

ONTARIO FINANCING AUTHORITY

2022 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 OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund; 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.

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Statement from the Chair and the Chief Executive Officer

The Ontario Financing Authority (OFA) successfully completed the Province's long-term borrowing program in 2021–22, raising \$41.1 billion. This was \$18.7 billion lower compared to the previous year's borrowing program, primarily due to a lower than planned deficit projection for 2021–22, combined with higher opening cash levels at the beginning of 2021–22 due to lower than planned deficit results for 2020–21. Throughout 2022–23, the OFA will continue to provide cost-effective borrowing, debt management and other financial services on behalf of the Province.

Ontario issued two Green Bonds in 2021–22 for a total of \$4.5 billion, the most in any fiscal year since the inception of Ontario's Green Bond program. This brings our overall total of Green Bonds issued to eleven, totalling \$12.5 billion since 2014–15. Ontario remains the largest issuer of Canadian dollar Green Bonds.

As reflected in the 2021 Annual Report of the Office of the Auditor General of Ontario (OAGO), the OFA and the Ministry of Finance (MOF), after excluding recommendations that are no longer applicable and those that will not be implemented, have either fully implemented or are in progress of implementing approximately 75 per cent of the recommendations in the 2019 OFA Value for Money Audit. The OFA and MOF will continue their work on the remaining recommendations and report back to the OAGO in 2022–23.

The OFA's Business Continuity Plan continued to allow the agency to effectively deliver on its mandate throughout the 2021–22 fiscal year as the work environment alternated between remote and hybrid settings due to ongoing COVID-19 restrictions during the year. This positions the agency well to align itself with the future work arrangements of the Ontario Public Service.

The OFA also used its banking expertise to closely manage the issuance of 7.5 million cheques, starting in March 2022, as a part of the Province's initiative to refund license plate renewal fees paid since March 2020. The OFA also continued to provide loans to public bodies, financial advice and implementation support for initiatives related to the electricity sector, a loan guarantee program to facilitate Indigenous participation in energy infrastructure projects, and analysis and advice on a number of Infrastructure Ontario projects.

We remain dedicated to advancing the OFA's core cultural values of respect, innovation, teamwork and accountability. Our values are critical to our success in creating an even better future for the OFA, as we develop our next generation of leaders who will continue to demonstrate the know-how, adaptability, dynamism, integrity, fairness and resilience the organization strives for and values. The OFA also remains committed to the objectives of anti-racism, diversity, inclusion, accessibility and gender balance in decisions related to recruitment, learning and development, and succession planning.

We would like to thank OFA staff for their hard work and successes, and the Board of Directors for their advice and oversight during the 2021–22 fiscal year. We look forward to working with staff and the Board in 2022–23.



Greg Orencsak
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 2021–22 and its objectives for 2022–23.

Capital Markets Activities

Borrowing Program

Long-term borrowing for 2021–22 totalled \$41.1 billion, and took advantage of the low interest rate environment and 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 14.5 years in 2021–22. This continued extension of the term to maturity allowed the Province to lock in low interest rates for a longer period, which reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's interest on debt (IOD) costs. Lower than forecast deficits and borrowing requirements have reduced Ontario's IOD costs, in spite of rising interest rates. As of the *2022 Budget*, the IOD forecast for 2021–22 is \$13.0 billion, down from the *2021 Budget* forecast of \$13.1 billion, and remains lower for each year of the medium-term outlook than the IOD forecast contained in the *2021 Budget*.

Strong global investor demand for Canadian-dollar assets allowed Ontario to borrow 78 per cent of the 2021–22 borrowing program in the Canadian-dollar market. This was near the top end of Ontario's target range for domestic borrowing of 65 to 80 per cent for the 2021–22 fiscal year. The OFA's well-developed Business Continuity Plan allowed the agency to continue delivering on its mandate during the COVID-19 pandemic, including borrowing activities that continued unabated despite challenging market conditions.

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. The average level of unrestricted liquid reserves in 2021–22 was \$47.2 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 2021–22, the OFA provided investment services to a number of agencies, boards, commissions and other public bodies, including Infrastructure Ontario, Ontario Trillium Foundation, Ontario Capital Growth Corporation and the Financial Services Regulatory Authority of Ontario. Total funds managed were \$2.3 billion.

With OPG, the OFA continued to manage the investment activities of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund established under the Ontario Nuclear Funds Agreement (ONFA). As at March 31, 2022, the combined market value of the funds was \$27.3 billion compared with \$26.0 billion at March 31, 2021 and \$4.9 billion when the funds were formally established in 2003.

There are currently 37 external investment managers retained to invest ONFA funds in bonds, equities, and real assets. For the 12 months ending March 31, 2022, the ONFA funds' rate of return was 6.10 per cent, outperforming the market benchmark of 4.10 per cent. Since inception, the ONFA funds have returned 7.60 per cent annualized, outperforming the long-term target annualized rate of return of 5.15 per cent. 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 \$427.4 billion, interim as at March 31, 2022, compared to \$405.0 billion as at March 31, 2021.

Ontario's net debt is the difference between total liabilities and total financial assets. Ontario's net debt was \$394.9 billion, interim as of March 31, 2022 (March 31, 2021, \$373.6 billion). This projection for March 31, 2022 is \$44.9 billion below the forecast of \$439.8 billion in the *2021 Budget*, primarily due to a lower projected deficit for 2021–22. It includes the broader public sector's (BPS) net debt of \$11.5 billion (March 31, 2021, \$12.6 billion).

Prudent risk management policies and practices mitigate the financial risks inherent in managing large debt and liquid reserve portfolios. A variety of financial instruments, such as swaps and forward contracts, are used to manage exposures to fluctuations in interest rates and foreign currency exchange rates. The OFA uses derivatives for hedging purposes to manage its foreign exchange and interest rate risks. The OFA's derivatives policy does not permit the creation of leverage using derivatives. The Province's financial risks are monitored on a continuous basis, and these risk exposures are marked-to-market daily and audited annually. The daily mark-to-market risk exposures and the monitoring of financial risks were not affected by the COVID-19 pandemic.

Risk management policies are reviewed annually and amendments are approved by 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 2021–22 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 51.7 achieving the target range of 45-55 percentile; strategic foreign borrowing achieved a percentile rank of 48.0 outperforming the target range of 50-75 percentile. The OFA also outperformed the program execution performance measure, particularly the complement of the borrowing program in the midst of markets that continued to be volatile due to the COVID-19 pandemic, as well as inflationary pressures and rising interest rates over the last quarter of the 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 61 days. The target is ± 2 basis points relative to the benchmark. The program's return of 0.1 per cent was 9.9 basis points below the benchmark,

underperforming the target. The underperformance was primarily due to the rise in interest rates from January to March 2022. The actual money market return was \$43.2 million, below the benchmark and \$77.4 million below the 2020–21 returns.

Market Risk

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

The OFA aims for a balanced debt maturity profile for the Province to mitigate the interest rate risk inherent in refinancing maturing debt and the floating-rate debt. The Province limits itself to a maximum net interest rate resetting exposure of 35 per cent of debt issued for Provincial purposes and a maximum foreign-exchange exposure of 3 per cent of debt issued for Provincial purposes.

The interim percentage of interest rate resetting exposure (net of liquid reserves) was 8.8 per cent of debt as at March 31, 2022. The interim foreign exchange exposure was 0.1 per cent of debt as at March 31, 2022.

All exposures were well within the Province’s approved policy limits during 2021–22.

Credit Risk

Credit risk is the risk of loss due to default of bond issuers or counterparties of derivatives or other financial transactions. The lowest acceptable credit rating of counterparties for Ontario is A–. However, Ontario typically enters into swap transactions with new counterparties rated AA– or higher. 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 known as Credit Support Annexes (CSAs) with all of its major derivatives counterparties. A CSA is a bilateral agreement between two parties that provides the terms and conditions for posting collateral in order to offset the credit exposure related to derivative transactions.

The Province’s interim net credit risk exposure associated with the derivative portfolio as at March 31, 2022 was 0, unchanged from March 31, 2021. Net credit risk exposure represents the loss that the Province would incur if every counterparty 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, 2022, over 96 per cent of Ontario’s credit exposure was to counterparties rated AA– or better, decreasing from over 99 per cent as at March 31, 2021.

Liquidity Risk

Liquidity risk is the risk that liquid reserves will not be sufficient to meet the Province’s cash requirements. This risk is controlled through the management of operational cash flows, liquid reserve levels 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 2021–22. As at March 31, 2022, the outstanding borrowing under the

Province's Treasury bill and U.S. Commercial Paper programs stood at \$22.7 billion and \$1.7 billion, 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. The OFA's Business Continuity Plan ensures critical operations are completed in a timely manner in the event of an unforeseen business disruption.

The OFA, as a result of the COVID-19 pandemic and the associated public health measures, switched back and forth between remote and hybrid work over 2021–22. The agency's ability to continue delivering effectively on its mandate was due in large part to the well rehearsed Business Continuity Plan from all OFA divisions. OFA's information technology (IT) systems continue to perform well while supporting all staff's ability to work remotely as well as transition quickly to hybrid work including compliance with public health and Ontario Public Service (OPS) requirements in transitioning to hybrid work.

The reliability, security and availability of IT and computing systems is crucial to ensure the OFA carries out its mandate efficiently and effectively. The Strategic Corporate Services Division (SCSD) supports the OFA by ensuring the efficient and effective management of business critical services including technology and communication systems, procurement, facilities, human resources, corporate business continuity and all related policies.

All systems, infrastructure and services were successfully provided to all OFA divisions, with no data compromises in 2021–22. SCSD continued to provide strategic advice to manage organizational human resource risks with increasing pressures. With 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.

Capital Markets and Borrowing and Debt Management Objectives for 2022–23

The OFA will continue to diversify the Province's Canadian-dollar borrowing program using a combination of syndicated issues, bond auctions, floating-rate notes and medium-term notes.

In fiscal 2019–20, the Province started to set its Canadian dollar borrowing target to be a range, rather than a fixed point, to recognize that market conditions change rapidly and the Province needs to continue to be

flexible in its approach to borrowing to minimize interest on debt costs. Based on the 2021–22 experience, Ontario plans to retain the same target range for domestic borrowing of 65 to 80 per cent for the 2022–23 fiscal year, and will adjust if necessary, in response to evolving investor demand in the Canadian dollar and foreign currency markets.

Ontario will continue to be flexible, monitoring the Canadian-dollar and international markets, issuing bonds in different terms and currencies, and responding to investor preferences. In 2022–23, investor relations will remain a priority and remain flexible on any potential roadshows and investor meetings.

The Province will continue to hedge foreign exchange and interest rate risks when borrowing in international markets. This hedging process has become more complex due to regulatory reforms in the derivatives markets under the U.S. *Dodd-Frank Wall Street Reform and Consumer Protection Act* (Dodd-Frank), the European Market Infrastructure Regulation (EMIR), and Bank for International Settlements *Basel III* regulations, as well as the corresponding regulatory changes in Canada administered by the Canadian Securities Administrators. These initiatives have increased the cost of hedging. Hedging may also become more expensive due to potential financial transaction taxes or mark-to-market derivatives taxes in the United States. In order to ensure that the Province is able to hedge its debt as cost-effectively as possible, while remaining compliant with changing regulatory requirements, the Province continues to monitor and adapt to the derivatives regulatory developments, making appropriate amendments to its ISDA Agreements and CSAs.

Cost-effective and prudent debt management strategies will continue to be key objectives in 2022–23. The OFA will comply with risk management policies and portfolio program limits approved by the Boards of Directors of the OFA and OEFC. Risk management policies will be reviewed and revised on a mandatory annual basis and as required in response to an evolving regulatory and capital markets environment. On behalf of the Province, the OFA will continue negotiating CSAs with other major counterparties.

The OFA will also manage the Province's liquid reserves conservatively. With OPG, the OFA will continue to administer ONFA investments consistent with the objectives of ONFA, so the Province's contingent liabilities under ONFA are prudently managed. As well, the OFA will continue to invest on behalf of certain public bodies.

As reflected in the 2021 Annual Report of the OAGO, the OFA and MOF, after excluding recommendations that are no longer applicable and those that will not be implemented, have either fully implemented or are in progress of implementing approximately 75 per cent of the recommendations in the 2019 OFA Value for Money Audit. The OFA and MOF will continue their work on the remaining recommendations and report back to the OAGO in 2022–23.

While 15 per cent will not be implemented in the exact form recommended by the OAGO, the OFA and MOF have taken an alternative approach to address the issues outlined under those recommendations, while remaining aligned with value-for-money objectives.

The OAGO has concluded that 10 per cent of the recommendations made in 2019 are no longer applicable due to fundamental changes in the underlying circumstances.

Financial Reporting and Treasury Services

The OFA, switching back and forth between remote and hybrid work in accordance with public health and OPS requirements, throughout the 2021–22 fiscal year, continued to effectively deliver on its centralized Banking and Cash Management mandate as a result of its robust Business Continuity Plan.

Continued to advise ministries on the application of the Cash Management Directive with regard to Government priorities. Ensured that requests from ministries for advance and early payments to stakeholders and transfer payment entities in the broader public sector over the COVID-19 pandemic were analyzed on a case-by-case basis and approval was provided only to those with compelling rationale in line with Government priorities.

Provided effective cash forecasting ensuring that the Province's cash reserves continued to meet requirements. This was particularly significant in light of the unsettled market conditions arising from the continuing COVID-19 pandemic. The Province's liquid reserve position continues to be healthy and adequate to meet immediate cash requirements. Continued to 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.

Continued to leverage relatively higher deposit returns from banks to strategically invest the Province's liquid reserves for higher overall returns.

Finalized contracts with successful bidders pursuant to a tender for banking services for the Province, OFA and OEFC. Contracts with co-lead banks were signed January 2022. The OFA strategically included cheque printing services in these contracts, allowing the agency to leverage this service thereby eliminating the need for a time consuming procurement in issuing Valtag refunds to Ontarians.

The OFA also used its banking expertise to closely manage the issuance of 7.5 million cheques, starting in March 2022, as a part of the Province's initiative to refund license plate renewal fees paid since March 2020.

Assisted the Ministries of Finance, Government and Consumer Services, and Environment, Conservation and Parks, in setting up online revenue collection.

Added Visa Debit and Debit MasterCard to Ministry of Transportation's online channel for most of its revenue collection programs to their current credit card option thus providing a more cost effective and inclusive option for citizens.

Provided strategic advice to Invest Ontario, Alcohol and Gaming Commission of Ontario/iGaming, Ontario Securities Commission, Species at Risk Conservation Trust agency and Destination Ontario on banking arrangements and procurement of a bank vendor.

Continued strategic participation and advice to the cross-ministry Working Group, Executive Governance Committee and Payment Card Industry (PCI) Enterprise Coordination Office to ensure that ministries continued to maintain compliance with mandatory security requirements for debit/credit card acceptance, achieved to date this fiscal year for reporting ministries.

Provided ongoing advice to several ministries, central agencies, and the FRO on how to increase and implement more effective electronic banking solutions for the collection of a variety of tax and non-tax program revenues as well as for disbursements and will leverage the provisions under the new banking contracts to implement value-added services.

Continued to provide timely and efficient settlement and payment services in managing the Provincial and OEFC debt portfolios and Non-Utility Generator power purchase agreements.

Worked with subject matter experts including external consultants on implementing the complex provisions of the Financial Instruments and the Foreign Currency Translation standards for the 2022–23 fiscal year. Implementation is complete and accounting and financial reporting procedures and associated systems have been amended as required.

Despite requests from Ontario and other provinces, PSAB determined that the Financial Instruments standard will remove the eligibility of hedging gains and losses for deferral and amortization. As a result, the OFA has appropriately revised certain capital markets hedging exercises to strike a fine line between continued efficient borrowing and debt management and limiting interest expense volatility.

Continued to provide accurate agency financial statements, as well as reported provincial debt, derivatives and investments in accordance with strict legislated timelines. As in past years, the OFA's 2020–21 Financial Statements received an unqualified opinion from the OAGO. The OAGO's annual review of the OFA's financial reporting of the Province's debt and IOD presented in the 2020–21 Public Accounts continued to be free of material issues.

Within very stringent timelines provided all requested information to the OAGO for their Pre-Election Report on the *2022 Budget*. The Pre-Election Report concluded that the OFA's Interest on Debt projections based on the Financing Table, over the medium term outlook are reasonable. The OAGO also accepted the OFA's position that budgetary fair value projections of the Province's debt and derivatives in accordance with the Financial Instruments standard were not feasible.

The OFA's appointed internal auditors completed the 2021–22 Board-approved internal audit plan and their findings and recommendations were received by both management and the Board. Progress in implementing recommendations by the OFA is satisfactory and has contributed to substantially enhanced cyber security, enhanced internal and operational control as well as more streamlined and efficient operations in all divisions.

The OFA successfully negotiated and executed a new lease agreement with Cadillac Fairview, for a term of 5 years effective July 1, 2022. The new lease agreement is in accordance with the mandatory 2019 MBC Realty Directive and reduces the OFA's retail footprint by 40 per cent. Anticipated annual savings are approximately \$500,000.

Financial Reporting and Treasury Services Objectives for 2022–23

Identify and implement effective treasury solutions for the Province and its client agencies. Continue to leverage the lessons learned from a number of alternate and innovative measures implemented over the

pandemic, towards more efficient and effective program delivery and revenue collections mechanisms post pandemic.

Work with the Office of the Provincial Controller and Ministry of Government and Consumer Services to expand the use of bulk Interac e-transfer used as an emergency COVID response for transferring benefits to individuals, to an enterprise solution for use by all ministry programs.

Continue to work with ministries as a priority to move services online and enable online payment mechanisms to allow for reduction in physical offices operations as well as cheque mail-ins.

Ensure that the Province has sufficient cash available at all times to meet its financial obligations, particularly in light of borrowing programs that exceed \$40 billion per annum and volatile capital markets due to inflationary pressures and increasing interest rates.

While compliance with PCI Data Security Standards is now in its sustainment phase, the OFA will continue to work with the other OPS stakeholders and the credit/debit card acquirer to ensure that the mandatory external reviews continue to ensure that the Province is in compliance with all applicable PCI data security standards, which are reviewed and updated periodically by the PCI Council.

Continue to work with TD Merchant Services, the Province's card acquirer, to explore options for the Province to begin accepting new value-added card products and technology, e.g. tokenization, security enhancements, ApplePay and Google Wallet.

Work with ministries and central agencies to leverage the provisions and services of the new banking contracts signed in 2021–22, to modernize revenue collection and disbursement options.

Continue to provide advice to ministries and agencies on the banking and cash management components of new banking solutions, as well as on government initiatives including modernization and suitable banking options, along with associated legal and regulatory aspects. In particular, will explore an emerging banking solution to collect revenue via an e-mail request, Request to Pay.

Continue to collaborate with industry associations and provincial and federal jurisdictions on modernization initiatives and issues unique to the public sector e.g. Payments Canada initiative to reduce cheque issuance across all levels of government.

Continue the delivery of timely and accurate settlement/payment services for the Province and OEFC, including OEFC power supply contract settlements.

Continue working with the OFA's appointed internal auditors towards leveraging their international reach and access as well as their extensive subject matter expertise, towards enhancing both the risk and financial frameworks of the Province's Treasury Program. In light the expiry of the current contract in September 2022, select and appoint internal auditors for a five-year term following an open competitive process.

Continue to provide timely and accurate financial reporting for the Province on debt, derivatives and investments. Continue to provide timely and accurate agency financial statements that satisfy the scrutiny of the OFA Board and the OAGO.

Continue to work with the Office of the Provincial Controller to provide feedback on Chapter 2 of the OAGO Annual Report that deals with Ontario's Public Accounts.

Continue to monitor and assess any new accounting developments of the International Public Sector Accounting Standards Board, the Financial Accounting Standards Board in the U.S., the Accounting Standards Board and the PSAB of the Chartered Professional Accountants of Canada that affect reporting for the Province and its agencies. Provide advice to the Provincial Controller and external accounting oversight bodies on how changes to accounting standards would affect the Province's debt and IOD.

Continue to work with the retained external consultant, to further refine and enhance the accounting policies related to the Financial Instruments and Foreign Currency Translations standards which were fully implemented on April 1, 2022, to ensure that all aspects of these complex standards are captured over the first quarter of the 2022–23 fiscal year.

Work with Infrastructure Ontario to ensure the project to redesign the OFA retail space as part of the 40 per cent reduction Agency's footprint, remains on budget with an expected move in date, in fall 2022.

Ensure the redesigned space aligns with the Workplace Environment Guideline 2011 in order to provide a space that best supports what is functionally required.

Ensure the OFA's values are the foundation for any change management initiatives as the as the organization transitions into the new shared work environment, designed to accommodate a flexible, mobile and collaborative workforce.

Financial Advice

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

The OFA will continue to assist the Province in identifying efficient and effective public service delivery models by providing financial analysis and advice, and implementation support where applicable, with respect to potential opportunities for partnerships with the private sector and with respect to opportunities to optimize the returns on its government business enterprises and other assets.

Projects – Advisory Activities

The OFA continued to advise the Province on venture capital investments made by the Ontario Capital Growth Corporation through the Ontario Venture Capital Fund, the new Life Sciences Venture Capital Fund, the Northleaf Venture Catalyst Fund, and the Ontario Emerging Technology Fund.

The OFA continued to provide analysis and advice on a number of business support proposals.

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

The OFA continued to provide analysis and advice in respect of electricity price mitigation measures, including COVID-19 pandemic relief measures.

Projects – Other Financial Services

Under the OFA's framework for providing financing to public bodies, the OFA provides long-term financing to Crown agencies, school boards, colleges, hospitals and specified Provincial corporations, boards and commissions. In 2021–22, the OFA provided new long-term loans to a number of public bodies, including Ontario hospitals, colleges, and Crown corporations totalling \$397.9 million. The OFA also continued to monitor and provide advances under existing loan agreements. The OFA also extended to a second 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 as a result of the COVID-19 pandemic. As of March 31, 2022, FSRA had not drawn any funds from this credit facility.

The OFA, on behalf of the Province, has received a number of applications for the Province's Aboriginal Loan Guarantee Program (ALGP), which are in various stages of completion and are under review by staff and a third party due diligence provider. As at March 31, 2022, eleven loan guarantees have been approved under the program. In 2021–22, a loan guarantee was issued to support an Indigenous investment in a wind project. The aggregate principal of loans guaranteed is approximately \$500 million. In fall 2021, the Province expanded the program to allow for a broader range of electricity infrastructure projects and increased the program envelope of the ALGP to a total of \$1 billion.

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. The OFA provided analysis and advice on and continued to implement various OFA and OEFC credit facilities to the IESO.

The OFA assisted in the continued implementation of ONFA, including reviewing OPG's proposed 2022 annual budget for eligible expenditures under ONFA for nuclear waste management, advising the Minister of Finance on the Province's approval of OPG's 2022 Reference Plan for nuclear decommissioning and waste management liability estimates and monitoring the status of OPG's financial guarantee to the Canadian Nuclear Safety Commission for the 2018 to 2022 period.

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

Financial Advice Objectives for 2022–23

In 2022–23, the OFA will continue to provide financial advice and assistance to the Minister of Finance, ministries, Crown agencies and other public bodies on financial policies and initiatives.

Activities will include advising ministries and agencies on cost-effective financing policies and structures, comprehensive advice on structuring and implementing financial transactions and accurate determination of value-for-money benchmarks.

The OFA will provide financial analysis and advice on measures to support government initiatives and to facilitate cost effective borrowing by public sector organizations.

Financial analysis and advice will be provided to the Minister of Finance with respect to policy initiatives in the electricity sector, including the implementation of ONFA, managing the debt and other liabilities of OEFC, and electricity rate mitigation programs. Such financial analysis and advice includes the impact of policy initiatives on the Province's finances (including those of OEFC) and on the economy.

As required, the OFA will advise on electricity supply and demand initiatives, including facilitating potential OEFC financing to OPG.

The OFA will continue to provide analysis and advice to the Minister of Finance on applications to and loan guarantees under the ALGP.

The OFA will continue to provide loan administration services for a Provincial loan to the Wataynikaneyap Power transmission project.

Corporate Governance

Overview

The OFA is an agent of the provincial Crown characterized by a Management Board of Cabinet directive as a board-governed agency.

Corporate governance for the OFA involves processes that permit the effective supervision and management of the OFA's activities by senior management, the Board of Directors supported by its committees, and the Minister of Finance. It includes identifying individuals and groups responsible for the Corporation's activities and specifying their roles.

Accountability and Responsibilities

The OFA's accountability structure flows from its governing statute, the *Capital Investment Plan Act, 1993* (the Act). The Minister of Finance is the minister responsible for the administration of the Act with respect to the OFA. The Act, together with policies and directives issued by Management Board of Cabinet, form a framework under which the OFA is governed.

Each year, the Minister of Finance is required to table the OFA's Annual Report in the Legislative Assembly. In addition, the Minister reviews and approves the OFA's annual business plan. The Minister also maintains communications with the OFA, through its Chair, regarding government policies and issues relevant to the OFA.

The Chair is accountable to the Minister of Finance for the performance of the OFA in fulfilling its mandate. The Act provides that the Deputy Minister of Finance is the Chair of the OFA Board of Directors. The Chair is responsible for providing advice and information to the Minister with regard to the operation and affairs of the OFA. In addition, the Chair provides leadership to the Board. As Deputy Minister of Finance, the Chair ensures organizational capacity in the Ministry to monitor the OFA and ensures that it manages its risks appropriately.

The Board is appointed by the Lieutenant Governor in Council and is accountable to the Minister through the Chair. 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. The Board meets at least quarterly and receives regular reports from the CEO and OFA staff concerning the operations of the OFA and its compliance with applicable laws and policies. 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 reviews and recommends approval by the Board of an annual internal audit plan and receives reports from the OFA's appointed internal auditor regarding internal controls. It also reviews financial policies and financial statements and recommends them to the Board. Another function of the Audit and Risk Management Committee is the review of the OFA's major risks and mitigation strategies. 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 OFA ONFA Investment Committee supervises the OFA's activities related to the

investment of OPG's Used Fuel Segregated Fund and Decommissioning Segregated Fund established under ONFA.

The CEO works under the direction of the Chair and the Board and reports the OFA's performance to the Board. The CEO is responsible for managing the day-to-day operations and ongoing activities of the OFA, including the supervision of staff, in accordance with applicable government directives and policies.

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, 2022, including their period of services and total remuneration during the last fiscal year. Biographies of current directors, including their membership in Board committees, are available on the OFA's website.

Director	Date First Appointed	Current Appointment Term Expires	Remuneration Paid in 2021-22 Dollars (\$)
Greg Orencsak (Chair)	June 29, 2018	Ex officio, as the Deputy Minister of Finance	N/A – OPS Employee
Constance L. Sugiyama (Vice-Chair)	November 19, 2014	December 16, 2023	13,200
Yim Chan	January 8, 2018	March 10, 2024	5,250
Rani Dhaliwal	January 7, 2021	January 6, 2024	7,500
Steve Geist	July 2, 2020	July 1, 2023	12,750
Heather-Anne Irwin	October 19, 2016	October 23, 2022	9,000
Peter Kay	May 29, 2013	May 28, 2022	12,500
Marie MacDougall	March 23, 2016	April 3, 2022 (renewed to April 3, 2025)	9,750
Gadi Mayman (CEO)	August 31, 2000	July 20, 2023	N/A – OPS Employee
Diane McArthur	June 22, 2016	December 8, 2022	8,000
Paul Potvin	February 15, 2017	February 13, 2023	10,500
Rita Theil	March 24, 2022	March 23, 2025	0
Grant Williams	March 24, 2022	March 23, 2025	0
Total			88,450

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 Ontario 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. EY reports to the Audit and Risk Management Committee on the results of its audit work in the OFA. The OFA has ensured that the internal audit scrutiny of the agency remains consistent over the last number of years.

Risk Management Policies and Procedures

OFA risk management policies and procedures provide for the management of risk exposures created by capital markets activities. Current policies and procedures address market, credit and operational risk exposures as they pertain to the Province's debt and derivatives portfolios and capital markets transactions.

The policies were developed following the guidelines and directives of regulatory bodies, such as the Office of the Superintendent of Financial Institutions of Canada, the Bank for International Settlements and in consultation with Canadian bank representatives on their risk management practices.

The Board approves risk management policies and monitors the performance of capital markets activities.

Market Risk Policy

Market risk is the risk of financial loss attributed to changes in interest rates and foreign exchange rates. This policy provides a framework for borrowing activities and integrates several aspects dealing with the management of market risk. The policy includes several limits:

- **Foreign Exchange Limit:** unhedged foreign currency exposure is limited to 3 per cent of debt issued for provincial purposes. Unhedged foreign exchange exposures are limited to Group of Seven currencies and the Swiss franc.
- **Net Interest Rate Resetting Limit:** the interest rate resetting risk exposure is the sum of maturities and floating-rate debt (net of liquid reserves) over the next 12 months, and is limited to a maximum of 35 per cent of debt issued for provincial purposes.
- **IOD Loss Limit:** the total amount of financial losses resulting from market risk cannot exceed 3 per cent of budgeted IOD for a fiscal year. In addition, the CEO establishes a trigger level to ensure losses from market activities will not reach the loss limit.

The OFA identifies and quantifies current and potential exposures to market risk and ensures risk exposures and losses remain within approved exposure and loss limits. Exposure to market risk is measured and reported daily.

Credit Risk Policy

Credit risk is the risk of loss in which a counterparty does not meet or defaults on its obligations. Credit risk arises when the Province undertakes financial and derivative transactions. The minimum credit rating of a new swap counterparty is typically "AA-", and "R1-mid" (and "A-1" or "P-1") for money market investments. The resulting exposure is capped at mark-to-market limits based on the counterparty's credit rating and capital base. Concentration limits are also in place to limit exposure. Credit exposure is measured and reported daily. The Province enters into collateral agreements with counterparties to reduce credit exposure.

Policy on the Use of Derivatives and Other Financial Instruments

Use of derivatives and other financial instruments is restricted to those which the OFA can price and whose risk exposures can be measured by the OFA. Derivatives are used to manage exposures arising from existing and planned debt issues in a sound and cost-effective manner. Risks arising from the use of derivatives are monitored and managed prudently.

Risk Management Reporting Policy

At its regular quarterly meetings, the Board is kept informed of the OFA's activities:

- The CEO provides the Board with a progress report on the implementation of the Province's borrowing and debt management program for the year, staffing and other administrative and operational matters. The CEO also reports on the OFA's compliance with applicable government directives.
- The Chief Financial and Risk Officer reports on program exposures and performance as well as exceptions to policies.
- Management is kept informed of risk exposures and positions related to the Province's borrowing and debt management program on a daily basis.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or external events. While each division manages operational risk through reviews and improvements of work processes, documented policies and procedures, data processing systems, contingency plans and staff training, the OFA's annual business plan provide a comprehensive assessment of the various types of risk facing the agency as well as division specific mitigation strategies that are reviewed by the OFA's appointed internal auditor and the Board's Audit and Risk Management Committee.

The OFA maintains a Business Continuity Plan (which covers OEFC's operations) that is regularly updated to facilitate the continuation of essential operational functions with a minimal disruption in the event of an emergency. OFA activities and systems continue to function well with IT teams supporting all staff working remotely and on a hybrid basis through 2021–22.

Summary of Financial Results

The Ontario Financing Authority (OFA) manages the Province's debt and investment of liquid reserves, and recovers the cost of these services from the Province. The OFA provides loans to Crown agencies and other public bodies on 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, 2022 was \$5,075.5 million, a net decrease of \$310.7 million from \$5,386.2 million in March 2021. The table below summarizes these changes:

(in thousands of dollars)

Borrower	March 31, 2022	March 31, 2021	Change
Colleges of Applied Arts and Technology	356,412	345,637	10,775
Hospitals	218,063	111,349	106,714
Liquor Control Board of Ontario	47,098	4,538	42,560
Niagara Parks Commission	27,868	14,468	13,400
Ontario Cannabis Retail Corporation	66,878	74,243	(7,365)
Ontario Lottery and Gaming Corporation	54,420	62,537	(8,117)
Ontario Northland Transportation Commission	1,143	1,245	(102)
Royal Ontario Museum	23,334	23,434	(100)
School Boards	4,280,286	4,538,762	(258,476)
Workplace Safety and Insurance Board	-	210,000	(210,000)
Total	5,075,502	5,386,213	(310,711)

The OFA continued to provide investment management services to other public bodies in managing an aggregate investment amount of \$2,277 million (2021 – \$2,101 million).

The OFA recovered operating costs from agencies and related parties amounting to \$5.7 million for the year ended March 31, 2022 (2021 – \$5.4 million). The OFA's excess of revenue over expenses from operations for the year amounted to \$3.9 million (2021 – \$3.9 million) from the partial retention of the interest rate spread on loans to public bodies as well as the interest income from its cash reserves. The \$4.2 million (2021 – \$30.0 million) payment of surplus funds to the Province is presented as a current year expense, which results in the OFA recording an annual deficit of \$0.34 million (2021 – \$26.1 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 \$1.7 million lower than the approved budget. Interest revenue was \$0.6 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 OFA 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 properly prepared within reasonable limits of materiality and in light of information available up to June 17, 2022.

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 of the Board.

The Board, through the Audit and Risk Management Committee, is responsible for ensuring management fulfils its responsibilities for financial reporting and internal controls. The Audit and Risk Management Committee meets quarterly with management and at least twice yearly with the external and internal auditors, 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's Report, which appears on the following pages, outlines the scope of the Auditor's examination and opinion.

On behalf of management:



Gadi Mayman
Chief Executive Officer



Ken Kandeepan
Chief Financial and Risk Officer

Independent Auditor's Report



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

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, 2022, 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, 2022, and the results of its operations, change 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.

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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 17, 2022


Bonnie Lysyk, MBA, FCPA, FCA, LPA
Auditor General

ONTARIO FINANCING AUTHORITY
Statement of Financial Position
As at March 31, 2022

(in thousands of dollars)

	2022	2021
FINANCIAL ASSETS		
Cash	\$ 8,823	\$ 9,293
Due from agencies & related parties (Note 6)(c)	2,831	2,664
Due from the Province of Ontario	1,759	1,941
	<u>13,413</u>	<u>13,898</u>
LIABILITIES		
Accounts payable and accrued liabilities	1,759	1,941
Due to the Province of Ontario	1,532	1,493
Deferred revenue (Note 3)	1,916	1,313
	<u>5,207</u>	<u>4,747</u>
Net financial assets	8,206	9,151
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 2)	1,494	928
Prepaid expenses	422	385
	<u>1,916</u>	<u>1,313</u>
Accumulated surplus	\$ 10,122	\$ 10,464

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:



Greg Orencsak
Chair



Gadi Mayman
Chief Executive Officer

ONTARIO FINANCING AUTHORITY
Statement of Operations and Accumulated Surplus
For the year ended March 31, 2022

<i>(in thousands of dollars)</i>	2022	2022	2021
	Budget	Actual	Actual
REVENUE			
Cost recovery from the Province of Ontario (Note 4)	\$ 21,845	\$ 20,136	\$ 20,275
Cost recovery from agencies & related parties (Note 6) (c)	5,366	5,719	5,407
Amortization of deferred capital contributions (Note 3)	699	571	572
Interest revenue (Note 5)	3,273	3,858	3,917
	<u>31,183</u>	<u>30,284</u>	<u>30,171</u>
EXPENSES			
Salaries, wages and benefits	23,769	22,665	22,493
Administrative and general	3,442	3,190	3,189
Amortization of tangible capital assets (Note 2)	699	571	572
	<u>27,910</u>	<u>26,426</u>	<u>26,254</u>
Excess of revenue over expenses from operations	3,273	3,858	3,917
Payment of surplus funds to the Province of Ontario (Note 7)	-	(4,200)	(30,000)
Annual surplus (deficit)	3,273	(342)	(26,083)
Accumulated surplus at beginning of year	10,464	10,464	36,547
Accumulated surplus at end of year	<u>\$ 13,737</u>	<u>\$ 10,122</u>	<u>\$ 10,464</u>

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY
Statement of Change in Net Financial Assets
For the year ended March 31, 2022

<i>(in thousands of dollars)</i>	2022 Budget	2022 Actual	2021 Actual
Annual surplus (deficit)	\$ 3,273	\$ (342)	\$ (26,083)
Acquisition of tangible capital assets (Note 2)	(1,195)	(1,137)	(616)
Amortization of tangible capital assets (Note 2)	699	571	572
Prepaid expenses	0	(37)	150
Change in net financial assets	2,777	(945)	(25,977)
Net financial assets at beginning of year	9,151	9,151	35,128
Net financial assets at end of year	<u>\$ 11,928</u>	<u>\$ 8,206</u>	<u>\$ 9,151</u>

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY
Statement of Cash Flow
For the year ended March 31, 2022

<i>(in thousands of dollars)</i>	2022	2021
Operating transactions		
Annual surplus (deficit)	\$ (342)	\$ (26,083)
Less: Items not affecting cash		
Amortization of tangible capital assets	571	572
(Increase)/Decrease in prepaid expenses	(37)	150
Increase/(Decrease) in deferred revenue	603	(106)
Changes in non-cash working capital:		
(Increase) in due from agencies & related Parties	(167)	(120)
Decrease in due from the Province of Ontario	182	757
Decrease in accounts payable	(182)	(757)
Increase/(Decrease) in due to the Province of Ontario	39	(32)
Cash provided by operating transactions	<u>667</u>	<u>(25,619)</u>
Capital transaction		
Cash used to acquire tangible capital assets	<u>(1,137)</u>	<u>(616)</u>
Cash applied to capital transactions	<u>(1,137)</u>	<u>(616)</u>
Net change in cash	(470)	(26,235)
Cash at beginning of year	9,293	35,528
Cash at end of year	<u>\$ 8,823</u>	<u>\$ 9,293</u>

See accompanying notes to financial statements.

ONTARIO FINANCING AUTHORITY

Notes to Financial Statements

For the year ended March 31, 2022

BACKGROUND

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 Used Fuel Segregated Fund and Decommissioning Segregated Fund; and
- carries out the day-to-day operations of Ontario Electricity Financial Corporation and provides a broad range of financial services to Ontario Infrastructure and Lands Corporation (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).

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting: These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

(b) 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, with a half-year provision

applied in both the year of acquisition and the year of disposal. The estimated useful life of the assets are as follows:

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

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 tangible capital assets.

(c) Measurement Uncertainty: The preparation of financial statements in accordance with Canadian public sector accounting standards 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: useful life of tangible capital assets and the accrued benefit obligation. 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.

(d) Accounts Payable and Accrued Liabilities: Accounts payable relate to normal business transactions with third-party vendors and are subject to standard commercial terms. Accrued liabilities relate to accruals for salaries and benefits.

(e) Revenue and Expenses: The OFA is funded from the Consolidated Revenue Fund (CRF) as part of Treasury Program. The OFA can charge fees subject to statutory and regulatory authority and it earns revenues from public bodies outside of the CRF; the OFA retains revenues earned from the interest rate spread on its loans to public bodies.

(f) 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 agencies & related parties, due from the Province of Ontario, due to the Province of Ontario, accounts payable, accrued liabilities and deferred revenue are recorded at cost.

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

(g) Related Party Transactions: Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by related parties.

2. TANGIBLE CAPITAL ASSETS

	Year ended March 31, 2022				
	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Under Constru- ction*	Total
<i>(in thousands of dollars)</i>					
Cost					
Opening balance, April 1, 2021	\$ 15,217	\$ 1,905	\$ 1,213	—	\$ 18,335
Additions	415	—	—	—	415
Under construction *	—	—	—	722	722
Disposals	(1,193)	—	—	—	(1,193)
Closing balance, March 31, 2022	14,439	1,905	1,213	722	18,279
Accumulated Depreciation					
Opening balance, April 1, 2021	14,338	1,886	1,183	—	17,407
Amortization	536	14	21	—	571
Disposals	(1,193)	—	—	—	(1,193)
Closing balance, March 31, 2022	13,681	1,900	1,204	—	16,785
Net Book Value, March 31, 2022	\$758	\$5	\$9	\$722	\$1,494

* Represents the expenditure incurred for the renovation of leased office premises currently in progress, expected to be completed in fall 2022.

	Year ended March 31, 2021				
	Computer Hardware	Leasehold Improvements	Furniture and Equipment	Under Constru- ction	Total
<i>(in thousands of dollars)</i>					
Cost					
Opening balance, April 1, 2020	\$ 14,601	\$ 1,905	\$ 1,213	—	\$ 17,719
Additions	616	—	—	—	616
Disposals	—	—	—	—	—
Closing balance, March 31, 2021	15,217	1,905	1,213	—	18,335
Accumulated Depreciation					
Opening balance, April 1, 2020	13,807	1,872	1,156	—	16,835
Amortization	531	14	27	—	572
Disposals	—	—	—	—	—
Closing balance, March 31, 2021	14,338	1,886	1,183	—	17,407
Net Book Value, March 31, 2021	\$879	\$19	\$30	—	\$928

3. 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, 2022		
	Tangible Capital Assets	Prepaid Expenses	Total
Balance, beginning of year	\$928	\$385	\$1,313
Additions	1,137	483	1,620
Amortization	(571)	–	(571)
Expensed in the current year	–	(446)	(446)
Balance, end of year	\$1,494	\$ 422	\$1,916

(in thousands of dollars)

	Year ended March 31, 2021		
	Tangible Capital Assets	Prepaid Expenses	Total
Balance, beginning of year	\$ 884	\$ 535	\$ 1,419
Additions	616	413	1,029
Amortization	(572)	–	(572)
Expensed in the current year	–	(563)	(563)
Balance, end of year	\$928	\$385	\$1,313

Amortization of \$571,000 (2021 – \$572,000) represents the offset to the contributions received for the purchase of tangible capital assets. The \$446,000 (2021 – \$563,000) expensed represents the amount allocated to the current year expenses from the prepaid expenses.

4. DEBT AND INVESTMENT MANAGEMENT FOR THE PROVINCE

The OFA manages debt on behalf of the Province amounting to \$433.6 billion, as at March 31, 2022 (2021 Actual – \$416.1 billion) as per the interim projection published in the *2022 Ontario Budget*. The OFA also manages investments amounting to \$72.0 billion as at March 31, 2022 (2021 – \$82.7 billion), including \$27.3 billion (2021 – \$26.0 billion) under the joint management of funds owned by Ontario Power Generation Inc. under the Ontario Nuclear Funds Agreement (ONFA). The Province, OPG and certain OPG subsidiaries entered into ONFA in March 2002 to set aside funds necessary to dispose of nuclear waste and used fuel and to decommission nuclear power stations. ONFA came into force on July 24, 2003.

Cost recovery from the Province for all debt management and investment activities for the year ended March 31, 2022 was \$20.1 million (2021 – \$20.3 million).

5. 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 extended for funding various objectives, aggregating to \$21.9 billion expiring from 2036 to 2055. Of these credit facilities, \$4.2 billion has been used to date for funding loans granted by the OFA. Principal repayments received from public bodies by the OFA are forwarded to the Province. The interest rates charged to public bodies is generally slightly higher than the rate charged by the Province on the advances to fund the loans (the interest rate spread).

The OFA will generally retain a portion of the spread in order to recover the administrative costs of managing these loans. The spread retained by the OFA includes a cost recovery component and, where applicable, a proxy commercial interest rate spread. The inclusion of the proxy commercial spread results in an interest rate reflecting the relative risk associated with the loan. During the year ended March 31, 2022, \$3.8 million in interest rate spread revenue was recognized (2021 – \$3.7 million) of which \$1.3 million is receivable at year end (2021 – \$1.2 million). The OFA’s total interest revenue of \$3.9 million for the year also includes \$0.07 million (2021 – \$0.2 million) interest income earned on its bank balance.

Loans to Public Bodies by the Province:

As at March 31, 2022, 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 from these loans was \$228.5 million (2021 – \$223.8 million), of which \$224.8 million (2021 – \$220.0 million) was flowed to the Province after retaining OFA’s interest rate spread of \$3.8 million (2021 – \$3.7 million).

These are related party transactions.

(in thousands of dollars)

	March 31, 2022	<i>March 31, 2021</i>
(i) Colleges of Applied Arts and Technology	\$356,412	\$345,637
(ii) Hospitals	218,063	111,349
(iii) Liquor Control Board of Ontario	47,098	4,538
(iv) Niagara Parks Commission	27,868	14,468
(v) Ontario Cannabis Retail Corporation	66,878	74,243
(vi) Ontario Lottery and Gaming Corporation	54,420	62,537
(vii) Ontario Northland Transportation Commission	1,143	1,245
(viii) Royal Ontario Museum	23,334	23,434
(ix) School Boards	4,280,286	4,538,762
(x) Workplace Safety and Insurance Board	-	210,000
Total	\$5,075,502	\$5,386,213

(i) Colleges of Applied Arts and Technology have been 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, 2022, the outstanding balance of the loans is \$356.4 million (2021 - \$345.6 million). These loans bear interest ranging from 0.71 per cent to 5.75 per cent and mature from 2022 to 2049.

(ii) Hospitals

Unity Health Toronto (created by the 2017 amalgamation of Providence Healthcare, St. Joseph's Health Centre and St. Michael's Hospital), a charitable organization incorporated under the *Corporations Act* (Ontario) has been provided a loan of \$100.0 million. As of March 31, 2022, the outstanding balance is \$94.6 million (2021 – \$96.8 million). This loan bears interest rate of 2.99 per cent and matures in 2049.

Arnprior Regional Health has been provided a loan facility of \$25.8 million for the purpose of financing a Long-term Care Redevelopment project. Total drawings under this facility amounting to \$23.9 million was converted into a term loan on October 4, 2021. As of March 31, 2022, the outstanding balance is \$23.9 million (2021 – \$14.6 million). This loan bears interest rate of 2.49 per cent and matures in 2046.

University Health Network (UHN) has been provided a loan facility of \$250.0 million for the purpose of financing the implementation of a new health information system, and upgrading existing systems and devices. As of March 31, 2022, the outstanding balance is \$84.5 million (2021– nil) from this facility. This loan bears interest rate ranging from 0.21 per cent to 0.87 per cent.

Ross Memorial Hospital (RMH) has been provided a loan facility of \$15 million for the implementation of a new hospital information system. As of March 31, 2022, the outstanding balance is \$15.0 million from this facility (2021– nil). This loan bears interest rate ranging from 0.21 per cent to 0.87 per cent.

(iii) Liquor Control Board of Ontario (LCBO), a Crown agency of the Province operating under the *Liquor Control Act*, has been provided a loan facility of \$51.2 million for the purpose of funding the capital costs associated with relocating its head office. As of March 31, 2022, the outstanding balance is \$47.1 million (2021 – \$4.5 million) from this facility. This loan bears interest rate ranging from 0.74 to of 1.12 per cent.

(iv) The Niagara Parks Commission (NPC), a Crown agency of the Province operating under the *Niagara Parks Act*, 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, 2022, the outstanding balance of the loan is \$2.7 million (2021 – \$3.1 million). This loan bears interest at 5.07 per cent and matures in April 2027. In addition, on August 14, 2020, NPC has been provided with a construction loan facility of \$25.0 million for the purpose of redeveloping the Canadian Niagara Power Generating Station as a visitor attraction. As of March 31, 2022, the outstanding balance is \$25.2 million (2021 – \$11.4 million) from this facility. This loan bears interest rate ranging from 0.93 per cent to 1.48 per cent.

(v) The Ontario Cannabis Retail Corporation, a Crown agency of the Province, operating under the *Ontario Cannabis Retail Corporation Act, 2017*, has been provided a loan facility of \$150 million for the purpose of funding the set-up and operating costs. As of March 31, 2022, the outstanding balance is \$66.9 million (2021 – \$74.2 million). This loan bears interest rate at 2.79 per cent and matures in 2030.

(vi) The Ontario Lottery and Gaming Corporation (OLG), a Crown agency of the Province established under the *Ontario Lottery and Gaming Corporation Act, 1999*, has been provided loans totaling \$89.0 million, to fund several projects. As of March 31, 2022, the outstanding balance is \$54.4 million (2021 – \$62.5 million). These loans bear interest rates of 1.64 per cent and 2.65 per cent and maturing between September 2022 and April 2026. In addition, under an agreement entered into between the OFA and the OLG on May 6, 2020 OLG has been provided a maximum \$300 million credit facility for operating and working capital requirement. As of March 31, 2022, there was no outstanding balance on this credit facility (2021 – nil).

(vii) The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province operating under the *Ontario Northland Transportation Commission Act*. As of March 31, 2022 the outstanding balance is \$1.1 million (2021 – \$1.2 million) bearing interest rate of 4.90 per cent and matures in 2031. In addition, under an agreement entered into between the OFA and the ONTC on August 20, 2021, the ONTC has also been provided a Revolving Credit Facility to a maximum amount of \$5 million maturing on April 30, 2024. As of March 31, 2022, ONTC has not drawn any funds from this facility (2021 – nil).

(viii) The Royal Ontario Museum (ROM), is a Crown agency of the Province continued under the *Royal Ontario Museum Act*. As of March 31, 2022, the outstanding balance of the loan is \$23.3 million

(2021 – \$23.4 million). This loan bears a floating interest rate currently at 3.54 per cent. All outstanding loans are scheduled to be repaid by March 31, 2027.

(ix) Beginning in 2006, school boards have been provided loans under various programs. During the year ended March 31, 2022, school boards have made semi-annual blended payments of principal and interest, leaving the total outstanding amount at \$4,208.3 million (2021 – \$4,538.8 million). These loans bear interest ranging from 2.43 to 5.38 per cent and mature from 2024 to 2042. On April 1, 2017, the Ministry of Education introduced a new funding model which replaced the need for capital loans from the OFA. School Boards will however, continue to make interest and principal payments on existing loans, until all outstanding balances are paid off.

(x) The Workplace Safety and Insurance Board (WSIB), which is governed by the *Workplace Safety and Insurance Act, 1997*, had been provided a maximum credit facility of \$900.0 million for its six month employer payments deferral initiative (part of the Government of Ontario’s COVID-19 Action Plan). The credit facility matured on December 31, 2021 with no outstanding balance remaining (2021 – \$210.0 million).

6. INVESTMENT AND DEBT MANAGEMENT FOR RELATED PARTY AGENCIES

- a. The OFA provides investment management services to the following related party agencies. 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.

Northern Ontario Heritage Fund Corporation	Ontario Immigrant Investor Corporation
Ontario Capital Growth Corporation	Infrastructure Ontario
Financial Services Regulatory Authority of Ontario	Ontario Trillium Foundation

Investments managed on behalf of these entities totalled \$2.3 billion at March 31, 2022 (2021 – \$2.1 billion).

- b. The OFA provides debt management services to the following related party agencies on a cost recovery basis:

Ontario Electricity Financial Corporation (OEFC)

The OFA provides financial services and advice on a cost recovery basis to OEFC and manages its debt portfolio of approximately \$14.8 billion as at March 31, 2022 (2021 – \$16.6 billion).

Infrastructure Ontario

The OFA provides borrowing and other financial services and advice on a cost recovery basis to Infrastructure Ontario and manages its debt of approximately \$6.8 billion at March 31, 2022 (2021 – \$6.6 billion) which includes loans from the Province, a provincial agency and third parties.

Metrolinx

The OFA provides services to Metrolinx with respect to its fuel commodity hedging program on a cost recovery basis.

Wataynikaneyap Power LP (Watay)

The OFA provides services as Administrative Agent for the Ontario Loan provided by the Ministry of Energy (ENERGY) to Watay for administrative fee of 10 basis points of the loan approved. The fee is remitted to the OFA by Watay at the last business day of the same month that it makes scheduled interest payments to ENERGY.

- c. The total costs recovered and receivables outstanding for related party agencies at March 31, 2022 are set out below:

(in thousands of dollars)

	March 31, 2022	<i>March 31, 2021</i>
Costs Recovered:		
OEFC	\$4,117	\$4,039
Infrastructure Ontario	493	576
Metrolinx	20	24
Watay	480	182
Investment Management	609	586
Total	\$5,719	\$5,407
Receivables:		
OEFC	\$1,176	\$1,153
Infrastructure Ontario	141	154
Metrolinx	22	27
Other	26	8
Investment Management	174	155
Interest Rate Spread (Note 5)	1,292	1,167
Total	\$2,831	\$2,664

7. 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 2022, the OFA's Board of Directors approved the payment of \$4.2 million (2021– \$30.0 million) to the Province of Ontario. The payment was made in March 2022.

8. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The main risks that the OFA's financial instruments are exposed to are credit risk, liquidity risk and market risk. 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 5 to the financial statements.

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.

Market risk

The market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the OFA. The OFA is not exposed to market risk.

9. 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 Ministry of Government and Consumer Services (MGCS) 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 cost of post-retirement, non-pension benefits is paid by MGCS and is not reported in these financial statements.

(b) Accrued Employee Benefits Obligation

Upon retirement employees who belong to the Association of Management, Administrative and Professional Crown Employees of Ontario (AMAPCEO), excluded employees, management-excluded employees and other management employees who retire after January 1, 2016 are entitled to legislated severance. These employees will be paid based on their salary in effect on December 31, 2015. The legislated severance entitlement upon retirement for employees who belong to the Ontario Public Service Employee Union (OPSEU), excluded employees who retire after January 1, 2016, will be paid based on the salary in effect on December 31, 2016.

For all other employees subject to terms set out in collective agreements, after five years of service, the OFA provides termination pay equal to one week's salary for each year of service up to a maximum of 50 percent of their annual salary.

The costs of these legislated severance entitlements earned by the eligible employees as at March 31, 2022 amounted to \$3.3 million (2021 – \$3.4 million) and the unused vacation entitlements earned by all employees as at March 31, 2022 amounted to \$2.1 million (2021 – \$1.4 million).

On an ongoing basis, MGCS is responsible for funding the legislated severance entitlements, as well as unused vacation entitlements and accordingly no additional expense or liability is reported in these financial statements. Accrued employee benefits obligation is recorded at cost on the entitlements earned by employees up to March 31, 2022. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made, as it is not expected that there would be a significant difference from the recorded amount.

10. COMMITMENTS AND CONTINGENCIES

Lease Commitment:

The OFA rents its premises under an operating lease which expires on June 30, 2022. In accordance with 2019 MBC Realty Directive, a new lease agreement which reduces the OFA's rental foot print by 40%, has been executed for a term of 5 years effective July 1, 2022. The minimum base rental payments for the leases are as follows:

(in thousands of dollars)

	March 31, 2022
2023	822
2024	752
2025	794
2026	807
2027	807
2028	202
Total	\$4,184

OFA is committed to pay its proportionate share of realty taxes and operating expenses for the premises for the year ended March 31, 2022, which amounted to \$1.0 million (2021 – \$1.0 million).

Committed Facilities:

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

The Financial Services Regulatory Authority of Ontario (FSRA), a Crown agency of the Province operating under the *Financial Services Regulatory Authority of Ontario Act, 2016*, has been provided a non-revolving credit facility of \$2.0 billion for the purpose of addressing 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, 2022, the DIRF is valued at approximately \$402.0 million (2021 - \$366.0 million) and FSRA has not drawn any funds from this credit facility (2021 - nil).

Infrastructure Ontario, a Crown agency of the Province governed by the *Ontario Infrastructure and Lands Corporation Act, 2011*, has been provided a Revolving Credit Facility to a maximum amount of \$100 million maturing on March 27, 2023. As of March 31, 2022, Infrastructure Ontario has not drawn any funds from this facility (2021 – nil).

The Independent Electricity System Operator (IESO), a corporation continued under Part II of the *Electricity Act, 1998*, has been provided a revolving credit facility up to \$1,100 million, until June 30, 2023, to primarily fund the Regulated Price Plan variance account. As of March 31, 2022, IESO has not drawn any funds from this credit facility (2021 – nil).

In the event funds are advanced under the above facilities they will be disclosed under Note 5 – Transactions with Public Bodies.

Contingencies:

At March 31, 2022, 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.

11. RELATED PARTY TRANSACTIONS

The Province of Ontario is a related party as it is the controlling entity of the OFA. MGCS 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 Agency.

In addition, related party transactions pertaining to:

- Debt and Investment Management for the Province are disclosed in Note 4;
- Transactions with Public Bodies are disclosed in Note 5;
- Investment and Debt management for related party agencies are disclosed in Note 6; and
- Payment of surplus funds to the Province of Ontario in Note 7

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 May 31, 2022, the long-term ratings of the Province are as follows:

- Moody's Investors Service Aa3
- Standard & Poor's A+
- DBRS Morningstar AA (low)
- 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 May 31, 2022, the short-term ratings of the Province are as follows:

- Moody's Investors Service P-1
- Standard & Poor's A-1
- DBRS Morningstar R-1 (mid)
- 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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