>	19,694
Education and Training	11,908	<b>11,984</b>	11,297
Social Services	9,473	<b>9,482</b>	9,569
Interest on Provincial Purpose Debt	9,298	<b>8,977</b>	9,016
Interest on Investment in Electricity Sector	520	<b>520</b>	
Environment, Resources and Economic Development	3,845	<b>5,093</b>	4,083
Justice	2,144	<b>2,304</b>	2,096
General Government	1,861	<b>992</b>	1,957
Provision for Electricity Sector		<b>383</b>	
Restructuring Charges		<b>211</b>	76
	59,726	<b>61,909</b>	57,788
Reserve	500		
Net impact of Electricity Restructuring to be Recovered from Ratepayers		<b>354</b>	
<b>Surplus (Deficit)</b>	(2,076)	<b>668</b>	(2,002)
<b>Balance, Beginning of Year</b>			
Net Provincial Debt		<b>114,737</b>	112,735
Stranded Debt from Electricity Restructuring to be Recovered from Ratepayers		<b>19,433</b>	
		<b>134,170</b>	112,735
<b>Balance, End of Year</b>			
Net Provincial Debt		<b>113,715</b>	114,737
Stranded Debt from Electricity Restructuring to be Recovered from Ratepayers		<b>19,787</b>	
Net Provincial Debt and Stranded Debt from Electricity Restructuring to be Recovered from Ratepayers		<b>133,502</b>	<b>114,737</b>

<sup>1</sup> Fiscal plan for the year ended March 31, 2000 per 1999 Ontario Budget.

**Province of Ontario**  
**Statement of Financial Position**

<b>As at March 31, 2000</b>		
<b>(\$ Millions)</b>	<b>2000</b>	<b>1999</b>
<b>Liabilities</b>		
Accounts Payable and Accrued Liabilities	<b>13,333</b>	11,759
Debt Issued for Provincial Purposes	<b>106,137</b>	105,133
Debt Issued for Investment in Electricity Sector	<b>8,885</b>	
Deposits with the Province of Ontario Savings Office	<b>2,812</b>	2,517
Pensions	<b>4,846</b>	6,428
Provision for Electricity Sector	<b>383</b>	
Other Liabilities	<b>841</b>	1,050
	<b>137,237</b>	126,887
<b>Financial Assets</b>		
Cash and Temporary Investments	<b>6,882</b>	2,780
Accounts Receivable	<b>3,480</b>	3,593
Other Loans Receivable	<b>633</b>	3,300
Other Assets	<b>409</b>	467
Properties Held for Sale	<b>210</b>	237
Investment in Government Business Enterprises	<b>11,908</b>	1,773
	<b>23,522</b>	12,150
Net Provincial Debt	<b>113,715</b>	114,737
Stranded Debt from Electricity Restructuring to be Recovered from Ratepayers	<b>19,787</b>	
<b>Net Provincial Debt and Stranded Debt from</b>		
<b>Electricity Restructuring to be Recovered from Ratepayers</b>	<b>133,502</b>	114,737

## Province of Ontario

# Statement of Cash Flows

For the year ended March 31

(\$ Millions)	2000	1999
<b>Cash Flows used in Operating Activities</b>		
Surplus (Deficit) for the Year	668	(2,002)
Adjustments for:		
Income from Investment in Government Business Enterprises	(3,708)	(2,547)
Remittances from Government Business Enterprises	2,456	2,247
Other Items	3,387	(3,755)
Cash flows used in operating activities	2,803	(6,057)
<b>Cash Flows used in Investing Activities</b>		
Investment in Ontario Power Generation Inc. and Hydro One Inc.	(8,885)	
<b>Cash Flows from Financing Activities</b>		
Debt Issued for Provincial Purposes	10,145	10,290
Debt Retired for Provincial Purposes	(9,141)	(7,139)
Debt Issued for Investment in Electricity Sector	8,885	
Increase in Deposits with the Province of Ontario Savings Office	295	272
Cash flows from financing activities	10,184	3,423
Net Increase (Decrease) in Cash and Cash Equivalents	4,102	(2,634)
Cash and Cash Equivalents at Beginning of Year	2,780	5,414
<b>Cash and Cash Equivalents at End of Year</b>	<b>6,882</b>	<b>2,780</b>

## Condensed Significant Accounting Policies

### Introduction

These notes provide a brief summary of the accounting policies followed by the Province relating to the Condensed Financial Statements. For more detailed notes on these accounting policies and for more extensive information on the financial position and on revenue, expenditure and net debt of the Province, refer to the audited financial statements included in the *1999–00 Public Accounts of Ontario*.

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

### Reporting Entity

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

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

### Principles of Consolidation

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

Government enterprises are defined as those Crown corporations, boards and commissions which, (i) have the financial and operating authority to carry on a business, (ii) have as their principal activity and source of revenue the selling of goods and services to individuals and non-government organizations, and (iii) are able to maintain their operations and meet their obligations from revenues generated outside the government reporting entity. The activities of government enterprises are recorded in the financial statements using the modified equity method. Under this method,

government enterprises are reported in accordance with the accounting principles generally accepted for business enterprises. Their combined net assets are included in the financial statements as Investment in Government Business Enterprises on the Statement of Financial Position and their combined net income is shown as a separate item on the Statement of Revenue, Expenditure and Net Debt.

### **Measurement Uncertainty**

Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible that there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurement uncertainty exists in these financial statements in the accrual of pension obligations, personal income tax, corporations tax and restructuring charges, including those arising from the restructuring of the Electricity Sector.

## Sources of Additional Information

### Public Accounts of the Province of Ontario

The 1999–00 Public Accounts of the Province of Ontario are made up of the financial statements and three volumes:

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

### The Ontario Budget

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

### The Estimates of the Province of Ontario

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

### Ontario Government Business Plans

Business Plans are published annually by each ministry, following the Ontario Budget and publication of the spending Estimates. Each plan includes an annual report highlighting what each ministry has done over the previous year, what is planned for the coming year, what performance measures have been set and how results will be measured. It also includes a summary of expenditures. For electronic access to the Business Plans, go to <http://www.gov.on.ca/MBS/english/press/plans2000/index.html>.

### Ontario Finances

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

## **Ontario Economic Accounts**

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

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