

Newsroom Backgrounder

Release of Ontario's 2015-16 Financial Statements

Public Accounts are part of the Ontario government's annual fiscal cycle and are a legislative requirement under the Financial Administration Act. The President of the Treasury Board submits the Public Accounts for each fiscal year to the Lieutenant Governor in Council on or before the 180th day after the end of the fiscal year. Public Accounts include the Province's annual report and consolidated financial statements. These documents provide financial highlights of the past fiscal year compared to the Budget plan and report on performance in priority areas.

The consolidated financial statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB). PSAB independently establishes accounting standards for the public sector in Canada.

These accounting standards are common, nationally recognized standards used by governments across Canada in their financial reporting

PSAB standards specify how transactions and other events are to be recognized, measured, presented and disclosed in a public sector entity's financial statements.

The objective of PSAB standards is to meet the needs of the users of financial statements by providing the information needed for accountability and decision-making.

In preparing the Annual Report and Consolidated Financial Statements for 2015-16, professional public servants and the Auditor General engaged in discussions regarding the accounting treatment of pension assets.

The Ontario Public Service Employees Union Pension Plan (OPSEUPP) and the Ontario Teachers' Pension Plan (OTPP) are jointly-sponsored pension plans where the Government of Ontario is a co-sponsor.

The assets of OPSEUPP and OTPP are held in trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between them.

During the 2015-16 Public Accounts audit, the Auditor General raised some concerns with regard to Ontario's accounting practices related to pension assets for the OPSEUPP and OTPP plans.

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of interpretation of PSAS standards as they relate to accounting for pension assets.

Given the differences in interpretation of the application of PSAB standards for the OTPP and OPSEUPP pension assets, Ontario approved a time-limited regulation which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. This is consistent with the fiscal outcome proposed by the Auditor General on September 13.

The *Financial Administration Act* allows Treasury Board, subject to the approval of the Lieutenant Governor in Council, to make regulations respecting the accounting policies and practices to be followed regarding the preparation of the consolidated financial statements of the Province.

The effect of the regulation is to reflect the fiscal impact of the Auditor General's position pending further review and analysis on this accounting matter. The change in accounting treatment is not a reflection on the funding status of the plans, or the quality of financial reporting by the Province. The impact of the change resulted in an additional \$10.7 billion being added to the Province's net debt and accumulated deficit.

Prior to this change, Ontario had followed the same pension accounting treatment for all of the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

The Auditor General has not issued an audit opinion on the province's financial statements for 2015-16. However the government is releasing these unaudited financial statements to ensure openness and transparency with respect to province's financial position, and because it has passed the deadline to table the Public Accounts with the Lieutenant Governor in Council. The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's consolidated financial statements so that it can table the Public Accounts with the Lieutenant Governor in Council.

Openness and Transparency

As part of its commitment to Open Government, digital technology was used for the first time to visualize the province's financial information in an interactive and easy to understand way. This year, Ontario is further increasing the openness and transparency of the Annual Report and unaudited Consolidated Financial Statements by:

- Creating new data visualizations, including interactive bar charts and interactive data tables
- Releasing data sets through Ontario's [Open Data Catalogue](#), including data on government organizations, government business enterprises and Trusts

Improving Outcomes for Ontarians

As the Province's 2015-16 Financial Statements show, the government remains committed to balancing the budget in 2017-18, while continuing to invest in the priorities that matter to the people of Ontario, such as healthcare, education and infrastructure.

Health Care

Building on [Ontario's Patient's First: Action Plan](#), the government continued transforming Ontario's health care system in 2015-16 to become more patient-centred and focused on better access to care, quality and value by:

- Increasing investment in home and community care by five per cent annually: \$250 million in 2015-16, for a total of \$750 million over three years.
- Increasing the hourly wages of publicly funded personal support workers (PSWs) caring for patients at home and in the community by \$1.50 per hour in 2015-16 to at least \$15.50 per hour, in the second of three annual increases totalling up to at least \$16.50 per hour by April 1, 2016. Investments in PSWs, like an increase in the hourly wage are part of the government's effort to attract and retain the best PSWs in the home and community care sector.
- Appointing Ontario's first-ever Patient Ombudsman who will help address needs of patients who have not had their concerns with health care organizations resolved through existing complaint mechanisms.

Advanced Education and Skills Development

In 2015-16, the Ontario government made progress on its plan to help more people get and create the jobs of the future by continuing to invest in student financial assistance and expand access to high quality college and university education, resulting in 67 per

cent of adults in Ontario obtaining a postsecondary degree, diploma or certificate – higher than the average of any OECD country.

Over the past 12 years, government investments have resulted in more than double the number of students qualifying for aid, while enrolment has increased by 38 per cent.

In 2015, 67 per cent of adults in Ontario had a postsecondary degree, diploma or certificate – higher than the average of any OECD country.

The government is also transforming Ontario's student aid system to help thousands of students obtain greater access to advanced education and have lower levels of student debt upon graduation. For students from lower-income and many middle-income families, it would mean free tuition. These changes will start in the 2017-18 academic year.

Childcare, Elementary and Secondary Education

The government has made gains in building and supporting an integrated early-years, elementary and secondary education system. This includes increasing funding for schools and licenced child care, the establishment of the Ontario Early Years Policy Framework and implementation of Full-Day Kindergarten.

In 2015-16, the government built on this success by:

- Increasing wages for early childhood educators and other child care professionals in licensed child care settings by providing a \$1 per hour wage increase for eligible child care workers bringing the total wage increase up to \$2 per hour, plus benefits.
- Increasing the five-year high school graduation rate to 85.5 per cent – the highest level in the province's history.
- Doubling the funding for school renewal projects to \$500 million in 2015-16 to ensure our students are benefitting from safe, modern and efficient learning environments.

Infrastructure

Ontario is making the largest investment in public infrastructure in the province's history – about \$160 billion over 12 years, starting in 2014-15. Planned investments are supporting over 110,000 jobs, on average, every year across the province.

In 2015-16, the Province continued to invest in hospitals, schools, roads, bridges and transit, including:

- Completing construction of the \$1.4 billion Right Honourable Herb Gray Parkway in Windsor–Essex, which provides an express route to the country's busiest land border crossing.
- Ongoing construction of the Eglinton Crosstown Light Rail Transit line, which will offer fast, efficient service and improve travel for commuters.
- Providing small, rural and northern municipalities with funding to build and repair core infrastructure through the Ontario Community Infrastructure Fund.
- Completing the new Humber River Hospital, which offers a comprehensive range of acute care services and support for inpatient and outpatient hospital programs.
- Ontario is making \$575 million investment to repair and renew schools across the province in 2016-2017.

Staying on the Path to Balance

The government is working towards a balanced budget through Program Review, Renewal and Transformation (PRRT), a government-wide approach to multi-year planning and budgeting that puts a heightened focus on evidence and outcomes to inform funding allocations.

But PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarians while freeing up resources to reinvest in key government priorities, such as health care, education and infrastructure.

Examples of successful PRRT initiatives include:

- Improving the sustainability of the Ontario Drug Benefit Program and patients' access to drugs by making the program more efficient and effective. The changes saved approximately \$100 million in 2015-16 and will enable over \$200 million in savings annually when fully implemented.
- Changing the Second Career program by removing client targets for service providers while ensuring funding support for eligible clients. This change will generate approximately \$40 million per year and will allow the government to invest in the Canada-Ontario Jobs Grant and a renewed Ontario Youth Job strategy.

- Reducing the government's office footprint by over 820,000 rentable square feet, which generated approximately \$24 million in savings in 2015-16.
- Achieving approximately \$56 million in savings through the consolidation of data centres, early vendor payments and lower contract costs – including for software and IT consulting services, laboratory supplies and security services.
- Achieving \$7 million in savings from contracts related to government cell phone plans and toll free lines.

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