Appendix 1

Public Accounts
March 31, 2017
Overall SUD Schedule
As at Aug 17
Performance Materiality $440M

Number	Description	ERROR IMPACT							Correction of Current Year Error and Prior Year Error if adjusted in current year P&L
		Over (Under) statement of Fin Assets	Under (Over) statement of Liabilities	Over (Under) statement of TCA	Over (Under) statement of Acc Deficit	Under (Over) statement of Revenue	Over (Under) statement of Expenses	Under (Over) statement of Deficit	Correcting Entry impact on Current Deficit Increase/(Decrease) to Deficit
	Unadjusted Error Known (Factual)								
1	Other Tax Revenue Subsequent Receipts	(104,335,923)				104,335,923		(104,335,923)	(104,335,923)
2	Corporate Income Tax Revenue Fiscalization	94,000,000				(94,000,000)		94,000,000	94,000,000
3	Grassy Narrows contaminated sites liability		85,000,000				(85,000,000)	85,000,000	85,000,000
4	ELHT Trust not established and transition costs should not be accrued		(52,290,000)				52,290,000	(52,290,000)	(52,290,000)
5	Child Care Catchup Payment not accrued		58,010,000				(58,010,000)	58,010,000	58,010,000
6	Province's investment holdings include debt instruments issue by Ontario itself	8,832,054,589	(8,832,054,589)					-	-
7	IESO departure from GAAP - Rate Regulated Deferral Accounts	58,403,000			(81,906,000)	23,503,000		(23,503,000)	58,403,000
8	Pension Asset Valuation Allowance	12,429,369,157			(10,985,232,394)		(1,444,136,763)	1,444,136,763	[1] 1,444,136,763
9	Ontario Works underaccrual of payments due to lag time		23,000,000				(23,000,000)	23,000,000	23,000,000
10	Ontario Rebate for Electricity Consumers (OREC) overaccrual		(29,000,000)				29,000,000	(29,000,000)	(29,000,000)
11	IESO Market Accounts Other Assets and Liabilities overstated	1,651,725,000	(1,651,725,000)					-	-
12	ODB Rebate Calendar versus Fiscal	(159,293,890)			259,647,401		(100,353,511)	100,353,511	(159,293,890)
A	**Total Unadjusted Error Known (Factual)**	**22,801,921,933**	**(10,399,059,589)**	**-**	**(10,807,490,993)**	**33,838,923**	**(1,629,210,274)**	**1,595,371,351**	**1,417,629,950**
	Unadjusted Error Estimation (Factual or Projected or Judgmental)								
13	Remedy overaccrual		(160,000,000)				160,000,000	(160,000,000)	(160,000,000)
14	Impact of not consolidating CCACs and CASs		166,000,000	(316,000,000)	150,000,000			-	(150,000,000)
15	Algonquin Land Claim		200,000,000				(200,000,000)	200,000,000	200,000,000
B	**Total Unadjusted Error Estimation (Factual or Projected or Judgmental)**	**-**	**206,000,000**	**(316,000,000)**	**150,000,000**	**-**	**(40,000,000)**	**40,000,000**	**(110,000,000)**
C = A + B	**Total Unadjusted Error for Evaluation**	**22,801,921,933**	**(10,193,059,589)**	**(316,000,000)**	**(10,657,490,993)**	**33,838,923**	**(1,669,210,274)**	**1,635,371,351**	**1,307,629,950**
	Total Unadjusted Error for Evaluation (Excluding Pension Asset Valuation Allowance)	**10,372,552,776**	**(10,193,059,589)**	**(316,000,000)**	**327,741,401**	**33,838,923**	**(225,073,511)**	**191,234,588**	**(136,506,813)**
	Adjusted Errors (Including Prior Year Errors Adjusted in CY)								
16	Incorrect removal of AOCI balance upon consolidation of Hydro One's results	79,200,000			(79,200,000)			-	-
17	Incorrect removal of AOCI balance upon consolidation of OPG's results	284,000,000			(286,000,000)	2,000,000		(2,000,000)	(2,000,000)
18a.	Reclass - CHT revenues understated					363,966,208		(363,966,208)	(363,966,208)
18b.	Reclass - CST revenues overstated					(363,966,208)		363,966,208	363,966,208
19a.	Reclass - Bank deposits not recorded	(44,000,000)						-	-
19b.	Reclass - Accounts receivable overstated due to bank deposits not recorded	44,000,000						-	-
20	Corporate Income Tax underaccrual	(1,168,232,000)				1,168,232,000		(1,168,232,000)	(1,168,232,000)
21	Corporate Income Tax clerical error	29,577,060				(29,577,060)		29,577,060	29,577,060
D	**Total Adjusted Errors**	**(775,454,940)**	**-**	**-**	**(365,200,000)**	**1,140,654,940**	**-**	**(1,140,654,940)**	**(1,140,654,940)**
E = C + D	**Total Errors Adjusted and Unadjusted**	22,026,466,993	(10,193,059,589)	(316,000,000)	(11,022,690,993)	1,174,493,863	(1,669,210,274)	494,716,411	166,975,010
	Total Errors Adjusted and Unadjusted (Excluding Pension Asset Valuation Allowance)	9,597,097,836	(10,193,059,589)	(316,000,000)	(37,458,599)	1,174,493,863	(225,073,511)	(949,420,352)	(1,277,161,753)

Notes

[1] $10.985B adjustment on accumulated deficit will go through opening accumulated deficit and not in year P&L.

NUMBER	EXPLANATION
UNADJUSTED ERROR KNOWN (FACTUAL)	
1	The adjustment is based predominantly on review of receipts & refunds subsequent to the year-end which relate to the current fiscal year 2016-17. OAGO compared MOF's estimate to actual cash receipts received and the actual receipts and refunds received/made during the stub period (90 days after the fiscal year end) on filings related to the current fiscal year end. Overall MOF underaccrued the Other Tax Revenues by approximately $104M.
2	The CIT difference is to adjust the TY 2016 revenues from a cash received basis to a fiscalized basis. Each year more cash is paid in the first calendar quarter (33% of the year) than is earned on a straight-line basis under PSAB (25%).
3	Grassy Narrows contaminated sites liability of $85M should be recorded as of March 31, 2017 since the contaminated sites existed as of year end. The government has communicated that they are responsible for remediating this site. On June 28, 2017 Glen Murray Minister of Environment and Climate Change committed to providing $85M in dedicated funding for the remediation of the English-Wabigoon River system. Based on this public communication, the government has created a constructive obligation and $85M should be recorded.
4	ELHT Trust have not been established and therefore eligibility criteria is not met under PS 3410. Under PS3200, the entity did not exist at the financial statement date and as such the obligation should not be recorded ($47M). An accrual for one-time transition cost was made to transition employee benefits into the the trust of $5M. However, there is no commitment for this cost and therefore no accrual should be made. Total $52M overstatement of expense and liabilities.
5	Child care program is an ongoing program with agreements signed on calendar year basis. MEDU continues to transfer January, February, March 2017 payments to municipalities based on 2016 agreement. The difference in the payment amount of 2016 agreement and 2017 agreeement gets accrued as catch-up payments. In the past MEDU would accrue catch-up payments for January, February, March and did not require appropriation of funds to record the accrual. This year they wanted to change the accounting treatment and not record the catch-up payments for the 3 months since there was no appropriation set until the Budget (May 2017) and the agreement was subsequently sent out in June 2017. The government has lost its discretion to avoid the transfer since it communicated publicly through an announcement on Sept 23, 2016 that Ontario is committed to provide additional child care spaces. On the same day, the Premier with authority also mandated for additional child care spaces to be put into action. Not having the budget for the funds until May 2017 does not allow the catch up payments to be excluded from TP Expense. The government has shown it is committed as at the financial statement date and the final approval occurred in May 2017 is within the stub period (PS3410.28). Therefore TP expense and TP liability is understated by $58M.
6	Cash and cash equivalents and temporary investments in the CFS includes $8.8 B of bonds and T-Bills issued by Ontario. These items should have been netted against debt for better FS disclosure, as essentially the Province owes money to itself from a consolidated view of point. Both assets and debt would be overstated if such holding is not eliminated.

NUMBER	EXPLANATION
7	Extract from PSAB Handbook - PS 2500.02 - Government financial statements are the financial statements of the government reporting entity. The government reporting entity, defined in GOVERNMENT REPORTING ENTITY, paragraph PS 1300.07, comprises government organizations. Government organizations include governmental units and government business enterprises. Governmental units are consolidated in the financial statements and government business enterprises are included in the financial statements on a modified equity basis. Governmental units are included in a government's financial statements after their accounting policies have been conformed to those of the government. A similar adjustment is not required when including government business enterprises in the financial statements because under the modified equity method the accounting policies of a government business enterprise are not conformed to those of the government. As noted in paragraph 2500.02 of the PSAB handbook, the result of IESO must be conformed to the accounting policies of the government. IESO has adopted rate regulated accounting in its December 31, 2016 financial statements has applied guidance from United States Generally Accepted Accounting Principles (US GAAP) Topic 980, Regulated Operations, in doing so (see IESO December 31, 2016 financial statements note 2 d). It is inappropriate for the government to record regulatory deferral accounts in the Consolidated Financial Statements so IESO's financial results should be conformed and regulatory deferral accounts removed prior to consolidation. At the Government Reporting Entity level, there is no "independent, third party regulator" to establish rates for regulated services or products provided to its customers that bind those customers as required under the criteria in FASB ACS 980-10-15-2a (an entity must meet this criterion under 980-10-15-2 to adopt the provisions under ASC980). The OEB and IESO are not independent within the government reporting entity. The OEB and IESO are related parties within the government reporting entity as they are under the common control of the Province. The Province has the power, through passing/amending legislation and related regulations along with issuing Ministerial directions, to dictate the activities of the IESO and the OEB as they relate to the IESO's operations. As a result, the effects of the establishment of the rate regulated assets on IESO's financial statements should be reversed prior to consolidation in the CFS. The
8	Pension Asset - Valuation Allowance Included in the consolidated financial statements is a net pension asset related to the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan. Canadian public sector accounting standards require a valuation allowance to be recorded where there is uncertainty as to the Province's legal right to use the net pension asset. The Province does not have the unilateral legal right to use this asset because its ability to reduce future minimum contributions or withdraw any pension plan surplus is subject to agreement with the respective pension plans' joint sponsors. As at March 31, 2017, there were no such agreements in place.
9	Due to the two month lag time in settling OW advance payments to municipalities for the actual OW claims, MCSS is not in position to estimate an accrual for the related OW TP expenses at year end. Based on information available after the OW claims process was completed, $23M in additional OW TP expenses was due to municipalities at year end that was not accrued for.

NUMBER	EXPLANATION
10	There is an "uncontrollable factors" buffer (10% of Ministry's estimate) that is included in the OREC accruals that should be removed. When comparing forecasted numbers versus actuals we can see that the forecasted numbers so far have been significantly higher than actuals. Therefore we propose to eliminate this buffer.
11	IESO is recording Market Accounts balances which relate to the transactions between electricity market participants. The Province has no access/discretion to use the Market Account assets for their own benefit nor does the Province have an obligation to settle the Market Account liabilities in the event of default by market participants. Therefore they do not meet the definiton of assets or liabilties. IESO's results must be conformed to the accounting policies of the government. The market accounts should be removed from the financial results of IESO prior to consolidation into the CFS as they do not meet the definiton of assets or liabilities for the Province.
12	ODB rebate currently calculated based on calendar year instead of fiscal year. There are two errrors: 1) Recording 2015-16 revenue in 2016-17 $259,647,401, 2) Not recording 3 months of 2016-17 revenue of $ 159,293,890.
UNADJUSTED ERROR ESTIMATION (FACTUAL, PROJECTED OR JUDGMENTAL)	
13	Remedy overaccrual based on OAG's estimate.
14	Based on previous analysis prepared by OPCD of the estimated CCACs (2015/16) and CASs (2015/16) Sector summary financial position and annual surplus/deficit positon, updated for any signficant changes in capital funding and surplus/deficits in each sector for the 2016/17 fiscal year, a preliminary estimate is that TCA is understated, Liabilities (Net debt) understated and Accumulated Deficit overstated; and, no significant annual deficit/surplus impact by not consolidating CCACs and CASs in 2016/17. This is a high level estimate of potential fiscal impact - Reported in "Total Unadjusted Error Estimation".
15	On October 18, 2016, Canada, Ontario and Algonquins of Ontario (AOO) signed a final Agreement in Place to guide negotiations. Included in the Agreement in Place is a settlement value of $300million in cash and settlement land package. It is likely that the agreement will be ratified based on historical rate of ratification (18 out of 22, 82%) and a reasonable amount can be estimated ($300M is a minimum amount to be paid). Therefore a contingent liability needs to be recorded as at March 31, 2017.

NUMBER	EXPLANATION
ADJUSTED SUDS	
16	OPCD removes the accumulated other comprehensive income balance (AOCI) from Hydro One's equity balance prior to consolidation of their results. OAGO and OPCD have a difference of opinion on the treatment of the for consolidation of Hydro One and OPG. PS3070.04 & .05 state that the results of a GBE should be consolidated on a modified equity basis (a GBE's accounting principles should not be adjusted to conform with those of the government). OPCD treatment is not in accordance with PSAB's GBE consolidation standard 3070 as they remove AOCI and unrealized gains or losses on consolidation because the Province's policy is not to record these amounts. Hydro One's accounting policies should not be conformed upon consolidation. Per OPCD, Wendy Li/Bharat Patel remove the year end AOCI balance in a given year without factoring in prior year adjustments therefore there is no prior year effect of the error. In the current year there is a $113M loss balance in the AOCI at March 31 - Hydro One is 70.05% owned by the Province as of March 31, 2017. ($113M x 70.05% = $79.2M) As a result of removing the AOCI balance upon consolidation of Hydro, investment in GBE is overstated by $79.2M and Accumulated Deficit is understated by $79.2M.
17	OPCD removes unrealized gains and losses and the accumulated other comprehensive income balance (AOCI) from OPG's net income and equity balances prior to consolidation of their results. OAGO and OPCD have a difference of opinion on the treatment of the for consolidation of Hydro One and OPG. PS3070.04 & .05 state that the results of a GBE should be consolidated on a modified equity basis (a GBE's accounting principles should not be adjusted to conform with those of the government). OPCD treatment is not in accordance with PSAB's GBE consolidation standard 3070 as they remove AOCI and unrealized gains or losses on consolidation because the Province's policy is not to record these amounts. OPG's accounting policies should not be conformed upon consolidation. Per OPCD, Wendy Li/Bharat Patel remove the year end unrealized gains/losses and AOCI balances in a given year without factoring in prior year adjustments therefore there is no prior year effect of the error. In the current year, OPCD removed a $2M unrealized gain and a $286M loss balance in the AOCI at March 31 for OPG - As a result of removing the unrealized gain and the AOCI balance upon consolidation of OPG, investment in GBE is overstated by $284M, Annual Deficit is overstated by $2M and Accumulated Deficit is understated by $286M.
18a, 18b	There was a large difference between the amounts recorded in the GL accounts for CHT (415130) and CST (415140) and amounts listed under cash receipts in the AR schedules provided. This variance was mainly due to a potential coding error in September 2016 as a payment for CST looks to have been recorded as a CHT payment and vice versa. This error understated CHT revenues by 363,966,208 and overstated CST revenues by 363,966,208. Refer to II.4.5 for a full breakdown.

NUMBER	EXPLANATION
19a, 19b	During our evaluation of the bank reconciling items, we identified two cash deposits with amounts of $16 million and $28 million ($44M) that were recorded in the bank statements on March 30th and March 31st respectively. These amounts were posted in IFIS to the 17/18 year and excluded from the 16/17 year based on current bank processes and policies. Given that the deposits were made prior to March 31st, 2017 these amounts should have been recorded in IFIS in the 16/17 year.
20	OAG estimates CIT revenue to be the average of the model and the June TSS for the TY 2016. OAG's estimate approximates the actual revenue amounts based on Final Determination of Payments for any given tax year better than any single source such as: June TSS, Fed 3rd estimate (T-1, T-2) or the model. Therefore our expection of what revenue should be compared to what MOF has booked results in a difference of $1.16B underaccrual of CIT revenue.
21	The current year CIT revenue amount included a clerical error which overstated revenue and the CT receivable.