

ONTARIO FINANCING AUTHORITY

2024 ANNUAL REPORT

Mandate

The Ontario Financing Authority (OFA) was established as an agency of the Crown on November 15, 1993 by the *Capital Investment Plan Act, 1993* (the Act). In accordance with the Act, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario (the Province);
- manages the Provincial debt;
- manages the Province's key financial relationships with investors, financial institutions, rating agencies and public bodies;
- provides centralized financial services for the Province including banking and cash management;
- advises ministries, Crown agencies and other public bodies on financial policies and projects;
- assists Crown agencies and other public bodies to borrow and invest money;
- acts at the direction of the Province in lending to certain public bodies;
- invests on behalf of some public bodies;
- with Ontario Power Generation Inc. (OPG), manages the investment activities of the Ontario Nuclear Funds; and
- carries out the day-to-day operations of Ontario Electricity Financial Corporation (OEFC) and provides a broad range of financial services to Infrastructure Ontario.

In addition, the OFA's objects include:

- providing such other financial services as are considered advantageous to the Province or any public body; and
- any additional objects as directed by the Lieutenant Governor in Council.

In pursuing its mandate, the OFA is committed to its core values of respect, innovation, teamwork and accountability.

Table of Contents

Statement from the Chair and the Chief Executive Officer	2
Management's Discussion and Analysis	3
Capital Markets Activities	3
Borrowing and Debt Management	4
Finance and Treasury Activities	7
Financial Advice	9
Corporate Governance	11
Board of Directors	12
Financial Reporting Requirements	13
Summary of Financial Results	14
Financial Statements	15
Responsibility for Financial Reporting	15
Independent Auditor's Report	16
Statement of Financial Position	18
Statement of Operations and Accumulated Surplus	19
Statement of Change in Net Financial Assets	20
Statement of Cash Flow	21
Notes to Financial Statements	22
Appendices	37
Ontario's Credit Ratings	37
Additional Sources of Information	38

Statement from the Chair and the Chief Executive Officer

The Ontario Financing Authority (OFA) successfully completed the Province's long-term borrowing program in 2023–24, raising \$41.8 billion (interim). This was \$14.3 billion higher than the previous year's borrowing program, primarily due to non-cash and cash timing adjustments, a modestly higher projected deficit for 2023–24 and higher year-end cash levels to pre-borrow for future years' funding needs. Throughout 2024–25, the OFA will continue to provide cost-effective borrowing, debt management and other financial services on behalf of the Province.

In January 2024, Ontario released its new Ontario Sustainable Bond Framework, replacing the province's Green Bond Framework from 2014. The new framework will allow for a broader range of potential bond offerings in the future. In October 2024, the Green Bond program will reach its 10th anniversary. Ontario remains the largest issuer of Canadian dollar Green Bonds today.

The OFA's values of respect, innovation, teamwork and accountability remain a core component of all we do. These values are critical to our success and are a key driver in our work to develop the next generation of OFA leadership and position the organization for an even better future. We remain strongly committed to creating an inclusive, diverse, equitable, anti-racist and accessible work environment.

We thank OFA staff for their continued hard work and successes, and the Board of Directors for their advice and oversight during the 2023–24 fiscal year. We look forward to working with staff and the Board in 2024–25.



Greg Orenszak
Chair



Gadi Mayman
Chief Executive Officer

Management’s Discussion and Analysis

This section details management’s discussion and analysis of the results achieved by the OFA for the Province in 2023–24 and its objectives for 2024–25.

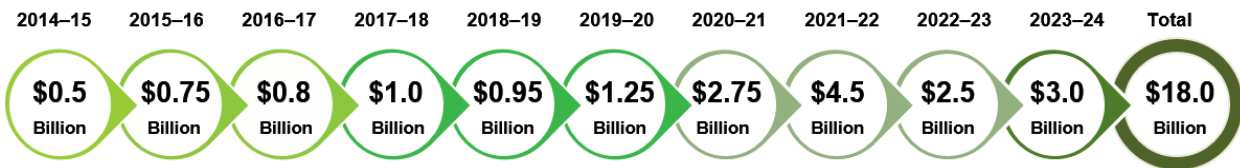
Capital Markets Activities

Borrowing Program

Ontario’s borrowing program is primarily used to refinance maturing debt, make investments in capital assets and fund deficits, when applicable. Long-term borrowing for 2023–24 totalled \$41.8 billion (interim) and took advantage of the strong demand for Ontario bonds. The weighted-average term to maturity of long-term Provincial debt issued has been extended from 8.1 years in 2009–10 to 15.2 years in 2023–24. This continued extension of the term to maturity allows the Province to lock in interest rates for a longer period, which reduces refinancing risks and helps offset the impact of higher interest rates on the Province’s interest on debt (IOD) costs. As of the *2024 Budget*, the IOD forecast for 2023–24 is \$12.8 billion, down from the *2023 Budget* forecast of \$14.1 billion and remains lower than the forecast for each of the medium-term outlook years in the *2023 Budget*. These lower interest costs total a cumulative savings of more than \$2 billion over three years and are a result of lower actual and projected cost of borrowing.

Ontario remains the largest issuer of Canadian dollar Green Bonds and plans to continue its leadership in the Canadian dollar Green Bond market. The government released its new Ontario Sustainable Bond Framework in January, replacing the province’s Green Bond Framework from 2014. The new framework will allow for a broader range of potential bond offerings in the future, including emissions-free nuclear power. On February 29, 2024, Ontario issued a \$1.5 billion Green Bond, which was Ontario’s first Green Bond issued under the new framework, the second of the 2023–24 fiscal year, and fifteenth green bond issue overall.

Ontario Green Bonds



Strong global investor demand for Canadian-dollar assets allowed Ontario to borrow 86 per cent of the 2023–24 borrowing program in the Canadian-dollar market. This percentage is within Ontario’s target range for domestic borrowing of 75 to 90 per cent for the 2023–24 fiscal year.

Investments

The OFA manages the Province’s liquid reserve portfolio to optimize investment returns and to ensure sufficient funds are available to meet cash requirements for the Province. The average level of unrestricted liquid reserves in 2023–24 was \$46.8 billion. In the normal course of business, the Province may pledge or receive collateral for derivative transactions and repurchase agreements.

Unrestricted liquid reserves are a more prudent measure of total liquid reserves as pledged collateral is netted out of the total liquid reserves calculation.

The OFA also invests on behalf of certain public bodies to help increase their returns by streamlining investment processes and reducing investment costs. In 2023–24, the OFA provided investment services to a number of agencies, boards, commissions and other public bodies, including Infrastructure Ontario, Ontario Trillium Foundation, Venture Ontario and the Financial Services Regulatory Authority of Ontario. Total funds managed were \$2.4 billion.

With OPG, the OFA continued to manage the investment activities of funds established under the Ontario Nuclear Funds Agreement (ONFA). As of March 31, 2024, the combined market value of the Ontario Nuclear Funds was \$30.3 billion compared with \$27.9 billion at March 31, 2023 and \$4.9 billion when the funds were formally established in 2003.

The OFA and OPG have retained external investment managers to invest the Ontario Nuclear Funds in bonds, equities, and real assets. For the 12 months ending March 31, 2024, the funds' rate of return was 9.87 per cent, underperforming the market benchmark of 10.53 per cent. Since inception, the Ontario Nuclear Funds have returned 7.51 per cent annualized, outperforming the long-term target annualized rate of return. This target is a real rate of return of 3.25 per cent annually, calculated by adding 3.25 to the rate of change in the Ontario Consumer Price Index.

Borrowing and Debt Management

The OFA manages the debt of the Province and OEFC.

Total debt, which represents all borrowing without offsetting financial assets, was \$437.5 billion (interim) as at March 31, 2024, compared to \$421.8 billion as at March 31, 2023.

Ontario's net debt is the difference between total liabilities and total financial assets. Ontario's net debt was \$414.8 billion (interim) as of March 31, 2024 (March 31, 2023, \$400.5 billion). This projection for March 31, 2024 is \$8.4 billion above the forecast of \$406.4 billion in the *2023 Budget*, primarily due to higher deficits. It includes the broader public sector's (BPS) net debt of \$12.0 billion (interim) (March 31, 2023, \$16.6 billion).

The OFA's prudent risk management policies and practices mitigate the financial risks inherent in managing large debt and liquid reserve portfolios. A variety of financial instruments, including derivatives such as swaps and forward contracts, are used to manage exposures to interest rates and exchange rates risks. The OFA uses derivatives for hedging purposes only, and does not permit the creation of net leverage using derivatives.

The OFA risk management policies and procedures address market, credit, liquidity and operational risks pertinent to the Province's debt, derivatives portfolios, liquid reserve and capital markets transactions. The Province's financial risks are monitored continuously, with these risk exposures are marked-to-market daily and audited annually.

The policies were developed following the guidelines and directives of regulatory bodies. The OFA conducts biennial reviews of its risk management policies to ensure they align with the best practices in the industry and remain consistent with the latest developments in global capital markets. Amendments to the risk policies require approval from the Board.

Performance

The OFA monitors and measures the performance of the borrowing and money market programs. The performance of long-term fixed rate borrowing for 2023–24 is measured by comparing the all-in borrowing cost against the statistical distribution of benchmark interest rates observed during the year, with the objective being to attain a low percentile rank. Regular long-term fixed borrowing achieved a percentile rank of 43.1, outperforming the target range of 45-55 percentile; strategic foreign borrowing achieved a percentile rank of 24.5 outperforming the target range of 50-75 percentile. The OFA also outperformed the program execution performance measure, particularly the completion of the borrowing program in the midst of inflationary pressures and rising interest rates over the entire fiscal year.

The performance of liquid reserve investments (money market program) is measured relative to the returns of a custom benchmark with a term of approximately 106 days. The target is ± 2 basis points relative to the benchmark. The program's return of 4.88 per cent was 4.64 basis points above the benchmark, outperforming the target. The outperformance was primarily due to the tenor selection in the money market portfolio. The gains were \$23.6 million when compared to the 106-day benchmark.

Market Risk

Market risk is the risk of loss due to changes in interest and foreign exchange rates.

The OFA manages market risk exposures with limits. The OFA limits the Province's maximum net interest rate resetting exposure of 35 per cent of debt and a maximum foreign-exchange exposure of 3 per cent.

The percentage of interest rate resetting exposure (net of liquid reserves) was 7.0 per cent of debt as at March 31, 2024. The foreign exchange exposure was 0.1 per cent of debt as at March 31, 2024.

Credit Risk

Credit risk is the risk of an economic loss due to default of bond issuers or transaction counterparties. The OFA enters transactions only with approved counterparties and issuers with high credit standing. Ontario's hedging transactions related to international borrowing result in credit risk exposure to its derivative counterparties. In order to manage and mitigate credit risk associated with derivative transactions, the Province has negotiated swap collateral agreements, i.e. Credit Support Annexes (CSAs) with all of its major derivatives counterparties. These agreements provide the terms and conditions for posting collateral in order to offset the credit exposure related to derivative transactions.

The OFA monitors credit exposures and concentration daily and conducts stress testing regularly. The Province's net credit risk exposure associated with the derivative portfolio as at March 31, 2024 was \$15 million, up from \$2 million as at March 31, 2023. Net credit risk exposure represents the loss that the Province would incur if all counterparties to which the Province had credit risk exposure were to default at the same time, less the mitigating impact of netting provisions as prescribed in contractual master agreements.

As at March 31, 2024, 98 per cent of Ontario's credit exposure was to counterparties rated AA– or better, unchanged from March 31, 2023.

Liquidity Risk

Liquidity risk is the risk that liquid reserves will not be sufficient to meet the Province's cash and collateral requirements. This risk is controlled through the management of cash flows, liquid reserve levels as well as liquidity and collateral eligibility, and the short-term borrowing program.

The Province's Treasury bill and U.S. Commercial Paper programs had authorized limits of \$46.0 billion and \$15.0 billion, respectively in 2023–24. As at March 31, 2024, the outstanding borrowing under the Province's Treasury bill and U.S. Commercial Paper programs stood at \$23.0 billion and \$0.0 billion (interim), respectively.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems or external events. The OFA manages operational risks through divisional procedures and contingency plans as well as appropriate staffing and training, all of which are reviewed on an ongoing basis. As part of the culture transformation, ongoing quarterly updates to the ONE OFA People Plan progress dashboard are consistently available to all OFA staff. These updates demonstrate the work undertaken by the OFA to identify and mitigate risks related to staffing, training, and resources. As the OFA looks to modernize its culture and address potential future risks, work related to succession planning, learning and development, organizational communications and reputation continue to be a priority. In addition, the OFA's Business Continuity Plan ensures critical operations are completed in a timely manner in the event of an unforeseen business disruption.

All systems, infrastructure and services were successfully provided to all OFA divisions, with no significant disruptions or incidents in 2023–24. The Information Technology Division continued to provide strategic advice to manage organizational technology risks with increasing pressures. With advancements of the technology environment, upticks in data creation, consumption, and rising global cyber security threats, continued resource investment contributes to the proactive maintenance and management of systems, and will continue to be handled with the highest diligence in defense of the systems that support the OFA.

Credit Rating Agency Relations

The Province requires ratings from recognized credit rating agencies to issue debt in the capital markets. The OFA ensures credit rating agencies understand government policies and budget

direction as well as economic and fiscal performance, and properly reflect these in their reports and decisions. Through the OFA, the Province maintains a one-window contact with the rating agencies to ensure information provided to them is consistent and coordinated.

Finance and Treasury Activities

The OFA continued to successfully deliver its Accounting and Financial Reporting, Banking, Cash Management, Capital Markets Operations, and Settlements functions throughout 2023–24. This included working closely with internal and external stakeholders to ensure effective delivery of centralized services.

Accounting and Financial Reporting

The OFA is involved in accounting policy and accurate financial reporting for various entities. In 2023–24, it successfully worked closely with the Province on reporting for provincial debt, derivatives and investments, in accordance with strict legislated timelines. This included ensuring accuracy and completeness of amounts reported in the Budget, Fall Economic Statement and Public Accounts. The Accounting and Financial Reporting team also prepared the annual financial statements for two agencies, the OFA and the OEFC.

The Office of the Auditor General of Ontario (OAGO) completed their annual review of the financial reporting associated with the debt and interest on debt presented in the 2022–23 Public Accounts, which continued to be free of material issues. In addition, the OFA and OEFC 2022–23 Financial Statements received an unqualified opinion from the OAGO.

The implementation of Foreign Currency Translation standards was completed in the 2022-23 fiscal year. The OFA has collaborated with subject matter expert consultants in 2023-24 to update the organization's accounting and financial reporting procedures as well as amend associated systems as required.

The OFA's appointed internal auditor completed the 2023–24 Board-approved audit plan and their findings and recommendations were received by both management and the Board. As per the internal auditors' observations, the OFA has achieved significant progress on implementing recommendations that strengthened cyber security, enhanced internal and operational controls, as well as more streamlined and efficient operations in all divisions.

In support of the OFA's Debt Management program, the Settlements team continued to provide timely and efficient settlement and payment services. This ensured success in managing the Provincial and OEFC debt portfolios and Non-Utility Generator power purchase agreements, working closely with the Independent Electricity System Operator and our Meter Service Provider.

Treasury Services

The OFA continued to advise ministries on the application of the Cash Management Directive with regards to government priorities. This included ensuring that requests from ministries for advance

and early payments to stakeholders and transfer payment entities in the broader public sector were analyzed on a case-by-case basis and approval was provided only to those with compelling rationale in line with Government priorities.

As a part of the process to provide effective cash forecasting, the OFA continued to ensure that the Province's cash reserves met its requirements. The Province balances the objective of maintaining the cost of holding liquid reserves against the need to always have enough cash on hand to fund its commitments, invest in capital assets, refinance maturing debt and pay interest. This included continued work with the Office of Economic Policy and the ministries to ensure that cash forecasts including the potential zero cash date are as current and as accurate as possible.

The OFA continued to provide specialized advisory services to ministries and agencies, to optimize payment solutions for effective revenue collection and disbursements processes. As part of its advisory services to agencies, the OFA provided advice to the Ontario Infrastructure Bank, subsequently renamed the Building Ontario Fund, on implementing an effective banking infrastructure to support its objectives.

On the revenue collection side, under a Ministry of Finance initiative and in collaboration with banks, the X9 solution was implemented to enable the electronic processing of cheque images and remittance information, allowing the Ministry to efficiently deposit tax and non-tax revenue into the CRFs bank accounts. Additionally, the Visa Debit flat fee per transaction service was implemented as a new method for tax collection, reducing fees for the Province by shifting from a value-based to a transaction-based service.

Regarding disbursements, efforts are underway in collaboration with a banking partner and Provincial stakeholders to extend the e-transfer solution across the Province. This extension will ensure that all ministries benefit from the increased efficiency and convenience of electronic transfers. Initially, e-transfer payments were implemented exclusively for the Ministry of Education to provide financial assistance for families during COVID-19.

In collaboration with the Ministry of Public and Business Service Delivery, the OFA leads the Provincial payment modernization initiative. One of this initiative's goals is to replace traditional paper-based methods with cutting-edge electronic and automated processes, significantly enhancing operational efficiency and reducing environmental impact.

The OFA plays a key role in a cross-ministry Working Group, Executive Governance Committee and Payment Card Industry (PCI) Enterprise Industry Assessment and a Compliance Unit to ensure that ministries continued to maintain compliance with mandatory cardholder data security requirements for debit/credit card acceptance. The OFA also continued worked with stakeholders including Office of the Provincial Controller as they are strategically reviewing further streamlining of compliance and reporting efforts for the OPS.

Capital Markets Operations

The OFA continued to support the Province's capital markets activities by negotiating and preparing the legal documentation for all financial transactions related to the Province's annual borrowing,

investing and debt management programs. This involved negotiating and documenting all bond issues, money market transactions and derivatives agreements while working closely with Ministry of Finance legal counsel, external counsel and other stakeholders such as securities regulators, stock exchanges, domestic and international clearing systems and asset servicing agents.

To undertake borrowing transactions, the OFA also ensured that sufficient legal borrowing authority remained available at all times to execute the borrowing program. The OFA also supported various public bodies by preparing documentation related to their investment activities and borrowing requirements.

The OFA also managed ongoing regulatory compliance in all jurisdictions where the Province conducted capital markets transactions and maintains debt programs. This included fulfilling continuous disclosure obligations, ensuring compliance, and performing regulatory filings.

Financial Advice

The OFA was active in providing financial advice and implementation assistance to ministries, Crown agencies and other public bodies, including on corporate and electricity finance policies and initiatives, government business enterprises and other provincial assets.

Advisory Activities

Analysis and advice was provided on cost effective borrowing and lending by public bodies, financial oversight of public bodies and a number of financial and investment policy proposals from Crown agencies and other stakeholders.

The OFA provided analysis and advice in respect of electricity sector initiatives, electricity price mitigation measures and federal and provincial policies affecting the electricity sector in Ontario.

The OFA also continued to provide analysis and advice in respect of a number of Infrastructure Ontario projects.

Other Financial Services

Under its framework for providing financing to public bodies, the OFA provides long-term financing to Crown agencies, and various public bodies. In 2023–24, the OFA provided new long-term loans to a number of public bodies, including Ontario hospitals, colleges, and Crown corporations totalling \$548.2 million, and continued to monitor and provide advances under existing loan agreements. The OFA also extended, for an additional year, the \$2 billion credit facility to the Financial Services Regulatory Authority of Ontario (FSRA), for the purpose of addressing potential unexpected liquidity pressures in the Ontario credit union sector.

On behalf of the Province, the OFA has received a number of applications for the Province's Aboriginal Loan Guarantee Program, which are in various stages of completion and are under review by staff and a third party due diligence provider, as well as requests for information on the program for other projects in various stages of development. As at March 31, 2024, eleven loan guarantees

have been approved under the program. The aggregate principal of loans guaranteed is approximately \$500 million.

The OFA also continued to provide loan administration services to the Province on its loan facility for construction financing of up to \$1.34 billion for a portion of the estimated construction cost of the Wataynikaneyap Power northwest grid connection project.

The OFA provided services to OEFC, including implementing and monitoring loan agreements between OEFC and OPG, and the management of Non-Utility Generator power purchase agreements. The OFA provided analysis and advice on and continued to implement various OFA credit facilities to the IESO.

The OFA provided services to the Building Ontario Fund, including providing initial operational and onboarding supports to help enable its transition to an independent operational model, collaborating with stakeholders to help build potential project pipelines, and working with Ministry of Finance to support necessary government approvals and implementation of governance and accountability frameworks.

Activities were undertaken to assist in the continued implementation of ONFA, including reviewing OPG's proposed 2024 annual budget for eligible expenditures under ONFA for nuclear waste management.

The OFA also provided analysis to the Minister of Finance and the government on forecasting provincial revenues from the electricity sector and to support electricity policies and initiatives, focusing on potential fiscal, financing, and economic impacts on the Province and OEFC.

Corporate Governance

Accountability and Responsibilities

The OFA is an agency of the provincial Crown. The accountability framework is reflected in a Memorandum of Understanding between the OFA and the Minister of Finance, which sets out the roles and responsibilities of each party and is available on the OFA's website.

The OFA is governed by a Board of Directors appointed by the Lieutenant Governor in Council. The Act provides that the Deputy Minister of Finance is the Chair of the Board. The Board is accountable to the Minister through the Chair, and through the Minister to the Legislative Assembly. The Board performs a supervisory role, overseeing the management of the business and affairs of the OFA to ensure the OFA's mandate is fulfilled. Standards of conduct for directors are set out in a Board-approved Code of Conduct.

Three committees of the Board assist it in supervising the management of the OFA. The Audit and Risk Management Committee assists the Board in fulfilling its responsibilities in respect to audits, financial reporting, risk management, and internal controls. The Human Resources and Governance Committee assists the Board in ensuring appropriate policies and procedures are in place relating to compensation for staff in critical areas and with respect to corporate governance. The ONFA Investment Committee supervises the OFA's activities related to the investment of the Ontario Nuclear Funds.

The OFA's CEO is responsible for managing the day-to-day operations and ongoing activities of the OFA and reports the OFA's performance to the Board. The CEO and OFA employees are appointed pursuant to the *Public Service of Ontario Act, 2006*.

Board of Directors

The table below provides an overview of the Board of Directors as of March 31, 2024, including their total remuneration during 2023–24 which is determined on a per diem basis. All directors are entitled to participate in any Board committee meeting.

Biographies of current directors, including their membership in Board committees, are available on the OFA's website.

Director	Date First Appointed	End of Current Term	Remuneration Paid in 2023–24
Greg Orencsak (Chair)	June 29, 2018	Ex officio, as the Deputy Minister of Finance	N/A – OPS Employee
Steve Geist (Vice-Chair)	July 2, 2020	July 1, 2026	\$10,750
Yim Chan	January 8, 2018	March 27, 2025	\$7,500
Rani Dhaliwal	January 7, 2021	January 6, 2027	\$12,000
Heather-Anne Irwin	October 19, 2016	October 23, 2025	\$8,250
Marie MacDougall	March 23, 2016	April 3, 2025	\$6,750
Gadi Mayman (CEO)	August 31, 2000	July 20, 2026	N/A – OPS Employee
Diane McArthur	June 22, 2016	December 8, 2025	\$10,000
Paul Potvin	February 15, 2017	February 13, 2026	\$7,750
Rita Theil	March 24, 2022	March 23, 2025	\$6,750
Grant Williams	March 24, 2022	March 23, 2025	\$9,750
Total:			\$79,500

Former Vice-Chair, Constance L. Sugiyama's appointment to the Board ended in December 2023; she was remunerated \$5,775 during 2023–24.

Financial Reporting Requirements

The OFA prepares annual financial statements in accordance with Canadian Public Sector Accounting Standards. The financial statements are reviewed and recommended by the Audit and Risk Management Committee and approved by the Board. The annual financial statements are audited by the Auditor General who expresses an opinion on whether they present the financial results fairly in accordance with Canadian public sector accounting standards. The audited financial statements are tabled in the Legislative Assembly as part of the Annual Report and are included in the Financial Statements of Government Organizations and Business Enterprises section of the Public Accounts of the Province. Unaudited financial statements are prepared quarterly and presented to the Audit and Risk Management Committee and the Board.

Internal Controls

Management is responsible for establishing and maintaining internal controls to provide reasonable assurance regarding the reliability of financial reporting, to safeguard the OFA's assets and to manage its liabilities.

In meeting its responsibility for the reliability and timeliness of financial information, the OFA uses a comprehensive system of internal controls, including organizational and procedural controls. The system of internal controls includes:

- comprehensive business planning;
- written communication of policies and procedures governing corporate conduct and risk management;
- segregation of duties;
- maintenance and retention of detailed records;
- responsible delegation of authority and personal accountability;
- careful selection and training of personnel; and
- regularly updated accounting and financial risk policies and procedures.

As part of its annual business plan, the OFA conducts an assessment of corporate-wide risks and develops appropriate mitigation strategies.

The OFA's appointed internal auditor develops an annual internal audit plan based on a review of the OFA's risk assessment and input from the Audit and Risk Management Committee and Management. The internal audit plan is approved by the Board on the recommendation of the Audit and Risk Management Committee.

Summary of Financial Results

The Ontario Financing Authority (OFA) executes the Province's borrowing program and manages debt and investment of liquid reserves and recovers the cost of these services from the Province. The OFA also provides loans to Crown agencies and other public bodies at the direction of the Province. It also provides other financial services to Crown agencies and other public bodies. These costs are recovered on a fee-for-service basis.

The outstanding balance of the loans to public bodies at March 31, 2024 was \$4,974.1 million, a net increase of \$142.9 million from \$4,831.2 million in March 2023 (Note 5 to the Financial Statements). The increase was due to new loans of \$945.6 million offset by repayments of \$802.7 million.

The OFA continued to provide investment management services to other public bodies, managing an aggregate investment amount of \$2,298 million (2023 – \$1,997 million).

The OFA recovered operating costs from related-party agencies and others amounting to \$7.1 million for the year ended March 31, 2024 (2023 – \$5.9 million). The OFA's excess of revenue over expenses from operations for the year amounted to \$4.9 million (2023 – \$4.1 million) from the loan administration fees charged on loans to public bodies as well as the interest income from its cash reserves. The \$4.3 million (2023 – \$3.8 million) payment of surplus funds to the Province is presented as a current year expense, which results in the OFA recording an annual surplus of \$0.6 million (2023 – \$0.3 million).

Prudent financial management on the part of the OFA ensured that actual expenditures continued to be below the budget, resulting in cost recoveries from the Province that were \$0.2 million lower than the approved budget. Interest revenue was \$2.0 million higher than the budget contributing to an equal increase in the excess of revenue over expenses.

Financial Statements

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Financing Authority have been prepared in accordance with Canadian public sector accounting standards. The preparation of the financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and based on information available up to June 21, 2024.

Management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to management and the Audit and Risk Management Committee (ARMC) of the Board.

The Board, through the ARMC, is responsible for ensuring management fulfils its responsibilities for financial reporting and internal controls. The ARMC meets regularly with management and internal audit to deal with issues raised by them and to review the financial statements before recommending approval by the Board.

The financial statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian public sector accounting standards. The Auditor General's Report, which follows, outlines the scope of the Auditor's examination and opinion on the financial statements.

On behalf of Management:



Gadi Mayman
Chief Executive Officer



Muneeb Chaudhary
Chief Financial Officer



INDEPENDENT AUDITOR'S REPORT

To the Ontario Financing Authority

Opinion

I have audited the financial statements of the Ontario Financing Authority (the OFA), which comprise the statement of financial position as at March 31, 2024, and the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the OFA as at March 31, 2024, and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the OFA in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the OFA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the OFA either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the OFA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from

fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the OFA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the OFA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the OFA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Toronto, Ontario
June 21, 2024

Shelley Spence, CPA, CA, LPA
Auditor General

ONTARIO FINANCING AUTHORITY

Statement of Financial Position

As at March 31, 2024

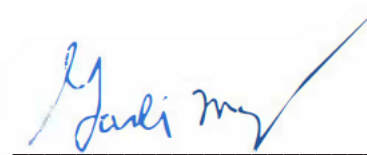
		2023 Restated (Note 14)
<i>(in thousands of dollars)</i>	2024	
FINANCIAL ASSETS		
Cash	\$ 6,188	\$ 9,310
Due from related-party agencies and other (Notes 6, 7, 8)	3,340	2,661
Due from the Province	8,870	4,810
	<u>18,398</u>	<u>16,781</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	5,013	3,722
Recoveries payable to the Province	1,641	1,553
Employee future benefits	757	1,088
Deferred revenue (Note 4)	3,793	4,657
	<u>11,204</u>	<u>11,020</u>
Net financial assets	7,194	5,761
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	3,261	4,185
Prepaid expenses	532	472
	<u>3,793</u>	<u>4,657</u>
Accumulated surplus	\$ 10,987	\$ 10,418

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:



Greg Orensak
Chair



Gadi Mayman
Chief Executive Officer

ONTARIO FINANCING AUTHORITY

Statement of Operations and Accumulated Surplus

For the year ended March 31, 2024

(in thousands of dollars)

		2024	2024	2023
		Budget	Actuals	Restated Actuals (Note 14)
REVENUE				
Cost recovery from the Province (Note 5)	\$	21,027	\$ 20,863	\$ 20,442
Cost recoveries – debt management and other financial services (Note 7)		5,575	6,386	5,283
Loan administration fees (Note 6)		2,899	4,273	3,724
Amortization of deferred revenue (Note 4)		1,373	1,265	946
Investment management fees (Note 8)		609	665	631
Interest income		-	596	372
		31,483	34,048	31,398
EXPENSES				
Salaries, wages and benefits		24,319	24,478	23,455
Administrative and general		2,892	3,436	2,901
Amortization of tangible capital assets (Note 3)		1,373	1,265	946
		28,584	29,179	27,302
Excess of revenue over expenses from operations		2,899	4,869	4,096
Payment of surplus funds to the Province (Note 11)		-	(4,300)	(3,800)
Annual surplus		2,899	569	296
Accumulated surplus at beginning of year		10,418	10,418	10,122
Accumulated surplus at end of year	\$	13,317	\$ 10,987	\$ 10,418

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Statement of Change in Net Financial Assets

For the year ended March 31, 2024

<i>(in thousands of dollars)</i>	2024 Budget	2024 Actuals	2023 Actuals
Annual surplus	\$ 2,899	\$ 569	\$ 296
Acquisition of tangible capital assets (Note 3)	(1,373)	(341)	(3,637)
Amortization of tangible capital assets (Note 3)	1,373	1,265	946
Prepaid expenses	-	(60)	(50)
Change in net financial assets	2,899	1,433	(2,445)
Net financial assets at beginning of year	5,761	5,761	8,206
Net financial assets at end of year	\$ 8,660	\$ 7,194	\$ 5,761

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Statement of Cash Flow

For the year ended March 31, 2024

<i>(in thousands of dollars)</i>	2024	2023 Restated (Note 14)
Operating transactions		
Annual surplus	\$ 569	\$ 296
Less: Items not affecting cash		
Amortization of tangible capital assets	1,265	946
Increase in prepaid expenses	(60)	(50)
Increase/ (decrease) in deferred revenue	(864)	2,741
Changes in non-cash working capital:		
(Increase)/decrease in due from related-party agencies and other	(679)	170
Increase in due from the Province	(4,060)	(80)
Increase in accounts payable and accrued liabilities	1,291	51
Increase/(decrease) in employee future benefits	(331)	29
Increase in recoveries payable to the Province	88	21
Cash provided by operating transactions	<u>(2,781)</u>	<u>4,124</u>
Capital transaction		
Cash used to acquire tangible capital assets	<u>(341)</u>	<u>(3,637)</u>
Cash applied to capital transactions	<u>(341)</u>	<u>(3,637)</u>
Net change in cash	(3,122)	487
Cash at beginning of year	<u>9,310</u>	<u>8,823</u>
Cash at end of year	<u>\$ 6,188</u>	<u>\$ 9,310</u>

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2024

1. NATURE OF OPERATIONS

The Ontario Financing Authority (the OFA) was established as an agency of the Crown on November 15, 1993 by the *Capital Investment Plan Act, 1993* (the Act). In accordance with the Act, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario (the Province);
- manages the Provincial debt;
- manages the Province's key financial relationships with investors, financial institutions, rating agencies and public bodies;
- provides centralized financial services for the Province including banking and cash management;
- advises ministries, Crown agencies and other public bodies on financial policies and projects;
- assists Crown agencies and other public bodies to borrow and invest money;
- acts at the direction of the Province in lending to certain public bodies;
- invests on behalf of some public bodies;
- with Ontario Power Generation Inc., manages the investment activities of OPG's Ontario Nuclear Funds; and
- carries out the day-to-day operations of Ontario Electricity Financial Corporation and provides a broad range of financial services to Infrastructure Ontario.

In addition, the OFA's objects include:

- providing such other financial services as are considered advantageous to the Province or any public body; and
- any additional objects as directed by the Lieutenant Governor in Council.

The Memorandum of Understanding between the OFA and the Minister of Finance is an administrative agreement that serves as an important governance tool for the OFA in delivering on its mandate and objectives.

The OFA is a corporation established under the laws of Ontario. The OFA is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) for government reporting entities established by the Canadian Public Sector Accounting Board.

(b) Measurement Uncertainty

The preparation of financial statements in accordance with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Items requiring the use of significant estimates include the useful life of tangible capital assets, employee future benefit liabilities and accrued liabilities. 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. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

(c) Adoption of New Accounting Standards

Effective April 1, 2023, the OFA retroactively adopted the new PS 3400, *Revenue*. The implementation of the new standard had no material impact on the recognition or measurement of the OFA's revenues. As such, the opening balance as at April 1, 2023 has not been restated.

(d) Revenue Recognition

(i) Cost recovery from the Province

The OFA receives funding for its operating expenses and the acquisition of tangible capital assets from the Province through an approved budget. Operating funding is recognized in the same period as the operating expenses are incurred. Funding received from the Province for the acquisition of tangible capital assets is recorded as deferred revenue and amortized to cost recovery revenue on the same basis as the amortization of the tangible capital assets.

(ii) Cost recoveries - debt management and other financial services

The OFA provides debt management and other financial services to various government agencies under established Service Level Agreements and recovers the cost of providing these services from the agencies. The OFA's performance obligations in connection with these services are satisfied over time through the rendering of services. As set out in the Service Level Agreements, the transaction price for these management services are equal to costs incurred by the OFA in

providing these services. Cost recoveries are accrued and billed on a quarterly basis as the OFA performs the services required to meet its obligations towards the government agencies.

(iii) Loan administration fees

The OFA provides loans to various public bodies at the direction of the Province using funding provided by the Province. These loans are included in the Province's consolidated financial statements and are not reflected in the OFA's financial statements. The OFA charges fees to recover the administrative costs for managing these loans. The transaction price is equal to a fixed annual percentage of the outstanding loan amount. Revenue from providing these services is recognized in the period in which services are rendered and in the amount to which the OFA is entitled for payment for performance to date.

(iv) Investment management fees

The OFA provides investment management services to various government agencies. The OFA's performance obligations in connection with these services are satisfied over time through the rendering of services to government agencies. The transaction price is equal to a fixed percentage of investments under management. Investment management fees are accrued and billed on a quarterly basis as the OFA performs the services required to meet its obligations towards the government agencies.

(e) Financial Instruments

The OFA's financial assets and liabilities are accounted for as follows:

- Cash is subject to an insignificant risk of change in value so carrying value approximates fair value; and
- Due from related-party agencies and other, due from the Province of Ontario, recoveries payable to the Province of Ontario and accounts payable and accrued liabilities are recorded at cost, which approximates their fair value due to their short-term nature.

The OFA does not use derivative financial instruments on its own behalf.

(f) Tangible Capital Assets

Tangible capital assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the assets.

The estimated useful life of the assets are as follows:

Furniture and equipment	5 years
Computer hardware	3 years
Leasehold improvements	Term of lease

The half-year provision for amortization is applied in both the year of acquisition and the year of disposal for furniture and equipment and computer hardware assets.

Assets under construction are not amortized until construction is complete and the assets are ready for their intended use.

Funding received from the Province for the acquisition of tangible capital assets is recorded as deferred revenue and amortized to cost recovery revenue on the same basis as the amortization of the tangible capital assets.

(g) Related Party Transactions:

Related party transactions are measured at the exchange amount, which is the amount of consideration and agreed to by the related parties.

3. TANGIBLE CAPITAL ASSETS

	Year ended March 31, 2024				
	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Under Construction	Total
<i>(in thousands of dollars)</i>					
Cost					
Opening balance, April 1, 2023	\$ 14,412	\$ 2,859	\$ 1,235		\$ 18,506
Additions	293	39	9	–	341
Disposals	(9,273)	–	–	–	(9,273)
Closing balance, March 31, 2024	5,432	2,898	1,244	–	9,574
Accumulated Depreciation					
Opening balance, April 1, 2023	13,706	301	314	–	14,321
Amortization	449	610	206	–	1,265
Disposals	(9,273)	–	–	–	(9,273)
Closing balance, March 31, 2024	4,882	911	520	–	6,313
Net Book Value, March 31, 2024	\$550	\$1,987	\$724	–	\$3,261

	Year ended March 31, 2023				
	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Under Construction*	Total
<i>(in thousands of dollars)</i>					
Cost					
Opening balance, April 1, 2022	\$ 14,439	\$ 1,905	\$ 1,213	722	\$ 18,279
Additions	243	2,369	1,025	–	3,637
Capitalization on completion*	233	489	–	(722)	–
Disposals	(503)	(1,904)	(1,003)	–	(3,410)
Closing balance, March 31, 2023	14,412	2,859	1,235	–	18,506
Accumulated Depreciation					
Opening balance, April 1, 2022	13,681	1,900	1,204	–	16,785
Amortization	528	305	113	–	946
Disposals	(503)	(1,904)	(1,003)	–	(3,410)
Closing balance, March 31, 2023	13,706	301	314	–	14,321
Net Book Value, March 31, 2023	\$706	\$2,558	\$921	–	\$4,185

*On completion of the renovation of OFA's leased office premise, \$722,000 of tangible capital assets that were under construction were transferred to the depreciable asset category when they were ready for use.

4. DEFERRED REVENUE

Deferred revenue represents the unamortized portion of the cost recovered from the Province for the acquisition of tangible capital assets as well as prepaid expenses to be allocated over the period the resources are consumed.

(in thousands of dollars)

	Year ended March 31, 2024		
	Tangible Capital Assets	Prepaid Expenses	Deferred Revenue
Balance, beginning of year	\$4,185	\$472	\$4,657
Additions	341	594	935
Amortization	(1,265)	—	(1,265)
Expensed in the current year	—	(534)	(534)
Balance, end of year	\$3,261	\$ 532	\$3,793

(in thousands of dollars)

	Year ended March 31, 2023		
	Tangible Capital Assets	Prepaid Expenses	Deferred Revenue
Balance, beginning of year	\$ 1,494	\$ 422	\$ 1,916
Additions	3,637	529	4,166
Amortization	(946)	—	(946)
Expensed in the current year	—	(479)	(479)
Balance, end of year	\$4,185	\$472	\$4,657

Contributions received for the purchase of tangible capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the tangible capital assets acquired. This resulted in revenue being recognized of \$1,265,000 (2023 – \$946,000), which equals amortization expense of tangible capital assets. The \$534,000 (2023 – \$479,000) expensed represents the amount allocated to the current year expenses from the prepaid expenses.

5. DEBT AND INVESTMENT MANAGEMENT FOR THE PROVINCE

The OFA manages debt on behalf of the Province amounting to \$447.5 billion as at March 31, 2024 (2023 – \$435.3 billion) as per the interim projection published in the 2024 *Ontario Budget*. The OFA also manages investments amounting to \$75.7 billion as at March 31, 2024 (2023 – \$84.7 billion), including \$30.3 billion (2023 – \$27.9 billion) under the Ontario Nuclear Funds owned by Ontario Power Generation Inc. Those funds are jointly managed under the Ontario Nuclear Funds Agreement between the Province, OPG and certain OPG subsidiaries to set aside funds necessary for the long-term management of nuclear waste and used fuel and to decommission nuclear power stations.

Cost recovery from the Province for all debt management and investment activities for the year ended March 31, 2024 was \$20.9 million (2023 – \$20.4 million).

6. TRANSACTIONS WITH PUBLIC BODIES

The OFA provides financing to various public bodies on direction from the Province in furtherance of stated Provincial initiatives. These loans are included in the Province's consolidated financial statements and are not reflected in the OFA's financial statements.

Funds for these loans are advanced to the OFA by the Province under credit facilities aggregating to \$14.8 billion expiring from 2036 to 2055. Of these credit facilities, \$11.6 billion has been used to date for funding loans granted by the OFA to public bodies that are currently outstanding.

Loans to Public Bodies:

(in thousands of dollars)

Borrower	March 31, 2024	March 31, 2023
(i) Colleges of Applied Arts and Technology	\$354,693	\$340,374
(ii) Hospitals	454,085	282,915
(iii) Independent Electricity System Operator	225,251	-
(iv) Liquor Control Board of Ontario	24,149	39,609
(v) Niagara Parks Commission	20,949	23,096
(vi) Ontario Cannabis Retail Corporation	51,523	59,307
(vii) Ontario Lottery and Gaming Corporation	75,298	41,936
(viii) Ontario Northland Transportation Commission	917	1,037
(ix) Royal Ontario Museum	19,802	23,234
(x) School Boards	3,747,418	4,019,713
Total	\$4,974,085	\$4,831,221

As at March 31, 2024, the principal amounts receivable by the OFA on behalf of the Province represent long term and short-term loans. During the year, total interest received and flowed to the Province from these loans was \$211.9 million (2023 – \$205.2 million). During the year ended March 31, 2024, the OFA recognized \$4.3 million (2023 – \$3.7 million) in loan administration fees, of which \$1.3 million is receivable at year end (2023 – \$1.1 million).

(i) Colleges of Applied Arts and Technology were provided loans for various campus projects including college campus expansion, new and expanded student residences, computer equipment, parking facilities, and an energy saving capital project. As of March 31, 2024, the outstanding balance of the loans is \$354.7 million (2023 – \$340.4 million). These loans bear interest ranging from 2.15 per cent to 5.75 per cent and mature from 2024 to 2049.

(ii) Hospitals were provided loans for various projects including funding for long term- care development projects and implementation of new and/or upgraded health information system projects. As of March 31, 2024, the outstanding balance of the loans is \$454.1 million (2023 - \$282.9 million). These loans bear interest ranging from 2.49 per cent to 4.40 per cent and mature from 2030 to 2063.

(iii) The Independent Electricity System Operator (IESO) was provided a revolving credit facility up to \$1,000.0 million for market liquidity purposes and \$190.0 million for corporate requirements until June 29, 2026. As of March 31, 2024, the outstanding balance of these facilities is \$105.3 million (2023 - nil). These facilities bear floating interest rate interest ranging from 5.19 to 5.24 per cent as of March 31, 2024. In addition, IESO was also provided a term loan of \$120.0 million at an interest rate of 4.78 per cent which matures in June 2026.

iv) The Liquor Control Board of Ontario was provided a loan facility of \$51.2 million to fund capital costs associated with relocating its head office. As of March 31, 2024, the outstanding balance is \$24.1. million (2023 – \$39.6 million). This loan bears an interest rate of 3.26 per cent and matures in April 2025.

(v) The Niagara Parks Commission (NPC) was provided a loan to finance additional capital costs incurred for the redevelopment of phase I of Table Rock House in Queen Victoria Park, Niagara Falls. As of March 31, 2024, the outstanding balance of the loan is \$1.8 million (2023 – \$2.2 million). This loan bears interest at 5.07 per cent and matures in April 2027. In addition, in 2020, the NPC was provided a construction loan facility of \$25.0 million to redevelop the Canadian Niagara Power Generating Station as a visitor attraction. Total drawings under this facility amounting to \$20.9 million was converted into a term loan in January 2023. As of March 31, 2024, the outstanding balance is \$19.2 million (2023 – \$20.9 million). This loan bears an interest rate of 4.58 per cent and matures in January 2033.

(vi) The Ontario Cannabis Retail Corporation was provided a loan facility of \$150 million for set-up and operating costs. As of March 31, 2024, the outstanding balance is \$51.5 million (2023 – \$59.3 million). This loan bears an interest rate of 2.79 per cent and matures in January 2030.

(vii) The Ontario Lottery and Gaming Corporation (OLG) was provided with a term loan and construction loan facility to fund several projects. As of March 31, 2024, the outstanding balance on the term loan is \$28.7 million (2023 – \$41.9 million). This loan bears interest rate of 1.64 per cent and matures in April 2026. Draws on the construction loan facility as of March 31, 2024, is totalling to \$46.6 million (2023 - \$ 2.0 million) bearing a floating rate of interest, which is 5.50 per cent as at March 31, 2024.

(viii) The Ontario Northland Transportation Commission (ONTC) was provided loans for various projects. As of March 31, 2024 the outstanding balance is \$0.9 million (2023 – \$1 million) bearing an interest rate of 4.90 per cent and maturing in 2031. In addition, in 2021 ONTC was provided a revolving credit facility to a maximum amount of \$5.0 million maturing on April 30, 2024. As of March 31, 2024, ONTC has not drawn any funds from this facility (2023 – nil).

(ix) The Royal Ontario Museum (ROM) was provided a loan to fund the Renaissance ROM project. As of March 31, 2024, the outstanding balance of the loan is \$19.8 million (2023 – \$23.2 million). This loan bears a floating interest rate, which is 5.96 per cent as at March 31, 2024 and matures on March 31, 2027.

(x) From 2006 to 2017, loans were provided to school boards under various capital programs. During the year ended March 31, 2024, school boards made semi-annual blended payments of principal and interest, leaving the total outstanding amount at \$3,747.4 million (2023 – \$4,019.7 million). These loans bear interest ranging from 2.99 to 5.38 per cent and mature from 2024 to 2042.

7. COST RECOVERIES – DEBT MANAGEMENT AND OTHER FINANCIAL SERVICES

The OFA provides debt management and other financial services to the related party agencies noted in the table below on a cost recovery basis. All the entities referred below are related parties except Wataynikaneyap Power LP (Watay). Debt portfolios managed on behalf of these entities totalled \$18.7 billion at March 31, 2024 (2023 – \$20.2 billion). The total costs recovered and receivables outstanding for related party agencies at March 31, 2024 are set out below:

(in thousands of dollars)

	March 31, 2024	March 31, 2023
Costs Recovered:		
Ontario Electricity Financial Corporation	\$4,082	\$4,145
Infrastructure Ontario	513	478
Building Ontario Fund (Note 9)	1,003	-
Metrolinx	27	26
Watay	761	634
Total	\$6,386	\$5,283
Receivables:		
Ontario Electricity Financial Corporation	\$1,194	\$1,199
Infrastructure Ontario	149	139
Building Ontario Fund	337	-
Metrolinx	30	30
Watay	77	-
Other	42	41
Total	\$1,829	\$1,409

8. INVESTMENT MANAGEMENT FEES

The OFA provides investment management services to the related party agencies noted in the table below. Fees are aimed at recovering OFA costs and are charged on the basis of either the market or par value of the assets under management based on a range of up to 0.20 per cent. Investments managed on behalf of these entities totalled \$2.3 billion as at March 31, 2024 (2023 – \$2.0 billion). The total investment management fees and receivables outstanding for related party agencies at March 31, 2024 are set out below:

(in thousands of dollars)

	March 31, 2024	March 31, 2023
Investment Management Fees:		
Pension Benefit Guarantee Fund	\$459	\$431
Financial Services Regulatory Authority of Ontario	144	126
Ontario Trillium Foundation	44	52
Venture Ontario	18	22
Total	\$665	\$631
Receivables:		
Pension Benefit Guarantee Fund	\$133	\$126
Financial Services Regulatory Authority of Ontario	42	37
Ontario Trillium Foundation	11	12
Venture Ontario	5	6
Total	\$191	\$181

9. SERVICES PROVIDED TO THE BUILDING ONTARIO FUND

At the direction of Treasury Board Secretariat and the Ministry of Finance, the OFA and the Ontario Infrastructure Bank [now operating as the Building Ontario Fund (BOF)] entered into a Services Agreement effective November 2, 2023. Through the Services Agreement, the OFA provides administrative and operational support to help establish the organization. During the year ended March 31, 2024, the OFA recovered costs from the BOF for services provided in the amount of \$1.0 million.

Prior to the incorporation of the Ontario Infrastructure Bank on November 2, 2023, the OFA incurred \$0.24 million in costs relating to the establishment of the BOF. These costs will not be recovered from the BOF.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)

	March 31, 2024	March 31, 2023
Accounts payable	\$499	\$559
Operational expense accruals	2,855	1,465
Accrued other employee benefits	1,659	1,698
Total	\$5,013	\$3,722

Accounts payable relate largely to normal business transactions with third-party vendors and are subject to standard provincial government payment terms.

Operational expense accruals relate to goods or services received but that have not been paid, including regular salaries and wages, employee benefits and normal operating expenses.

Accrued other employee benefits is primarily comprised of an accrual for employee vacation credits.

11. PAYMENT OF SURPLUS FUNDS TO THE PROVINCE OF ONTARIO

Under section 16.4(1) of the *Financial Administration Act*, a public entity may pay into the Consolidated Revenue Fund any funds that it determines to be surplus to its current needs. In February 2024, the OFA's Board of Directors approved the payment of \$4.3 million (2023– \$3.8 million) to the Province of Ontario. The payment was made in February 2024.

12. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The main risks that the OFA's financial instruments are exposed to are credit risk and liquidity. These risks are limited to the financial instruments reflected on the statement of financial position and do not extend to the financing provided to various public bodies, disclosed in Note 6.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument may fail to discharge an obligation or commitment into which it has entered. This risk is minimal as all of the receivables are from the Province of Ontario and related parties such as OEFC and Infrastructure Ontario.

Liquidity Risk

Liquidity risk is the risk that the OFA will not be able to meet its cash flow obligations as they fall due. The OFA's exposure to liquidity risk is minimal as all operating and capital expenses are cost recovered primarily from the Province of Ontario.

13. FUTURE EMPLOYEE BENEFITS

(a) Pension Benefits

The OFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, a multi-employer defined benefit pension plan established by the Province of Ontario. The Treasury Board Secretariat (TBS) is responsible for funding the employer's contribution to the pension fund; the OFA has no additional liability for these future costs. In addition, the costs of post-retirement and non-pension benefits are paid by TBS and is not reported in these financial statements.

(b) Accrued Employee Benefits Obligation

Upon retirement, certain full-time employees, after five years of service, are eligible for severance entitlements equal to one week's salary for each year of eligible service up to a maximum of 50 percent of their annual salary. These severance entitlements are limited to years of eligible service as follows:

Employee Compensation Group	Severance Eligibility Details
Non-represented Management Compensation Plan and other non-represented employees	Entitlement limited to years of service accrued up to December 31, 2015 and based on salary in effect as of December 31, 2015
Senior Management Group employees	
Association of Management, Administrative and Professional Crown Employees of Ontario employees	
Non-represented Ontario Public Service Employees Union (excluded) employees	Entitlement limited to years of service accrued up to December 31, 2016 and based on salary in effect as of December 31, 2016
Non-represented Association of Law Officers of the Crown and Crown Counsel Management employees	Entitlement limited to years of service accrued up to December 31, 2004

As at March 31, 2024, the costs of these legislated severance entitlements owed to these eligible employees amounted to \$2.6 million (2023 – \$3.0 million).

On an ongoing basis, TBS is responsible for funding the legislated severance entitlements and accordingly no additional expense or liability is reported in these financial statements.

14. COMMITMENTS AND CONTINGENCIES

Lease Commitment:

The OFA rents its premises under a five-year operating lease effective July 1, 2022. The minimum base rental payments for the lease are as follows:

(in thousands of dollars)

2024-25	\$794
2025-26	807
2026-27	807
2027-28	202
Total	<u>\$2,610</u>

The OFA is committed to pay its proportionate share of realty taxes and operating expenses for the premises for the year ended March 31, 2024, which amounted to \$0.63 million (2023 – \$0.57 million).

Committed Facilities:

At the direction of the Province, the OFA has committed to finance certain public bodies for which funds have not yet been advanced. The details are as follows:

The Financial Services Regulatory Authority of Ontario (FSRA) was provided a revolving credit facility of \$2.0 billion in December 2022 to address the risk of a significant liquidity event or a failure affecting one or more credit unions regulated by FSRA requiring financial support in addition to the Deposit Insurance Reserve Fund (DIRF). As of March 31, 2024, FSRA has not drawn any funds from this credit facility (2023 - nil).

Infrastructure Ontario (IO) has been provided a revolving credit facility up to \$100 million, until March 2028, to finance project costs on an interim basis. As of March 31, 2024, IO has not drawn any funds from this facility (2023 – nil).

In the event funds are advanced under the above facilities they will be disclosed under Note 6.

Contingencies:

At March 31, 2024, there were no claims under which the OFA would be financially liable. The Province continues to guarantee the term deposits issued by the Province of Ontario Savings Office prior to 2003.

15. RELATED PARTY TRANSACTIONS

The Province of Ontario is a related party as it is the controlling entity of the OFA. The Ministry of Public and Business Service Delivery provides payroll and benefit services. Infrastructure Ontario also negotiates lease renewals with the landlord on behalf of the OFA and recovers its cost from the OFA.

In addition, related party transactions pertaining to:

- Debt and investment management for the Province are disclosed in Note 5;
- Transactions with public bodies are disclosed in Note 6;
- Debt management and other financial services for related party agencies and other are disclosed in Note 7;
- Investment management for related party agencies are disclosed in Note 8;
- Services provided to the Building Ontario Fund are disclosed in Note 9; and
- Payment of surplus funds to the Province of Ontario in Note 11.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the basis of the financial statement presentation adopted in the current year.

17. PRIOR PERIOD CORRECTION

In prior years, there was no liability recorded for unused employee vacation credits in the financial statements. As such, the comparative figures have been restated to recognize the unused employee vacation credits as a liability (impacting accounts payable and accrued liabilities and employee future benefits) and the resulting impact on salaries, wages and benefits expense. Since the OFA recovers its costs from the Province of Ontario, there are resulting impacts on amounts due from the Province of Ontario and cost recovery revenue from the Province of Ontario. This prior year restatement has the following impact:

(in thousands of dollars)

	March 31, 2023 Previously stated	Correction	March 31, 2023 Restated
Impact to Statement of Financial Position			
Accounts payable and accrued liabilities	2,024	1,698	3,722
Employee future benefits	-	1,088	1,088
Due from the Province of Ontario	2,024	2,786	4,810
Impact to Statement of Operations and Accumulated Surplus			
Salaries, wages and benefits	23,640	(185)	23,455
Cost recovery from the Province	20,627	(185)	20,442

Appendices

Ontario’s Credit Ratings

A credit rating is a current assessment of the creditworthiness of a borrower with respect to a specified obligation. It indicates the capacity and willingness of a borrower to pay interest and principal in a timely manner.

Long-Term Ratings

Long-term ratings are assigned a letter grade ranging from investment grade, to speculative grade, to highly speculative or default. Ratings within each category may include a “+” or “–” (or a high or low) to indicate the relative strength of rating within that category.

Long-term ratings are also assigned an outlook indicating the likely direction of an issuer's rating over the intermediate term, typically ranging from 6 months to 2 years. The outlook is denoted (P) for Positive Outlook, (N) for Negative Outlook or (D) for Developing Outlook. No identifier is attached to the rating if the outlook is Stable.

As of June 8, 2024, the long-term ratings of the Province are as follows:

- Moody’s Investors Service Aa3 (P)
- Standard & Poor’s A+ (P)
- Morningstar DBRS AA
- Fitch AA–

Short-Term Ratings

Short-term ratings are for debt maturities of less than one year. Ratings are graded into several categories, ranging from the highest-quality obligations to default. As of June 8, 2024, the short-term ratings of the Province are as follows:

- Moody’s Investors Service P-1
- Standard & Poor’s A-1
- Morningstar DBRS R-1 (high)
- Fitch F1+

Additional Sources of Information

www.ofina.on.ca

The website provides information on Ontario's borrowing program and debt, and contains publications from the OFA.

Ontario Budget

The Borrowing and Debt Management chapter discusses the Province's borrowing and debt management activities for the fiscal year ended, and outlines the outlook for the upcoming fiscal year.

Quarterly Finances – OFA Fact Sheet

The OFA Fact Sheet provides quarterly updates of the government's annual budget forecast. The full set of quarterly finances information is also available on the Ministry of Finance website, www.ontario.ca/page/ministry-finance.

Form 18-k

This is the Province's annual report to the U.S. Securities and Exchange Commission (SEC).

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**© King's Printer for Ontario, 2024
ISSN 1492-854X**

This Annual Report is also available in French