Foreword

Each year, the Province releases the Public Accounts to update Ontarians on our end-of-year financial position. The Annual Report that accompanies the financial statements provides transparency and accountability for the dollars we spend. In preparing the Annual Report, the government makes every effort to ensure that we are providing a faithful and consistent representation of the government's financial activities.

Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that focuses on support for economically sound public policy practices, has acknowledged the consistent basis used by Ontario for our Budget, Estimates and Public Accounts as a best practice for supporting transparency and accountability.

I am pleased to present the Public Accounts for the year 2015–16, which confirm that our government's plan to achieve fiscal balance by 2017–18 is working.

At $5.0 billion, Ontario's deficit is $3.5 billion lower than projected in the 2015 Budget. This marks the seventh year in a row that Ontario has beaten its deficit target, resulting in an accumulated deficit that is more than $20 billion lower than projected. These results have increased the 2015–16 net debt-to-GDP ratio to 39.6 per cent, lower than the 39.8 per cent forecast in the 2015 Budget.

When the global economic recession hit, our government made a deliberate choice to invest in our economy and stimulate growth. Since then, Ontario has created almost 600,000 net new jobs and the unemployment rate declined to an eight-year low of 6.4 per cent in July 2016. Ontario's economy continues to grow and is expected to remain one of the fastest-growing in Canada over the next two years.

Although we have made considerable progress since the recession, there is still hard work ahead to eliminate the deficit. Our government will make the tough but necessary decisions needed to ensure our province continues to grow. As President of the Treasury Board, it is my role to lead this effort and to help create a modern and open government — one that is fiscally responsible, uses evidence to track performance and is focused on results.

In the spirit of openness and increased transparency, this year we have created new visualization tools to help Ontarians understand the Province's finances. To access these new tools, and to see the full Public Accounts online, visit Ontario.ca/publicaccounts.

Making every dollar count

In 2014, we implemented a new fiscal planning and expenditure management approach. Through the Program Review, Renewal, and Transformation (PRRT) process, we are looking across ministries to achieve better value for money.

By prioritizing cross-ministry collaboration in our planning and policy development, we are undertaking major transformation and efficiency initiatives that will help free up resources and allow us to invest in key priorities. This means asking tough questions and making tough choices about services that are not linked to government priorities, serve no clear public interest or fail to achieve their desired outcomes.

For example, transfer payments to organizations that deliver services on behalf of the Province account for approximately 82 per cent of the government's expenditures. The Transfer Payment Administration Modernization (TPAM) project will streamline government transfers to hospitals, school boards, municipalities, non-profits and all other transfer payment recipients. It will not only improve the way we work with these organizations, but will also make their jobs easier by reducing their administrative burdens. TPAM will also help us get better value for our money by emphasizing data and evidence when making funding decisions.

Making services simpler, faster and easier

Through Ontario's Digital Government strategy, we are modernizing government for the digital age, using technology to make services simpler, easier and more convenient for people. This work will improve citizens' online experience with government and deliver better value for public money.

We are also finding innovative ways to support how we drive change across the government. In 2015, we established the Centre of Excellence for Evidence-Based Decision Making. The centre is setting standards for the use of evidence. Its mandate is to build capacity to assess program performance, using evidence to inform choices and lead change in critical public services.

We have deliberately taken a fair and equitable approach, allowing us to continue to make strategic investments in physical infrastructure such as roads and transit, as well as in social capital through the talents and skills of Ontarians, all while protecting the services on which Ontarians rely.

Modern infrastructure and a dynamic business climate

Ontario must build and maintain its infrastructure to remain economically strong and competitive.

The Province is continuing to pursue opportunities to unlock economic value from its assets. Unlocking value from provincial assets is providing resources to invest in new transit and transportation infrastructure, and is helping to expand the economy and improve competitiveness and productivity. In short, it will help to create jobs for Ontarians.

We're investing more than $137 billion over the next 10 years in public infrastructure such as roads, bridges, public transit, hospitals and schools. This investment builds on previous commitments, resulting in a total of approximately $160 billion in public infrastructure investments over 12 years, starting in 2014–15. This is the largest investment in public infrastructure in the Province's history. Planned investments will support more than 110,000 jobs, on average, each year.

The government is building the infrastructure that is needed today and tomorrow. These investments will help manage congestion, connect people and improve the economy and Ontarians' quality of life.

In addition, our government continues to create a dynamic and innovative business climate. As of August 31, 2016, the 10-year, $2.7 billion Jobs and Prosperity Fund is helping to create and retain more than 22,000 jobs and is attracting more than $2.2 billion in investments. Our government is reducing business costs, keeping tax rates competitive, building strategic partnerships, helping businesses go global, strengthening the financial services sector and investing in training and education.

We have an ambitious agenda to Build Ontario Up. Our balanced budget plan is vitally important, and Public Accounts is the tool by which we report our progress. Eliminating the deficit and taking a balanced and disciplined approach to our fiscal plan over the last three and a half years has allowed us to deliver better services and outcomes to Ontarians, and help people in their everyday lives. We are striving to build a province that is the best place to live, from childhood to retirement — a place where everyone has the opportunity to realize their full potential.

The Honourable Liz Sandals
President of the Treasury Board

Introduction

The Annual Report is a key element of the Public Accounts of the Province of Ontario and is central to demonstrating the Province's transparency and accountability in reporting its financial activities and position. Ontario's consolidated financial statements present the financial results for the 2015–16 fiscal year against the 2015 Budget approved in April 2015 and the financial position of the government as at March 31, 2016.

Under the direction of the Minister of Finance, the Office of the Provincial Controller is responsible for the preparation of the government's financial statements and for ensuring that the accounting treatment applied best reflects the underlying economic substance of the government's activities. In doing so, there is an implicit need to apply sound professional judgment to the application of accounting standards to complex transactions, such as pension accounting. This requires careful consideration of the facts and substance of transactions and activities, reference to existing and emerging accounting standards and consultation with standard setters, other jurisdictions and the audit community.

The preparation of financial statements requires the Province to make estimates and assumptions that could materially affect the amounts of assets, liabilities, revenues and expenses reported in the Province's books. One area of material measurement uncertainty exists in the valuation of pensions and other employee future benefits. While the Province believes that the current pension accounting treatment is appropriate, both the Auditor General and the Province agree that a more thorough review of the Province's accounting for those balances is warranted, in order to assess the complexity associated with jointly sponsored pension plans and the applicability of the asset ceiling test.

In preparing the 2015–16 Public Accounts, a decision was made to implement legislation to reflect a change in the government's accounting policy for pension assets, which resulted in a valuation adjustment in the Province's pension assets of $10.7 billion, including an increase of $1.5 billion to the reported annual deficit for 2015-16.

The comparative results for 2014–15 have not restated in this Annual Report which preserves the long-term comparability of year-over-year financial results and balances and the historical results and trends analysis reflected throughout this Financial Statement Discussion and Analysis.

This year, in addition to providing a comparison of actual to planned results, the Annual Report has been enhanced in several areas to further support transparency and accountability for readers:

- It expands the comparison of the current year's results to those of the prior year, and includes analysis of the trends over a five-year period as related to several financial items, including an expanded discussion on balance sheet items.

- It provides a description of the Province's capital assets, reflecting their importance in service delivery and their impact on the Province's financial condition.

- It includes a discussion of key risks that could impact the Province's financial results.

As in previous years, the Annual Report sets out and analyzes trends in a number of key financial ratios over the past several years.

The additional discussion and analysis included in this year's Annual Report will help users of the Consolidated Financial Statements better understand the impacts of economic conditions and government decisions on the Province's financial results and position.

The preparation of financial statements requires the Province to make estimates and assumptions that could materially affect the amounts of assets, liabilities, revenues and expenses reported in the Province's books. One area of significant measurement uncertainty exists in the valuation of assets resulting from jointly sponsored pension plans. Both the Province and the Auditor General agree that a more thorough review of the Province's accounting for those balances is warranted. The Province's financial reporting for assets related to jointly sponsored pension plans for 2015–16 is described in Note 18 to the Consolidated Financial Statements.

Producing the Public Accounts of Ontario requires the teamwork and collaboration of many stakeholders across Ontario's public sector. The Office of the Auditor General plays a critical role in auditing and reporting on the Province's financial statements, and the Standing Committee on the Public Accounts also plays an important role in providing legislative oversight and guidance. I would like to thank everyone for their contributions.

We welcome your comments on the Public Accounts. Please share your thoughts by email at infoTBS@ontario.ca, or by writing to the Office of the Provincial Controller, Re: Annual Report, Treasury Board Secretariat, Second Floor, Frost Building South, 7 Queen's Park Crescent, Toronto, Ontario M7A 1Y7.

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