ONTARIO FINANCING AUTHORITY

ANNUAL REPORT 2004

Ontario

Mandate

The Ontario Financing Authority (OFA) was established by the *Capital Investment Plan Act, 1993 (CIPA)*. CIPA sets out the objects and powers of the OFA. In this regard, the OFA:

- conducts borrowing, investment and financial risk management for the Province of Ontario;
- manages the Provincial debt;
- provides financial and cash management services for the government;
- 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; and
- acts as an intermediary for the Province in lending to certain public bodies and invests on behalf of some public bodies.

The OFA also provides a broad range of financial services to the Ontario Electricity Financial Corporation (OEFC) and the Ontario Strategic Infrastructure Financing Authority (OSIFA), formerly the Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA).

The *Financial Administration Act (FAA)* sets out certain financial powers which the OFA exercises on behalf of the Province in order to carry out the Province's borrowing program, manage the Province's debt and invest the liquid reserves.

In addition, CIPA, together with the Memorandum of Understanding (MOU) between the Minister of Finance and the OFA and the OFA's by-laws, describe in general terms the manner in which the OFA is to be directed and operated.

Accomplishments

- Ontario's 2003-04 long-term public borrowing program of $25.4 billion was completed in a sound and cost-effective manner. Total savings from borrowing, money market and debt management activities were $129 million.

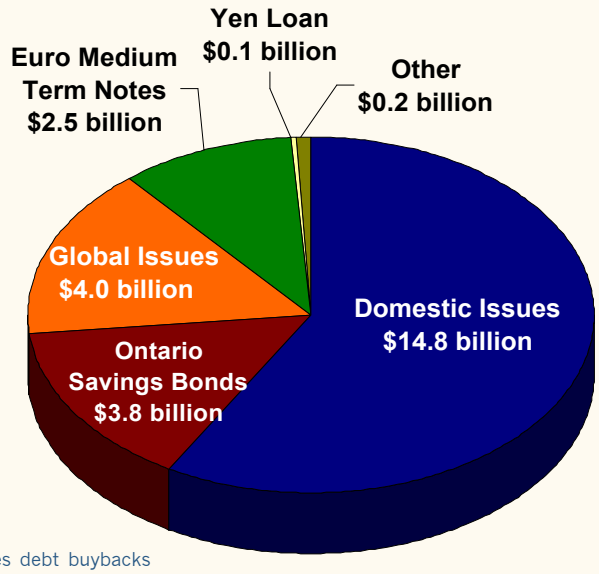
- The OFA established three investment funds totaling $4.9 billion. These funds are jointly managed by the OFA (on behalf of the Province) and Ontario Power Generation (OPG) for the disposition of nuclear waste and used fuel and the decommissioning of nuclear power stations.

- The OFA assisted the Royal Ontario Museum (ROM) in acquiring up to $63.5 million in financing for the Renaissance ROM project by providing advice and assisting in negotiations with lenders. It is estimated that the joint efforts of the ROM and the OFA saved approximately $3.9 million in financing costs on a present-value basis.

- The 2003 Ontario Savings Bond (OSB) campaign raised $3.8 billion.

Financial Accomplishments

Total Long-Term Public Borrowing

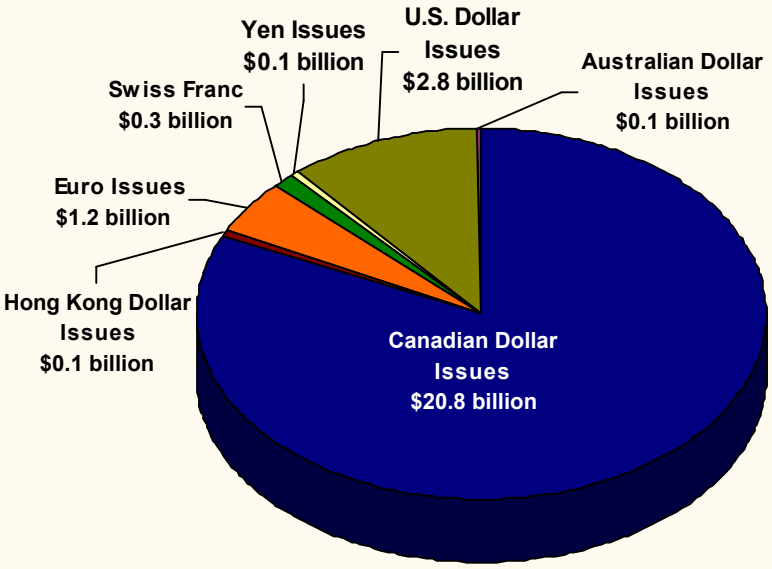


*Excludes debt buybacks

In 2003-04, $18.7 billion or almost three quarters of the Province's total long-term borrowing requirements were completed in the Canadian domestic market. The OFA used a number of cost-effective instruments to diversify its domestic borrowing program. These included Domestic Medium Term Notes (DMTNs) with a variety of terms and structures, such as Floating Rate Notes (FRNs), and an amortizing bond.

Borrowing by Currency

While the majority of the borrowing was completed in the domestic market, Ontario also diversified its funding sources by raising the equivalent of $4.6 billion in foreign currencies, achieving funding costs below those available in the Canadian domestic markets. For example, the Province launched its first global bond denominated in Euros, and also issued three U.S. dollar global bonds. Euro Medium Term Notes (EMTNs) in Canadian dollars, Australian dollars, Swiss francs and Japanese yen were issued, along with the Province's first Hong Kong dollar bond. The Province also entered into a yen loan.



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Statement from the Chair and the Chief Executive Officer

We are pleased to present the Ontario Financing Authority's 2004 Annual Report. The report outlines the Authority's responsibilities, accomplishments and financial results for the year April 1, 2003 to March 31, 2004, and includes objectives for the next year.

The Ontario Financing Authority was able to achieve its primary goal of borrowing $25.4 billion for both the Province and the Ontario Electricity Financial Corporation (OEFC) at competitive terms and conditions in the long-term public markets.

There were a number of challenges and new developments in 2003. Ontario's economy experienced slower growth than expected as unanticipated events such as the outbreak of Severe Acute Respiratory Syndrome (SARS) and the power blackout in August 2003 caused reductions in both tourism and consumer spending. Ontario's growth subsequently slowed to just 1.3 per cent in 2003, following a 3.6 per cent advance in 2002.

In October 2003, Ontarians elected a new government, headed by Dalton McGuinty. Shortly after the election, the Premier-designate asked former Provincial Auditor Erik Peters to conduct an independent review of the Province's finances. In his review, Mr. Peters concluded that Ontario faced a projected deficit of $5.6 billion for 2003-04. By December 2003, when the Minister of Finance, Greg Sorbara, released the 2003 Ontario Economic Outlook and Fiscal Review, it was determined that the Province had a structural deficit caused by several years of faster growth in program spending than in government tax revenues. The 2004 Ontario Budget reported an interim deficit of $6.2 billion.

With the 2004 Ontario Budget, the government put in place a multi-year fiscal plan. The plan includes steadily declining deficit targets of $2.2 billion in 2004-05, $2.1 billion in 2005-06 and $1.5 billion in 2006-07. Ontario's books will be balanced by 2007-08.

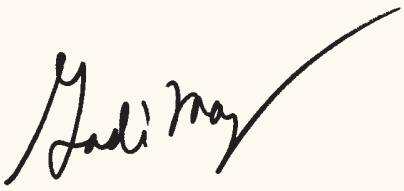
Long-term public borrowing requirements for 2004-05 are forecast at $23.8 billion, a $1.6 billion decrease from 2003-04. While the Province expects to borrow as a result of projected deficits in the medium-term, the most significant component of the borrowing program will be the refinancing of maturing debt. Debt maturities for the Province and OEFC are estimated at $16.1 billion in 2004-05, $18.9 billion in 2005-06, $13.9 billion in 2006-07 and $15.3 billion in 2007-08.

The level of borrowing requirements anticipated over the next four years underscores the importance of cost-effective borrowing and debt management activities to minimize debt interest costs and their subsequent impact on the government's fiscal plan.

The OFA will continue to work on a number of other initiatives in 2004-05. These include assisting with the electricity-sector reforms being introduced by the government, overseeing the management of segregated investment funds for the future nuclear decommissioning and used fuel costs of Ontario Power Generation, providing advice on investment in capital infrastructure and the investing of pooled funds and supporting the new Ontario Strategic Infrastructure Financing Authority.

We both are looking forward to working with the staff at the OFA in the upcoming year and we are confident that the OFA will continue to execute its responsibilities in supporting the government to achieve its fiscal and financial objectives.

Colin Andersen
Chair



Gadi Mayman
CEO & Vice-Chair (interim)

Management's Discussion and Analysis

This section of the Annual Report provides management's discussion and analysis of the OFA's results in 2003-04, including its objectives for 2004-05. The discussion begins with a review of the economy, the financial markets and internal developments in 2003.

Economy and Financial Markets

Economy

The major economic event of 2003 was the unprecedented rate of appreciation of the Canadian dollar against its U.S. counterpart. From the beginning of 2003 to year-end, the Canadian dollar rose by almost 19 per cent, the largest 12-month movement in its history. The Canadian dollar has recently fallen back from over 78 cents U.S. to under 72 cents U.S. in May 2004, as the Bank of Canada continued reducing Canadian interest rates with two additional cuts to its overnight rate in early 2004. The Bank of Canada's actions have lowered short-term rates by a total of 1.25 percentage points since June 2003, bringing them to their lowest level in more than 40 years.

After two years of sluggish growth, the economy of Ontario's leading trade partner, the United States, grew by a solid 3.1 per cent in 2003. U.S. growth was particularly robust in the second half with real output rising 8.2 per cent in the third quarter, the strongest gain in nearly twenty years, and a healthy 4.1 per cent in the fourth quarter. Household and business spending were boosted by low interest rates and tax cuts while the decline in the value of the U.S. dollar in 2003 helped restore the competitiveness of U.S. exporters. U.S. auto sales were weaker, however, falling by 0.8 per cent to 16.6 million units in 2003.

Canada's economy was affected by a number of temporary shocks in 2003, as well as the sharp currency appreciation of last year. As a result, real GDP growth slowed to just 1.7 per cent, roughly half its 3.3 per cent pace in 2002. Exports were the major source of weakness for the economy in 2003, shrinking by 2.1 per cent. Both consumer spending, which advanced by a solid 3.3 per cent, and business investment, which rebounded 4.8 per cent, offset the weakness in trade. Final domestic demand – consumer spending, investment and government spending – grew by 3.6 per cent in 2003, its strongest gain in three years.

Ontario's economy also weathered a series of setbacks in 2003: Severe Acute Respiratory Syndrome (SARS), the August power blackout, global political tensions and the rise in the Canadian dollar. The cumulative impact of these shocks slowed Ontario's economic growth to just 1.3 per cent in 2003, its slowest rate of growth since 1996, following a 3.6 per cent advance in 2002. Despite the challenges, final domestic demand remained robust, rising by 4.0 per cent in 2003, its largest increase in three years. Domestic demand was boosted by an 8.0 per cent rebound in machinery and equipment investment, continued strength in housing, which advanced 5.1 per cent, and a healthy 3.4 per cent advance in consumer spending. Largely as a result of the dollar's appreciation and reduced U.S. auto sales, Ontario's exports were the major source of weakness for the economy, falling 1.2 per cent in 2003.

Financial Markets

The trend-setting U.S. Federal Funds rate was lowered once in 2003 reflecting soft economic growth. Faced with seemingly strong domestic demand and inflationary pressures, the Bank of Canada raised its overnight rate twice by 25 basis points, once in March and again in April. In mid-2003, the Bank of Canada reversed course, decreasing interest rates by 25 basis points on two occasions. This reversal was attributed by the Bank of Canada to a strengthening Canadian dollar, a decline in inflation as well as weakness in the economy caused by the impact of SARS, Bovine Spongiform Encephalopathy (BSE) on exports of Canadian beef and cattle and the forest fires in Western Canada.

Economy and Financial Markets

U.S. bond yields rose in 2003, which was the first time since 1999 that the yield on the 10-year note rose for the year. In Canada, 10-year government yields rose early in the year then declined, with yields closing the year out lower than at the start of the year. As a result, the spread between Canadian and U.S. bond yields narrowed throughout the year as the U.S. economy had to deal with "twin deficits" – trade and budget – compared to Canada where there were no such deficits.

Internal Developments

There were a number of internal items that affected the OFA in 2003-04. First, in July 2003, the Corporate Finance division merged with the Ontario Electricity Restructuring Secretariat of the Ministry of Finance to form the new Corporate and Electricity Finance division. The objective of the reorganization is to ensure a closer alignment of core business and program delivery on electricity finance issues, particularly as they relate to OEFC.

The OFA worked closely with the Human Resources Branch of the Ministry of Finance to hire for positions approved early in 2003. These positions were required for critical activities related to pooled funds investment, electricity operations, the implementation of the Ontario Nuclear Funds Agreement (ONFA) and to support the Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA), which became the Ontario Strategic Infrastructure Financing Authority (OSIFA). Continued staff training and education assisted in performance and in maintaining a high quality of services at the OFA.

In the 2002-03 Ontario Public Accounts, the OEFC's financial results were consolidated with those of the Province on a line-by-line basis. The consolidation was done to be consistent with Public Sector Accounting Board (PSAB) accounting treatment. OEFC revenues, expenses and Interest on Debt (IOD) are now included in the Province's Statement of Operations and OEFC's debt is included in debt on the Province's Statement of Financial Position.

Previously, OEFC's results were recorded separately on the Statement of Operations for the Province. In addition, the Province and OEFC's borrowing programs and debt are now reported on a consolidated basis.

Report by Division

The following sections highlight the OFA's results in 2003-04 and its priorities for 2004-05.

Capital Markets

Responsibilities

The Capital Markets division is responsible for the execution of the Province's borrowing program and debt management activities. It also manages the legal requirements and securities commission filings relating to debt issuance, as well as managing relations with investors and the investment community.

Results in 2003-04

The OFA completed long-term public borrowing of $25.4 billion for the Province and on behalf of OEFC. This amount includes $14.9 billion of debt maturities and redemptions and $6.2 billion from the interim deficit.

Ontario's bond issues were well received by both retail and institutional investors worldwide. By far, Canadian investors comprise the largest investor base for Ontario, followed by investors in the United States. European and Asian investors also purchase Ontario bonds.

In 2003-04, $18.7 billion, or nearly three-quarters of the Province's long-term public borrowing requirements were completed in the Canadian domestic market. The OFA employed a wide variety of financing approaches aimed at meeting investor demand. For instance, the OFA raised $7.1 billion through 14 Domestic Medium Term Notes (DMTNs), which were broadly targeted to domestic investors. Also, $4.5 billion in Floating Rate Notes (FRNs) were issued at cost-effective rates, and $900 million was raised through the Province's first amortizing bond. As well, two bond auctions totalling $1.0 billion were completed on behalf of OEFC. Finally, the Ontario Savings Bond (OSB) campaign, aimed at retail investors in Ontario, raised $3.8 billion.

While the majority of the borrowing was completed in the domestic market, Ontario also diversified its funding sources by raising the equivalent of $4.6 billion in foreign currencies, achieving funding costs below those available in the Canadian domestic market.

The OFA launched its first global bond denominated in Euros, and also issued three U.S. dollar global bonds. Euro Medium Term Notes (EMTNs) in Canadian dollars, Australian dollars, Swiss francs and Japanese yen were issued, along with the Province's first Hong Kong dollar bond. A yen loan was also entered into by the Province.

To ensure that investments within Ontario agencies, boards and commissions are being optimally invested and benefit from economies of scale, the OFA is coordinating an initiative for the pooling of Ontario government sector investments. It is expected that the pooling process for these government funds will begin in 2004-05.

The Province, Ontario Power Generation Inc. (OPG) and certain OPG subsidiaries entered into the Ontario Nuclear Funds Agreement (ONFA) in March 2002. The agreement came into force on July 24, 2003. Its main objective is to ensure sufficient funds are available to pay for future costs of nuclear waste management and nuclear station decommissioning.

ONFA funds are jointly managed by the OFA on behalf of the Province and OPG. Under ONFA, three investment funds were established totalling $4.9 billion for the disposition of nuclear waste and used fuel and the decommissioning of nuclear power stations. Investment policies setting out risk and return guidelines and procedures were developed and external investment managers were hired to manage

the funds. Other work associated with ONFA included developing corporate governance policies and establishing fiscal agency, operational, audit and accounting frameworks.

Debt Management Activities and Policies

The OFA uses financial options, swaps and other financial instruments to manage the Province's exposure to fluctuations in interest rates and foreign currency exchange rates. Risk exposures are monitored daily and audited annually. The cost-effectiveness of borrowing, debt management and investment activities are all measured daily against pre-established benchmarks.

As of March 31, 2004, the Province's total swap portfolio had a notional value of $85.8 billion, which consisted of $30.8 billion in cross-currency swaps and $55.0 billion in interest rate swaps.

To mitigate the financial risks inherent in a large and diversified debt portfolio, it is important to maintain prudent risk management policies and practices. The OFA employs risk limits and strategies to ensure that market, credit and liquidity risks are managed in a sound and cost-effective manner. These risk limits and strategies are defined below.

Foreign Exchange Risk

Net foreign exchange exposure was 1.2 per cent of outstanding debt as of March 31, 2004. During the fiscal year, foreign exchange exposure was within the Province's approved limit of five per cent of outstanding debt.

Interest Rate Resetting Risk

Interest rate resetting exposure was 11.4 per cent of outstanding debt as of March 31, 2004. During the fiscal year, interest rate resetting exposure was within the Province's approved limit of 25 per cent of outstanding debt.

Refinancing Risk

The Province aims for a balanced debt maturity profile to mitigate the interest rate risk inherent in refinancing maturing and floating-rate debt. During 2003-04, maturities amounted to $13.3 billion. In 2004-05, maturities are estimated at $16.1 billion.

Credit Risk

The lowest acceptable credit rating of counterparties for Ontario is "A" minus. However, Ontario typically enters into new swap transactions with counterparties rated "AA minus" or higher. At year-end, 80 per cent of the swaps outstanding were with financial institutions with credit rating "AA minus" or higher.

Liquidity Risk

Liquidity risk is controlled through the management of liquid reserves levels and short-term borrowing programs. The average level of liquid reserves was $6.1 billion in 2003-04. The Province's Treasury Bill and U.S. Commercial Paper programs have authorized limits of $12.0 billion ($6.0 billion for the Province and $6.0 billion for OEFC) and $2.5 billion ($1.25 billion for the Province and $1.25 billion for OEFC), respectively.

Capital Markets

Performance

Through the timing of debt issues and related hedging, the cost of borrowing for the Province and OEFC during 2003-04 was estimated at $116.6 million better than the benchmark, on a present value basis. This performance measure compares the actual cost of borrowing against a benchmark of hypothetical domestic borrowing of the same term spread out evenly over the fiscal year based on projected borrowing requirements. Debt management activities resulted in savings of $9.9 million in 2003-04. For the money market program, savings of $2.5 million over the 45 day benchmark were achieved.

Objectives for 2004-05

The Province's long-term public borrowing program is projected at $23.8 billion, primarily consisting of $16.1 billion to refinance maturing debt, $2.2 billion for the deficit and $1.0 billion as a provision for early debt redemptions. The domestic market again will be the primary source for Ontario's borrowing program. However, international capital markets will be monitored and foreign markets will be accessed when total borrowing costs are lower than those in the Canadian domestic market. The OFA will build on the success of its bond auctions and domestic MTN program.

Cost-effective borrowing and prudent debt management strategies will continue to be key objectives for the OFA, particularly over the medium term. The OFA will maintain a flexible approach to borrowing by seeking out diversified borrowing opportunities that minimize debt servicing costs.

Retail Markets

Responsibilities

The Retail Markets division is responsible for the overall management of the retail bond programs, including the Ontario Savings Bond (OSB) program, as well as overseeing transitional issues related to the sale of the Province of Ontario Savings Office (POSO) on April 1, 2003, to Desjardins Credit Union (DCU). It also participates and assists in the research and development of new retail products and increased access to retail markets.

Results in 2003-04

The 2003 OSB campaign raised $3.8 billion, the ninth successful campaign. With the OFA's corporate finance branch, the division established Ontario Opportunity Bonds and subsequently ran the campaign raising $323 million on behalf of OMEIFA.

In addition, the final adjustments of all costs associated with the sale of POSO were completed. DCU ultimately paid nearly $51 million for POSO.

Objectives for 2004-05

The division will proceed with the tenth annual OSB campaign in a cost-effective manner, while still maintaining competitive rates. The division will also continue working with DCU to ensure the smooth transition of the POSO sale. On behalf of the Province, the division will also continue the administration of all accounts and safety deposit boxes that were unclaimed prior to the sale date.

The government announced in the 2004 Ontario Budget that it will establish a pilot program to issue provincially guaranteed Northern Ontario Grow Bonds. The proceeds will be used to provide loans to new and growing businesses in Northern Ontario. The division will oversee the issuance of these bonds.

Risk Control

Risk Control

Responsibilities

The Risk Control division is responsible for monitoring and measuring the financial risks and performance associated with the borrowing, debt management and investment of liquid reserves. It also ensures risk management policies reflect prevailing market practices and address counterparty exposures and monitors compliance. The division develops and implements risk management policies and the associated infrastructure to assess and monitor new business exposures, ensuring compliance with policies as approved by the Board of Directors.

The division also forecasts the Province's IOD for the provincial budget and quarterly fiscal updates providing forecast-to-forecast variance analyses. It has the responsibility of managing the Province's relationship with the credit rating agencies and assessing counterparty credit risk. It also oversees the development of the OFA's Business Continuity Plan (BCP). Finally, the division provides systems development and information technology support to the OFA and OSIFA.

Results for 2003-04

Substantial progress was made to reduce operational risk in 2003-04 through the ongoing Model Risk Review Initiative. The Model Risk Review Initiative was established to assist in the mitigation of operational risk factors through the reviews of models and enhanced process documentation. This includes ensuring that data inputs, software code, pricing models, risk measurement tools and risk exposure estimates are current and accurate.

The division increased the scope and frequency of its stress testing to supplement current Value-at-Risk (VaR) reporting and to more comprehensively assess and report the risks inherent in current positions.

The division further strengthened the OFA's credit risk monitoring capability through a number of revisions to the OFA's Credit and Related Legal Risks Policy. As a result, the division has started monitoring settlement risk as part of credit risk measurement. The revisions also broadened the range of acceptable issuers of securities without compromising the OFA's high credit quality standards. This will allow the OFA to invest in a wide range of securities issued by strong credits, thereby providing the Province with new opportunities to achieve higher returns on its liquid reserve investments.

The division adapted its interest expense forecasting models to make them compatible with the Province's decision to consolidate the interest expense of the Province with that of OEFC in the Public Accounts. In addition, the division enhanced the Money Market Program analytics to improve the program's performance attribution analysis reported to the Board of Directors.

The division also continued to liaise with the credit rating agencies regarding Ontario's credit rating as well as those entities such as school boards and hospitals whose ratings are dependent on the Province.

Following the Report on the Review of the 2003-04 Fiscal Outlook by former Provincial Auditor Erik Peters, released on October 29, 2003, the OFA held discussions with Dominion Bond Rating Service (DBRS), Standard & Poor's and Moody's to apprise them on developments that may affect Ontario's fiscal outlook and to respond to questions to ensure these agencies possessed a clear understanding of the Province's fiscal position. After their reviews, all three agencies confirmed Ontario's double "A" ratings.

Risk Control

The OFA Corporate Governance Policy was revised to reflect the most recent improvements in corporate governance standards in both private and public sectors. This revision, together with the recently approved Audit Committee Charter, emphasizes the oversight role of the Board of Directors in the area of risk assessment and internal controls. As a result, the Province will be better protected against the financial risk exposures associated with borrowing, debt management and investment activities.

In conjunction with the establishment of the Ontario Nuclear Funds Agreement (ONFA) in late July 2003, the division commenced the daily reporting of the market and book values of ONFA funds. The daily reporting of the market and book values provides management with the current information required to make investment management decisions.

The division supported the government's initiatives in infrastructure investment through its support to OMEIFA (now OSIFA). The division managed the initial credit rating process, whereby OMEIFA was rated AA+, Aa2 and AA by Standard and Poor's, Moody's and DBRS, respectively. As part of the municipal loan application process, the division reviews and undertakes risk assessments of all loan proposals.

The division made a number of systems advancements that provided a positive impact on business efficiency and service delivery. In 2003-04, debt liabilities were successfully integrated into the Integrated Treasury System (ITS), providing a single system for all transactional data from trade entry through to settlements, cash management, accounting and risk management. The Ontario Savings Bonds program was similarly integrated into ITS, incorporating all of the transactions handled by the Retail Markets division into one centralized system that supports trades, electronic authorization, settlements instructions, compliance checks and other related tasks.

Throughout 2003-04, enhancements to current financial systems applications continued. Improvements in the data retrieval, warehousing, reporting and auditing of electrical power generation were made to OEFC. MV-90, the industry-standard automatic meter management software, was installed. To comply with current treasury management standards, the Cash Management system was changed from an outdated screen capture of balances and transactions data to a more contemporary Bank Administration Institute (BAI) file format. As a result of the Canadian Payments Association's (CPA) August 3, 2003 rule amendment prohibiting the inter-bank clearing of paper cheques over $25 million, the Cash Management system was adjusted to better integrate with the Cash Management section's transfer of funds procedures. In addition, two new web-based systems were implemented for OMEIFA: the Loan Application and Reporting Systems (LARS) and the Loan Application System (LAS).

In 2003-04, the division oversaw the development of an enhanced corporate BCP that reduces recovery times for OFA's critical business functions from days to hours and eliminates the need for a specific recovery site. Active participation by all business units in identifying critical business recovery tasks has resulted in a greater corporate awareness of business continuity.

On August 14, 2003, a major power failure hit Ontario and the northeastern United States. Half of the power was restored in Ontario the following day with rolling blackouts across the Province. Within days, close to ninety-five per cent of power was restored in Ontario and on August 18, full restoration was declared. During this period, the government of Ontario requested that only staff deemed essential by their organizations report to work in order to conserve energy. The OFA successfully met its financial obligations by utilizing the critical business functions and procedures outlined in its BCP.

Objectives for 2004-05

During 2004-05, the division will continue to enhance or update its financial risk assessment capabilities, portfolio analytics, financial risk measures and risk management policies for the OFA and OEFC. This will

Risk Control

include conducting strategic studies as required. Regular communications with credit rating agencies will continue to ensure that the Province's ratings are based on current and timely information. The division has and will continue to maintain and expand the OFA, OEFC and OSIFA's information technology and computing systems to ensure a high level of availability, integrity and security.

The division will work toward finalizing the Model Risk Review Initiative. In addition, work will continue on assessing alternative performance benchmarks to ensure the OFA's benchmarks are incorporating industry best practices. Portfolio stress testing will be expanded and the division will support the Province's priorities in the areas of infrastructure investment, electricity supply and funding of the electricity stranded debt, through the development and implementation of risk management policies and the associated operational infrastructure for new business initiatives (e.g., ONFA, and non-utility generators (NUGs) portfolio management).

Also in 2004-05, the division plans a number of system developments for the OFA that will include initiatives to provide a redesigned framework for Risk Control's data, operational, modelling and forecasting needs. The ITS will be enhanced to include pricing of embedded options on debt. This additional functionality will provide consistent pricing across all systems.

The new categorization structure being developed by the Integrated Financial Information Services (IFIS) and the central agencies concerning the ministries' cash forecast will be integrated into the Cash Management Integrated System Project. This new package (which includes cash forecasting) replaces the previous Corporate Ledger System on IFIS. Additional integration of the Chequer, BankReporter and the Radar system with the Cash Management Integrated System will also proceed. An integrated system will improve efficiency and eliminate the reliance on spreadsheets and manual data inputs.

For OEFC, operational systems to facilitate the reporting and auditing of electricity power payments to NUGs will be implemented. For OSIFA, the Loan Application and Reporting system will be enhanced to support the expanded loan application form. The Loan Administration system also will be enhanced to provide capabilities for debenture loans, both amortizing and serial, and administration functions for construction loans.

Corporate and Electricity Finance

Responsibilities

The Corporate and Electricity Finance division provides the government with analysis and advice on financing and other initiatives that may impact the Province's and OEFC's finances and their direct and indirect liabilities.

Results in 2003-04

The corporate finance branch provided financial advice, due diligence and modelling to the government and assisted in negotiations with lenders on a wide-range of corporate finance issues for school boards, hospitals and other similar projects.

Advice was provided so that the Ontario Clean Water Agency (OCWA) could obtain an $8 million credit facility to finance the implementation of the *Safe Drinking Water Act*. In addition to evaluating the underlying business case for the financing, the group advised OCWA on establishing a competitive procurement process, drafting a Request for Proposals (RFP) and evaluating respondents' requests. A $10 million loan for the Ontario Energy Board at competitive terms within tight deadlines was also negotiated.

Assistance was provided to the Royal Ontario Museum (ROM) in acquiring up to $63.5 million in financing for the Renaissance ROM project by providing advice and assisting in negotiations with lenders. It is estimated that the joint efforts of the ROM and the OFA saved approximately $3.9 million in financing costs on a present-value basis.

Corporate finance also established OMEIFA (now OSIFA), and in conjunction with Retail Markets, tax-exempt Ontario Opportunity Bonds. The division also assisted with the development of financing strategies for the local share of Peterborough's new hospital.

The electricity finance branch was also involved in a number of government initiatives in 2003-04, providing financial analysis, modelling and related advice on electricity sector financial issues, including OEFC cash flows, projections of the Electricity Consumer Price Protection Fund (ECPPF), stranded debt and the monitoring and financial analysis of OPG and Hydro One business plans and performance.

The branch was involved in finalizing the Ontario Nuclear Funds Agreement (ONFA). This required developing governance and reporting relationships with OPG and timely and accurate financial reporting to ensure that costs were minimized and financial performance targets were being met.

The electricity finance branch also assisted with the review and analysis of the NUG contracts in 2003. In the mid-1980s to early 1990s, the former Ontario Hydro entered into approximately 90 long-term power purchase agreements (PPAs) with NUGs located in Ontario. As the legal continuation of the old Ontario Hydro, OEFC is responsible for these contracts.

During the year, revisions to seven NUG contracts were negotiated to reduce their above-market costs to OEFC. In total, 23 of the contracts have been reviewed.

Finally, the electricity branch provided financial analysis to the Pickering "A" Review Panel.

Corporate and Electricity Finance

Objectives for 2004-05

In 2004-05, the division will continue to be active in corporate and electricity finance issues.

The corporate finance branch will continue to assist with investment in public infrastructure including hospitals, schools, colleges, universities, housing, roads and other similar projects by assessing the fiscal and financial implications of various financing options. The branch will also support the government in its review of major provincial assets to determine whether ownership of the assets is consistent with ongoing fiscal priorities and whether the assets are being effectively and efficiently managed.

The electricity finance branch will continue to provide financial analysis, modelling and related advice on electricity sector issues, including OEFC cashflows and stranded debt. The branch will also monitor and provide financial analysis on OPG and Hydro One business plans and performance and will support the implementation of the government's electricity industry policy decisions, as appropriate.

Capital Markets Treasury

Responsibilities

Capital Markets Treasury division provides centralized cash management services to the Province with the objective of maximizing the returns on the Province's liquid reserves.

It also acquires cost-effective banking products and services to support government ministries' program delivery and crown agencies' banking activities. It liaises with service providers and oversees their activities to ensure ongoing quality service delivery.

The division also is responsible for the confirmation and settlement of all transactions undertaken in support of capital market activities. This includes accounting for all capital market transactions and IOD for the Province, OEFC and OSIFA. Oversight of the nuclear funds established under ONFA is also carried out by this division.

Results in 2003-04

Cash Management

A number of initiatives were implemented to improve the timing of the Province's cash flows, enhance services to ministries and crown agencies and strengthen internal operations and controls.

As the treasury function for the Ontario government, the division is closely involved in the implementation of the IFIS, the initiative to develop a single enterprise-wide financial information system across the government. Originally initiated in November 2002, IFIS was implemented in all but seven government ministries as of March 31, 2004. Four ministries, including Transportation and Health & Long-Term Care, have since been converted to IFIS on April 1, 2004, and the remainder are scheduled to be converted in November, 2004.

Building on the capability of IFIS, the division has been able to streamline and update its systems in order to enhance cash forecasting and monitoring. A new forecasting system, which provides more accurate forecasts, was developed in conjunction with ministries and other agencies. The analytical tools within this system also will help the OFA give timely and useful feedback to the ministries on their cash performance.

In other areas, the division is in the process of applying web-based real-time technology for monitoring government bank accounts and executing inter-bank transfers, thereby reducing the possibility of errors and minimizing the overall risk associated with the transfer of large sums of money. Finally, the division implemented a new forecasting tool for Retail Sales Tax revenues that will enhance revenue forecasting, which in turn will have a positive impact on the Province's Interest on Debt.

Banking Services

The division, while continuing to support ongoing IFIS implementation, initiated a review of current IFIS banking practices aimed at re-engineering ministries' bank deposit practices, rationalizing bank accounts, maximizing the automated bank reconciliation feature of IFIS and aligning IFIS payments and receipts mechanisms with those of the banks. This initiative will be completed in 2004-05.

The banking services and settlements branches successfully transitioned and implemented the OFA's Treasury bill issuance to TD Bank in June 2003 and the OFA's custody and settlement of money market transactions to Royal Bank Global Services in September 2003.

Capital Markets Treasury

Management Board approval was obtained in December 2003 to issue a tender for banking services for the Ministry of Community and Social Services, Family Responsibility Office (FRO). The tender was issued February 27, 2004, and closed March 24, 2004.

The division participated in the establishment of the three investment funds required under ONFA. This included the development of corporate governance and the establishment of fiscal agent, operational, accounting and audit framework.

Accounting and Settlements

The division provided consistent, effective and timely settlement and payment processes ensuring that trade settlement was completed in a cost-effective manner. This required financial transactions to be recorded and processed successfully and accurately.

A major initiative in support of this goal was the integration of debt liabilities into the ITS-Liability System. The division played a key leadership role by verifying that data for the Province, OEFC and other agencies and organizations was accurately transferred from the former liability system to the ITS-Liability System. This data included over 1,500 outstanding debt issues valued at $148 billion. In addition, the division ensured that testing of the ITS-Liability System was done efficiently and that timely feedback was provided to the OFA's systems section so that any operational and reliability issues were addressed prior to implementation. The new system will improve the quality of management reporting on the outstanding and maturing debt of the Province, OEFC and OSIFA, as well as being operationally more efficient.

Due to significant changes in accounting policies for financial instruments, the division reviewed and implemented complex accounting pronouncements from the Canadian Institute of Chartered Accountants (CICA). By liaising with accounting organizations and Canadian jurisdictions to remain current with accounting pronouncements that affect the OFA and OEFC, the division ensures that the OFA keeps abreast of changes in accounting trends and practices.

Objectives for 2004-05

The division will review the activities in each of its branches to identify critical areas where operational risks can be mitigated. The objective of the review is to improve procedures and processes and the flow and capture of data in order to mitigate or eliminate these risks. Each branch in the division will assess the operational risk profile of its critical functions, which include the ITS-Liability System and Cash Management System, against appropriate benchmarks. The analysis will identify possible enhancements that may be implemented through process and system changes. The risk mitigation analysis will also identify alternative courses of action that are being followed in the financial industry and will assess the appropriateness of applying such processes to the OFA. Based on the analysis, the division will develop an implementation plan for improvements to procedures and processes.

Cash Management

The 2004 Ontario Budget committed to improving the efficiency of the government's cash resources by implementing more standardized cash management practices. The division will meet this requirement by obtaining ministerial approval of its cash management directive and overseeing its implementation across the Ontario Public Service. This will include the necessary training and education to ministries and agencies. The directive will require mandatory implementation by all ministries and agencies and will ensure that ministries and central agencies follow good cash management practices that are standardized across the Ontario Public Service and applicable agencies.

The division will also continue with its involvement in the IFIS project to ensure that the OFA's cash management needs are satisfactorily met. As part of improving cash management, the division will continue the implementation of a streamlined cash forecasting system that effectively uses the capabilities of IFIS. This system is part of a comprehensive central agency reporting and monitoring system that is aimed at reducing information duplication and enhancing the value-added contribution of central agencies, including the cash management function. It is anticipated that the new system will significantly contribute to improved forecasts of cash information, thereby reducing cash volatility, which in turn impacts positively on the IOD expenditures.

In conjunction with banking services, cash management is in the process of implementing/improving web-based real-time platforms with major banks, thus allowing for a more efficient cash management function.

Banking Services

In 2004-05, bids received for the FRO banking services tender issued in February 2004 will be evaluated and the business awarded to the successful bidder for a five year term. The tender is expected to be awarded in June 2004.

The ongoing review of current IFIS banking practices and procedures will result in a reduced number of bank accounts, streamlined payments and receipts processing and increased usage of the IFIS automated bank account reconciliation system in 2004.

Accounting and Settlement

Accounting developments will continue to be followed to ensure that the OFA remains current with accounting pronouncements that could potentially affect the Province and OEFC's programs.

A review of industry settlements and fiscal agency practices is ongoing with a view to improving the branch's procedures and operations, as required. The division is enhancing operating policies and procedures and support systems (e.g. ITS-Liability System and OSIFA Loans System) to continue to meet the settlement, payments and fiscal agent requirements of the Province and crown corporations such as OSIFA. In addition, the division is working with Capital Markets on the pooled investment funds project.

Summary of Financial Results

The OFA manages the Province's debt and investments and recovers its costs for these services. The OFA also provides treasury and administrative services to other Crown agencies and recovers its costs on a fee-for-service basis.

The OFA's income from operations for the year ended March 31, 2004, was $4,000 (March 31, 2003 – $3,000). Net capital assets of the OFA as of March 31, 2004, were $1.9 million, representing a balance as of March 31, 2003, of $1.0 million, plus purchases, including leasehold improvements, of $1.7 million and less amortization of $0.8 million. Retained earnings of OFA of $40,000 (since inception) represent notional amounts. Annually, the OFA's financial results are consolidated on a line-by-line basis with those of the Province. This accounting treatment is in accordance with the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), under which the OFA is considered a government organization.

As an intermediary for the Province, the OFA made loans to public bodies, the repayment of which is to be funded through third-party revenues. The outstanding balance of these loans, as of March 31, 2004, was $131 million, a net increase of $76 million (from the $55 million reported a year ago) as reported in Note 4(i) of the financial statements. The increase is mainly due to a loan made to assist the Toronto District School Board of $55.2 million and to the Ontario Northland Transportation Commission (ONTC) of $24 million on their lines of credit.

The OFA continued to provide investment management services to other public bodies such as the Ontario Realty Corporation, the Ontario Trillium Foundation, etc. As of March 31, 2004, the OFA managed investments totalling $428 million (March 31, 2003 – $452 million), on behalf of those entities as reported in Note 4(ii) of the financial statements.

The OFA also administers the loans receivable and payable of the former Ontario Municipal Improvement Corporation (OMIC). OMIC assets of $79 million consist of debentures receivable from various municipalities and school boards. An equal amount of liabilities are payable to Canada Pension Plan (CPP) and the Province. The majority of loan repayments will occur in the fiscal years ended March 31, 2012-13. The interest earned and paid annually on account of OMIC assets and liabilities amounts to $7.6 million and is expected to remain at this level until CPP loans start maturing.

During the year, the Ontario Electricity Restructuring Secretariat was transferred to the OFA forming the Corporate and Electricity Finance Division to better integrate the financial analysis, operational responsibilities and due diligence on behalf of the Province related to the electricity industry. Starting in fiscal 2004-05, operating costs for the Electricity Finance Branch will be part of OFA; for fiscal 2003-04 the costs remained with the Ministry of Finance.

The Province of Ontario Savings Office (POSO) was sold to Desjardins Credit Union (DCU) and pursuant to the Sale Agreement, the sale closed on March 31, 2003. As shown in Note 7(ii), the Province received additional sale revenue of approximately $3 million as per the sale agreement and paid $9 million, including interest, to DCU resulting from an understatement of the initial assets transferred from the Province to DCU. The OFA staff continue to manage post-sale activities, including legal requirements and liaise with former POSO clients to ensure that the needs of former POSO account holders are adequately met.

Financial Statements

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Responsibility for Financial Reporting

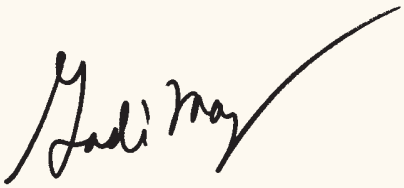
The accompanying financial statements of the Ontario Financing Authority have been prepared in accordance with accounting principles generally accepted in Canada and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's 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 11, 2004.

Management maintains a system of internal controls designed to provide reasonable assurance that the 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 Committee of the Board of Directors.

The Board of Directors, through the Audit Committee, is responsible for overseeing that management fulfils its responsibilities for financial reporting and internal controls. The Audit Committee meets periodically with management, the internal auditors and the external auditor to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by the Office of the Provincial Auditor. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and opinion.

On behalf of Management:



Gadi Mayman

CEO and Vice-Chair (interim)
Ontario Financing Authority
June 11, 2004

Auditors Report

Office of the
Provincial Auditor
of Ontario

Bureau du
vérificateur provincial
de l'Ontario

Box 105, 15th Floor, 20 Dundas Street West, Toronto, Ontario M5G 2C2
B.P. 105, 15e étage, 20, rue Dundas ouest, Toronto (Ontario) M5G 2C2
(416) 327-2381 Fax: (416) 327-9862

Auditor's Report

To the Ontario Financing Authority
and to the Minister of Finance

I have audited the balance sheet of the Ontario Financing Authority as at March 31, 2004, and the statement of net income and retained earnings, and the cash flow statement for the year then ended. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2004 and the results of its operations and its cash flows for the year then ended, in accordance with the Canadian generally accepted accounting principles.

Toronto, Ontario
June 11, 2004

J.R. McCarter, CA
Assistant Provincial Auditor

Balance Sheet

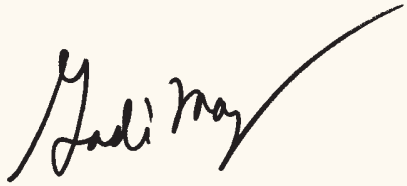
As at March 31, 2004

(in thousands of dollars)		**2004**		***2003***
ASSETS				
Current assets				
Cash	$	141	*$*	*136*
Accounts receivable		2,852		*2,809*
Due from agencies (note 4 (iii))		1,140		*1,193*
Loans receivable (note 2)		6		*5*
Total current assets	**$**	**4,139**	***$***	***4,143***
Long-term assets				
Capital assets (note 3)		1,866		*975*
Loans receivable (note 2)		79,027		*79,033*
Total assets	**$**	**85,032**	***$***	***84,151***
LIABILITIES AND RETAINED EARNINGS				
Current liabilities				
Accounts payable and accrued liabilities	$	4,809	*$*	*3,874*
Due to the Province of Ontario - Agencies (note 4 (iii))		1,140		*1,193*
Due to the Province of Ontario - OMIC debt (note 2)		6		*5*
Total current liabilities	$	5,955	*$*	*5,072*
Long-term debt				
Due to CPP and the Province of Ontario (note 2)		79,037		*79,043*
Total liabilities	$	84,992	*$*	*84,115*
Retained earnings		40		*36*
Total liabilities and retained earnings	**$**	**85,032**	***$***	***84,151***

See accompanying notes to financial statements.

Approved on behalf of the Board:

Colin Andersen
Chair



Gadi Mayman
Vice-Chair and Chief Executive Officer (interim)

Statement of Net Income and Retained Earnings

For the year ended March 31

(in thousands of dollars)		**2004**		***2003***
REVENUE				
Interest	$	7,600	*$*	*7,600*
Cost recovery from the Province of Ontario (Note 4(ii))		13,423		*12,791*
Total revenue	**$**	**21,023**	***$***	***20,391***
EXPENSES				
Interest on long-term debt	$	7,596	*$*	*7,597*
Salaries, wages and benefits		10,298		*9,413*
Administrative and general		2,338		*2,458*
Amortization		787		*920*
Total expenses	**$**	**21,019**	***$***	***20,388***
Income from continuing operations	$	4	*$*	*3*
Net income from discontinued operations (note 7(i))		-		*6,132*
Net income from operations for the year	$	4	*$*	*6,135*
Retained earnings, beginning of the year		36		*73,980*
Transfer of POSO retained earnings to the Province of Ontario (note 7(i))		-		*(80,079)*
Retained earnings, end of the year	$	40	*$*	*36*

See accompanying notes to financial statements.

Cash Flow Statement

For the year ended March 31

(in thousands of dollars)		**2004**		***2003***
Cash flows from operating activities				
Income from continuing operations	$	4	*$*	*3*
Adjustments to reconcile net income to funds provided by operating activities:				
Amortization		787		*920*
Net change in accounts receivable, payable and accrued liabilities		892		*(436)*
Cash flows from operating activities of discontinued operations		-		*10,608*
Cash flows from operating activities	$	1,683	*$*	*11,095*
Cash flows from financing activities				
Repayments to the Province re: OMIC loans	$	(5)	*$*	*(9)*
Repayments from holders of OMIC loans		5		*9*
Cash flows from financing activities of discontinued operations		-		*(370,242)*
Cash flows from/(used in) financing activities	$	-	*$*	*(370,242)*
Cash flows from investing activities				
Purchase of capital assets	$	(1,678)	*$*	*(485)*
Cash flows from investing activities of discontinued operations		-		*337,901*
Cash flows (used in)/from investing activities	$	(1,678)	*$*	*337,416*
Net increase/ (decrease) in cash		5	*$*	*(21,731)*
Cash at beginning of the year		136		*21,867*
Cash at end of the year	**$**	**141**	***$***	***136***

See accompanying notes to financial statements.

Notes to Financial Statements

For the year ended March 31, 2004

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's objects are:

- to assist public bodies and the Province of Ontario to borrow and invest money;
- to develop and carry out financing programs, issue securities, manage cash, currency and other financial risks on behalf of the Province, or any public body;
- to provide such other financial services as are considered advantageous to the Province or any public body;
- any additional objects as directed by the Lieutenant Governor in Council.

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 of Canada*.

1. SIGNIFICANT ACCOUNTING POLICIES

(i) General: The financial statements are prepared in accordance with Canadian generally accepted accounting principles prescribed by the Canadian Institute of Chartered Accountants (CICA.)

(ii) Capital assets: Capital assets are stated at cost. Amortization is provided using the straight-line method over the estimated useful life of the asset, as listed below, starting in the year of acquisition, i.e. half year depreciation is charged in the year of acquisition and half year in the year of disposal, irrespective of the date of acquisition or disposal.

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

(iii) Measurement uncertainty: The preparation of the financial statements of the OFA requires management to make estimates and assumptions based on information available at the time of preparation of the financial statements and will be adjusted annually to reflect new information as it becomes available.

2. ONTARIO MUNICIPAL IMPROVEMENT CORPORATION (OMIC)

In accordance with the *Capital Investment Plan Act, 1993*, the OMIC ceased to exist and its assets and liabilities were transferred to the OFA on November 15, 1993. OMIC received loans from the Canada Pension Plan (CPP) and the Province, which OMIC used to make loans to municipalities and school boards under similar terms as its debt.

As of March 31, 2004, the portion of long-term debt maturing in 2004-05 is $6,000 (March 31, 2003 - $5,000 which matured in 2003-2004) and is due to the Province. Long-term debt (maturing in the year ended March 31, 2006 and future) is comprised of debt due to the Province of $16,000 and to the CPP of $79 million (March 31, 2003 - $22,000 and $79 million respectively, maturing in year ended March 31, 2005 and future).

Notes to Financial Statements

The terms of the outstanding debt are as follows:

(in thousands of dollars)

Year ended March 31	As at March 31, 2004 Principal Maturing	As at March 31, 2004 Effective Average Interest Rate (%)	As at March 31, 2003 Principal Maturing	As at March 31, 2003 *Effective Average Interest Rate (%)*
2004	$ -		$ *5*	*11.25*
2005	6	11.25	*6*	*11.25*
2006-09	6	11.25	*6*	*11.25*
1 - 5 years	12		*17*	
6 - 10 years	79,031	9.61	*79,031*	*9.61*
Total	**$ 79,043**		***$ 79,048***	

3. CAPITAL ASSETS

The balance of capital assets, net of amortization, is as follows:

(in thousands of dollars)

	Cost	Accumulated Amortization	Net Book Value March 31, 2004	Net Book Value March 31, 2003
Furniture and equipment	$ 313	$ 229	$ 84	$ *58*
Computer hardware	6,344	4,949	1,395	*875*
Leasehold improvements	820	433	387	*42*
Total	**$ 7,477**	**$ 5,611**	**$ 1,866**	***$ 975***

4. TRANSACTIONS WITH THE PROVINCE AND OTHER PUBLIC BODIES

(i) Financing activities between the Province and other Public Bodies: Acting as a financial conduit for the Province, the OFA provides financing to various public bodies, the repayment of which is expected from third-party revenues. The funds for these loans are advanced to the OFA by the Province under a credit facility of $2.16 billion. Repayments received from public bodies by the OFA are forwarded to the Province. These transactions are not reflected in these financial statements. In compliance with an OFA Lending Policy adopted by its Board of Directors on December 17, 1997, each advance received by the OFA under the current facility bears interest at a rate that is equivalent to the rate of interest payable to the OFA on the corresponding loan to a public body(ies). As of March 31, 2004, $131 million (March 31, 2003 - $55 million), including accrued interest, was advanced by the Province to the OFA and must be repaid by the OFA on or before August 31, 2027.

Funds are generally advanced by the OFA to public bodies under interim financing arrangements, consisting of promissory notes for terms not exceeding one year. Interest is payable on the principal outstanding. The promissory notes are later converted to term debt and repay-

ment terms are finalized. As of March 31, 2004, except for the promissory note from the Centennial Centre of Science and Technology and a line of credit to the Ontario Northland Transportation Commission (ONTC), the receivables represent debentures.

The following represents amounts receivable by the OFA on behalf of the Province, including accrued interest. These are related party transactions, with the exception of those with the Toronto District School Board and the City of Windsor.

(in thousands of dollars)

	March 31, 2004	*March 31, 2003*
Toronto District School Board	$ 55,200	*$ -*
Ontario Northland Transportation Commission	51,111	*29,180*
Corporation of the City of Windsor	24,221	*24,999*
Centennial Centre of Science and Technology	500	*750*
	$ 131,032	*$ 54,929*

The Toronto District School Board has been incorporated under the *Education Act* and is existing under the laws of the Province of Ontario. Public school trustees are elected to represent the public school supporters in the City of Toronto. The 10 year debenture of $55.2 million was issued on March 31, 2004 at 3.999% and matures in March 2014. Principal and interest repayments commence in March 2008.

The Ontario Northland Transportation Commission (ONTC) is a Crown agency of the Province under the *Ontario Northland Transportation Commission Act, 1990*. Members of the Commission are appointed by the Lieutenant-Governor-in-Council. The ONTC debentures outstanding at March 31, 2004, of $27.1 million, were issued in three stages: $3.9 million at 5.64%, maturing in April 2008; $12.7 million at 6.37%, maturing in August 2014; and $19 million at 5.6%, maturing in December 2014. In addition, the Minister of Finance directed the OFA on March 31, 2004, to assume the Province's lines of credit to ONTC of up to $27 million, which expire on September 30, 2004. Amounts drawn on these lines of credit at March 31, 2004, is $24 million.

The Corporation of the City of Windsor is a municipality within the meaning of the *Municipal Act*. The financing provided is for the acquisition, design and construction of the Windsor Justice Facility, consisting of provincial division courthouse and city police headquarters. This is a 20 year debenture at 6.41% maturing in March 2021.

The Centennial Centre of Science and Technology is a Crown agency of the Province under the *Centennial Centre of Science and Technology Act*. Its Board of Trustees is appointed by the Lieutenant Governor in Council. Under the loan agreement, rate of interest on the principal outstanding (not to exceed $1.0 million) is OFA's lending rate, reset and payable monthly. The interest rate at March 31, 2004 was 2.28% (March 31, 2003 – 3.03% on $500,000 and 2.94% on $250,000). The borrower agrees to repay one quarter of the aggregate principal sum at the end of each fiscal year with the final principal repayment on March 31, 2006.

(ii) Investing for Related Parties: In the normal course of operations, the OFA provides investment management services to other public bodies as listed below. Funds managed on behalf of other public bodies, as at March 31, 2004, (which are not reflected in these financial statements) consist of the Province's short term treasury bills.

Notes to Financial Statements

(in thousands of dollars)

	March 31, 2004	*March 31, 2003*
Northern Ontario Heritage Fund Corporation	$ 183,217	*$ 244,099*
Ontario Realty Corporation	111,498	*62,700*
Ontario Trillium Foundation	99,737	*111,594*
Ontario Securities Commission	31,996	*31,996*
Algonquin Forestry Authority	1,852	*1,803*
Total	**$ 428,300**	***$ 452,192***

The OFA also manages debt and investment on behalf of the Province, including the oversight of management of funds held by Ontario Power Generation Inc. (OPG) under the Ontario Nuclear Funds Agreement (ONFA). The Province, OPG and certain OPG subsidiaries entered into the agreement in March 2002 to dispose of nuclear waste and used fuel, and to decommission nuclear power stations. The agreement came into force during 2003-04. During the year, the Ontario Electricity Restructuring Secretariat was transferred to the OFA forming part of the OFA's Corporate and Electricity Finance Division.

Cost recovery from the Province for all debt management and investment activities for the period ended March 31, 2004 was $13.4 million (March 31, 2003 - $12.8 million).

(iii) Ontario Electricity Financial Corporation (OEFC): The OEFC is the agency responsible for servicing and retiring the debt and certain other liabilities of the former Ontario Hydro. The OFA provides financial services and advice to OEFC and manages its debt portfolio - estimated at $27.6 billion, at March 31, 2004 (March 31, 2003 - $26.8 billion). In May 2003, the OFA obtained a Management Board approval for additional positions and associated other direct operating expenses to meet OEFC's mandate.

Ontario Municipal Economic Infrastructure Financing Authority (OMEIFA): OMEIFA became operational on April 22, 2003. The OFA manages the debt of OMEIFA which includes loans from the Province of Ontario of $1 billion, loan from OCWA of $120 million and Ontario Opportunity Bonds of $323 million as at March 31, 2004.

The OFA assisted with the set up of OMEIFA and provides investment, cash and related financial management services to OMEIFA on a fee for service basis.

As a result of the May 2004 Ontario Budget, OMEIFA became the Ontario Strategic Infrastructure Financing Authority (OSIFA). OSIFA will assume a broader mandate by also providing financing to hospitals, school boards, colleges and universities, and affordable housing providers.

Due from Agencies / Due to the Province of Ontario: Total costs incurred on behalf of OEFC and OMEIFA during the year and the total balance outstanding from OEFC and OMEIFA and due to the Province as at March 31, are as follows:

(in thousands of dollars)

	Costs incurred March 31, 2004	Balance outstanding March 31, 2004	*Balance outstanding March 31, 2003*
OEFC	$ 1,994	$ 695	*$ 1,193*
OMEIFA	1,076	445	-
Total	**$ 3,070**	**$ 1,140**	***$ 1,193***

5. FUTURE EMPLOYEE BENEFITS

The OFA provides pension benefits to its full-time employees through participation in the Public Service Pension Plan, which is a multi-employer defined benefit plan. This plan was accounted for as a defined contribution plan, as the OFA had insufficient information to apply defined benefit plan accounting to this pension plan. Commencing April 1, 2003, the cost of the pension plan is paid by Management Board Secretariat and is not reported in the financial statements. In addition, the cost of post-retirement, non-pension employee benefits is paid by Management Board Secretariat and is not reported in the financial statements. The OFA's pension contributions for the year ended March 31, 2003 were $346,552.

6. FINANCIAL INSTRUMENTS

The carrying amounts for cash, accounts receivable, loans receivable, and accounts payable and accrued liabilities approximate their fair values because of the short-term maturity of these instruments.

Given that the terms and amounts of the OFA's long-term receivables offset the OFA's long-term debt, providing fair values for these instruments would not add any more useful information to that which has already been presented in these financial statements.

7. PROVINCE OF ONTARIO SAVINGS OFFICE (POSO)

(i) Discontinued Operations

Until the close of business on March 31, 2003, the OFA operated POSO as an agent of the Minister of Finance. POSO accepted deposits from the general public, government and other public bodies. These deposits formed part of the Consolidated Revenue Fund and were direct liabilities of the Province. The POSO was sold to Desjardins Credit Union (DCU) on March 31, 2003, and POSO retained earnings of $80.1 million were transferred to the Province of Ontario as of March 31, 2003.

Key financial results of POSO prior to sale on March 31, 2003 were as follows:

(in thousands of dollars)

		2003
Total revenue	*$*	*87,372*
Total expenses		*81,240*
Net income from operations		*6,132*
Retained earnings, beginning of year		*73,947*
Retained earnings, end of year	*$*	*80,079*

(ii) Post-Sale Activities

Under the terms of the sale agreement between the Province and Desjardins Credit Union (DCU), the Province received additional sale revenue of $2.97 million on November 28, 2003.

Additionally, the Province paid an amount of approximately $9 million, including interest, resulting from an understatement of the initial assets transferred from the Province to DCU.

Notes to Financial Statements

8. CONTINGENCIES AND COMMITMENTS

The OFA, in the ordinary course and conduct of its business, may be exposed to various legal proceedings. At March 31, 2004, the OFA was not aware of any possible or actual legal proceedings against the OFA, except for those arising from the operation of the POSO until the date of its sale on March 31, 2003. Such contingencies would include civil litigation and grievance proceedings. There are no material claims outstanding. Settlements, if any relating to POSO, concerning these contingencies, will be accounted for by the Province in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

9. COMPARATIVE FIGURES

Certain of the 2002-03 comparative figures have been reclassified to conform with the financial statement presentation adopted in 2003-04.

10. SALARY DISCLOSURE

The *Public Sector Salary Disclosure Act, 1996,* requires disclosure of Ontario Public Sector employees paid remuneration (e.g. salary, performance-based pay and severance) during the year in excess of $100,000. The amounts paid to such individuals in calendar 2003 are listed below:

Name	Position	Remuneration Paid	Taxable Benefits
Charles Allain	Director (A), Debt Management	$ 157,648	$ 242
Ken Broadbent	Manager, Foreign Exchange	$ 124,957	$ 193
Joseph Campos	Director, Risk Control	$ 156,082	$ 259
Edmundo Castellanes	Manager, Risk Control Operations	$ 107,328	$ 181
Robert Coke	Director, Strategic & Operations Research	$ 118,586	$ 206
James Devine	Manager, Medium-Term Notes & Private Placements	$ 154,628	$ 242
Bryan Everitt	Manager, IT Bus. Sol. & Operations Res.	$ 107,654	$ 196
Michael Gourley	Vice Chair & CEO, OFA (former)	$ 937,629	$ 13,628
Susan Guinn	Director, Retail Markets	$ 115,246	$ 207
Andrew Hainsworth	Manager, Funding	$ 155,363	$ 242
Douglas Harrington	Manager, Risk Control Financial Engineering	$ 101,531	$ 242
John Logie	Manager, Financial Engineering	$ 122,287	$ 192
Michael Manning	Executive Director (A), Capital Markets	$ 231,602	$ 338
Gadi Mayman	Vice-Chair & CEO, OFA (interim)	$ 231,602	$ 338
Christine Moszynski	Director, Capital Markets Treasury	$ 139,716	$ 230
Dermot Muir	Legal Counsel	$ 144,937	$ -
David Peters	Manager, Debt Management	$ 154,261	$ 242
Ken Russell	Legal Counsel	$ 158,369	$ 287
Corey Simpson	Director	$ 176,689	$ 309
Jeffery Telford	Manager, IT Infrastructure Management	$ 102,107	$ 191

Corporate Governance

Corporate Policies

Board of Directors

Corporate Governance

Corporate Governance

Corporate Governance

Corporate governance at the OFA involves processes that permit the effective supervision and management of the OFA's activities by its senior management, the Board of Directors and the Minister of Finance. It includes identifying those individuals and groups who are responsible for the OFA's activities and specifying their roles. The OFA's governance framework is fully described in the OFA's corporate governance policy, which is reviewed annually by the Board of Directors.

The OFA's accountability structure flows from its governing statute, the *Capital Investment Plan Act, 1993,* and from a Memorandum of Understanding between OFA and the Minister of Finance as well as from directives issued by Management Board of Cabinet relating to crown agencies. Together, these provide that the Minister of Finance is accountable to Cabinet for the activities of the OFA. The Chief Executive Officer (CEO) is responsible for the day-to-day operations of the OFA and is accountable to the Board of Directors. In turn, the Board of Directors reports to the Minister of Finance. OFA staff are appointed pursuant to the *Public Service Act* and are subject to Management Board of Cabinet policies and directives applicable to public servants.

The Minister of Finance supervises the OFA with the aid of information reported through the Chair of the Board of Directors, who is also the Deputy Minister of Finance, and through senior management of the OFA. The Minister of Finance reviews and approves the OFA's annual corporate plan, which contains long- and short-term objectives and reports on accomplishments for the preceding year. In keeping with the government's Agency Establishment and Accountability Directive, once every three years, the Minister of Finance recommends the OFA corporate plan to Management Board of Cabinet for approval.

The Board of Directors is appointed by the Lieutenant-Governor-in-Council. It meets at least quarterly and receives regular reports from the CEO and other OFA staff concerning the operations of the OFA and its compliance with applicable laws and policies. The Audit Committee of the OFA Board approves an annual internal audit plan for the OFA and liaises with the internal auditors (Audit Services Division of Management Board of Cabinet) and the Provincial Auditor regarding the OFA's financial reporting and controls. It also reviews and recommends financial policies and the OFA's financial statements to the Board. Standards of conduct for Board members are set out in a Board-approved code of conduct.

The CEO is responsible to the Board of Directors for day-to-day operations. The CEO also ensures that policies and procedures, including financial reporting, remain relevant and effective. Staff are accountable, through senior management, to the CEO.

Corporate Policies

The *Capital Investment Plan Act, 1993* sets out a broad framework for the OFA's operations. This is supplemented by a memorandum of understanding with the Minister of Finance as well as internal OFA policies.

In carrying out its mandate, the OFA faces financial risks that are inherent in managing financial assets and liabilities. Risk management policies ensure that these risks are identified, monitored, evaluated, reported and managed. The OFA manages financial risk through a comprehensive framework of debt management infrastructure, policies and procedures.

Overview

Board of Directors

- Reviews and approves key risk management policies as well as the OFA Annual Report, including its financial statements.
- Supervises the management of the Province's debt and investment portfolio.

Audit Committee

- Oversees the financial reporting process on behalf of the Board of Directors.
- Reviews key risk management policies, internal audit reports and the financial statements.

Management Committees

Risk Management Committee

- Reviews market updates and outlook.
- Reviews current borrowing, investing and debt management positions and strategies.

Borrowing Strategy Committee

- Reviews economic conditions, fiscal plan and capital markets outlook.
- Reviews borrowing and debt management activities and management reports, cash flows and the public debt interest forecast.
- Reviews credit exposures, operational limits and procedures related to financial operations.
- Approves amendments to risk management procedures.
- Recommends amendments to risk management policies to the OFA, OEFC and OSIFA Board of Directors.

Risk Control Division

- Monitors, measures, assess and reports upon financial market and counterparty risks and performance associated with borrowing, debt management and investment of liquid reserves.
- Reports on a regular and timely manner to the Board of Directors and senior OFA management on the status of the Province's financial market activities, associated exposures and compliance with approved policies.

Corporate Policies

- Develops risk management policies and procedures in line with "best" industry practices in an evolving business environment and monitors compliance with Board-approved policies, limits and procedures, and monitors portfolio performance and trends.
- Assesses counterparty credit risk and manages rating agency relations.

Risk Management Policy Framework

The OFA has a number of policies and procedures in place to minimize financial risk: market risk, credit risk, operational risk, supply availability risk and risks related to the use of derivatives. These policies were developed after reviewing the Group of Thirty's best practices, guidelines and directives of regulatory bodies, (e.g., as the Office of the Superintendent of Financial Institutions of Canada, the Bank for International Settlements), and consulting with Canadian bank representatives on their risk management practices. Key aspects of the policies are summarized below.

A. Market Risk

Market Risk is the financial loss attributable to changes in the values of financial indices including interest rates, credit spreads, foreign exchange and liquidity risk.

The market risk policy provides a framework for borrowing and integrates several aspects dealing with the management of market risk. Among the provisions are:

Foreign Exchange Limit - The Province's exposure to unhedged foreign currency is limited to five per cent of outstanding debt. Foreign currency exchange exposures are limited to Group of Seven currencies and the Swiss franc or equivalent currencies (i.e., Euro).

Interest Rate Resetting Risk - Interest rate resetting risk is the combination of net floating exposure (i.e. gross floating rate exposure less liquid reserves) and all fixed rate debt to be refinanced within the next 12-month period. The Province is limited to a maximum interest rate reset exposure of 25 per cent of debt.

Interest on Debt and Debt Management Loss Limits - Actual IOD must not exceed budgeted annual IOD by more than three per cent as a result of adverse floating rate interest or foreign exchange movements (IOD loss limit). In addition, the CEO establishes a debt management trigger level to ensure that losses will not reach the IOD loss limit.

Liquidity Risk - Liquid reserves are maintained at levels sufficient to ensure the government can meet its short term financial obligations. Treasury Bill and U.S. Commercial Paper programs are also available to provide liquidity should the need arise.

Debt Maturity Profile - When issuing new debt, the OFA will aim for a smooth debt maturity profile to diversify the interest rate risk of refinancing maturing and floating rate debt.

Risk Measurement - The Province identifies and quantifies exposures to market risk to ensure that risk exposures and losses remain within the approved exposure and loss limits. Exposure to market and credit risk is measured daily.

B. Credit Risk

Credit risk is risk that a counterparty does not meet, or defaults on, its obligations. Credit risk arises when the OFA undertakes financial and derivative transactions. The minimum credit rating of a counterparty for a new swap transaction is typically AA minus and R1-mid for money market investments. The resulting exposure is capped at mark-to-market limits depending on the counterparty's credit rating.

C. Operational Risk

The OFA manages operational risk through procedures that deal with model risk, legal issues, settlement issues and information systems risks.

Model Risk - The OFA regularly reviews its pricing models for accuracy and compliance with industry standards. It also regularly reviews the valuation of financial instruments.

Legal Risk - The OFA has established procedures and standards to ensure that documentation of debt issues, debt management and money market transactions meets industry standards and is enforceable.

Settlement Risk - The OFA has established internal control procedures to ensure that transactions are recorded accurately and are settled correctly in a timely manner.

Information Systems Risk - The OFA has taken measures to protect the computer systems and offices of the OFA. These include access controls to the building and work areas, monitoring the computer room environment, the establishment of a back-up power source, regular data back-ups, off-site storage, firewalls to protect against unauthorized network intrusions and computer virus scanning. Security is reviewed periodically and when major changes occur.

D. Supply Availability Risk

In forward electricity markets, supply availability risk is the risk that supplies will not be available to meet contractual delivery obligations. As with financial market activities, management of OEFC's NUGs electricity generation portfolio must assess both market and counterparty credit risks. In addition, managing these risks is further complicated by such risks as equipment breakdown, fuel availability and fuel costs, all of which could affect OEFC's ability to meet its contractual obligations through the NUGs' supply.

E. Use of Derivatives

Derivatives are used solely to advance the OFA's objective of providing the Province's financing and liquidity requirements in a sound and cost effective manner. Derivatives are used to manage exposures arising from existing and planned debt and in a manner consistent with the Financing and Debt Management Plans. Risks that arise from the use of derivatives are identified, monitored, evaluated and managed prudently.

Risk Management and Financial Reporting

The OFA's Board of Directors receives quarterly progress reports on financing and debt management plans and current risk exposures. Also, OFA management provides the Board of Directors with a monthly assessment of performance of the Province's financing and debt management program and its liquid reserve investments relative to benchmarks approved by the Board.

The Director of Risk Control reports to the Board of Directors on the OFA's compliance with applicable financial policies. The Deputy Minister of Finance, on behalf of the Minister of Finance, receives weekly financial and financing program reports.

The adequacy and effectiveness of internal controls are examined independently by the Audit Services Division of Management Board Secretariat. It also verifies compliance with policies, procedures and operational limits. The results of these audits are reported to management and the Audit Committee of the Board of Directors.

Corporate Policies

The OFA prepares annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP) for approval by the Audit Committee and the Board of Directors. Unaudited financial statements are prepared quarterly and presented to the Audit Committee and the Board. The annual financial statements are reviewed by the Provincial Auditor who expresses an opinion on whether they are presented fairly and in accordance with GAAP. The Provincial Auditor's findings are reviewed by the Audit Committee and the Board of Directors. These audited financial statements are tabled in the Ontario Legislature as part of the OFA's Annual Report and are included as a schedule to the Public Accounts of the Province.

Board of Directors

Appointed by the Lieutenant-Governor-in-Council, the Board of Directors supervises the business of the OFA through a number of processes. It approves the OFA's business plan and receives regular reports regarding financing activities. The business plan sets out the OFA's major objectives and the strategies for achieving them. It is revised annually and is also approved by the Minister of Finance.

The Board also approves the Province's annual financing and debt management plan and key policies applied by the OFA in capital market transactions and management of the Province's debt and investment portfolios. The Board's Audit Committee reviews the financial statements of the OFA, including the Provincial Auditor's report, for recommendation to the Board, oversees the internal audit process and receives the advice of internal auditors and the Provincial Auditor regarding the adequacy of internal controls.

The Board of Directors meets quarterly throughout the year. During 2003-04, the Board of Directors was composed of the Deputy Minister of Finance, the Chief Executive Officer of the OFA, a deputy minister and three members from the private sector. The directors' diverse backgrounds contribute to the effective supervision of the OFA.

The following individuals were members of the Ontario Financing Authority's Board of Directors in 2003-04:

Colin Andersen, Chair of the Ontario Financing Authority and Deputy Minister of Finance. Colin Andersen was formerly Deputy Minister, Policy, Cabinet Office. He also has served as the Associate Deputy Minister, Ministry of Health and Long-Term Care; the Assistant Deputy Minister, Integrated Policy and Planning, Ministry of Health and Long-Term Care; and Assistant Deputy Minister, Fiscal and Financial Policy, Ministry of Finance. He has held a number of senior management positions in the Ministry of Finance and Cabinet Office. Colin has a B.A. in Economics (Honours) from the University of Calgary and an M.A. in Economics from the University of Toronto.

[Appointed February 2004. His appointment expires when a successor is appointed.]

Gadi Mayman, Chief Executive Officer and Vice-Chair (interim) of the Ontario Financing Authority. He is also interim Vice-Chair and Chief Executive Officer of the Ontario Electricity Financial Corporation (OEFC), interim Vice-Chair of the Ontario Strategic Infrastructure Financing Authority (OSIFA) and a director of the Ontario Clean Water Agency (OCWA).

Prior to joining the Ontario Ministry of Finance in 1991, he was a Treasury Officer at the Export Development Corporation in Ottawa for three years and in the International Division of the Toronto Dominion Bank. Gadi received a B.A. Sc. in Industrial Engineering from the University of Toronto in 1981, and an M.B.A. from the University of Western Ontario in 1988.

[Appointed November 2003 to May 2004]

Carol Layton, Deputy Minister of Results Delivery (Cabinet Office). Prior to this appointment, Carol was Deputy Minister of Citizenship and Immigration as well as Deputy Minister Responsible for Women's Issues and Seniors. She has held various senior positions in the Management Board Secretariat, the ministries of Health and Long-Term Care, Finance, Attorney General and Treasury and Economics. Carol holds a Bachelor of Environmental Studies (Honours) degree from the University of Waterloo.

[Appointed July 2003 to July 2006]

Board of Directors

Frank Potter, Chairman of Emerging Markets Advisors Inc., Toronto. Frank sits on a number of boards, both corporate and not-for-profit. He was a former advisor to the Department of Finance (Canada), and prior to that was Executive Director of The World Bank in Washington, D.C. He has also held a number of senior positions in international banking in North America, Europe and Asia.

[Appointed May 2002 to May 2005]

Tye W. Burt, Executive Director, Corporate Development, Barrick Gold Corporation. Tye is a member of the Board of Directors of Barrick Gold Corporation. He is also the Chairman of the Board of NRX Global Corporation, a network platform provider and portal for the global heavy equipment and parts industry. He is former Chairman of Deutsche Bank Canada and Deutsche Bank Alex.Brown Securities Canada. Before joining Deutsche Bank he spent over a decade at Nesbitt Burns Inc. and Burns Fry Ltd. Tye is also a Member of the Law Society of Upper Canada and the Young Presidents' Organization.

Tye received his law degree from Osgoode Hall Law School in 1983 and a B.A. (Honours) from the University of Guelph in 1980.

[Appointed July 2003 to July 2006]

Jack M. Mintz, President and Chief Executive Officer, C.D. Howe Institute. Jack also serves on the boards of Brascan, the Royal Ontario Museum Foundation, Atlantic Council of Canada and National Statistics Council. He has published more than 180 books and articles in the fields of public economics and fiscal federalism. He serves on the Board of Governors of the National Tax Association in Washington, D.C., an Associate Editor of Contemporary Accounting Research and International Tax and Public Finance, and is a research fellow of CESifo, Munich, Germany.

Jack has served as a visiting economist at the Department of Finance, Ottawa, and Chair of the federal government's Technical Committee on Business Taxation in 1996 and 1997; Associate Dean (Academic) of the Faculty of Management, University of Toronto, 1993-95; a special advisor to the Deputy Minister, Tax Policy Branch, Department of Finance, Ottawa, 1984-86; and Director of the John Deutsch Institute, Queen's University, 1987-89.

[Appointed September 2003 to September 2005]

Dr. Bob Christie, Chair of the Ontario Financing Authority and Deputy Minister of Finance.

[Appointed August 2000 to February 2004]

Michael L. Gourley, Vice-Chair and Chief Executive Officer of the Ontario Financing Authority.

[Appointed July 2002 to November 2003]

Appendix

Credit Ratings

Additional Sources of Information

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 “plus” or “minus” (or a high or low) to indicate the relative strength of the rating within that category. The current long-term ratings of the Province of Ontario are as follows:

- Standard & Poor’s Corporation (New York) AA
- Moody’s Investors Service (New York) Aa2
- Dominion Bond Rating Service (Toronto) AA (N)
  N denotes negative trend

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. The current short-term ratings of the Province of Ontario are as follows:

- Standard & Poor’s Corporation (New York) A-1+
- Moody’s Investors Service (New York) P-1
- Dominion Bond Rating Service (Toronto) R-1 (mid)

Additional Sources of Information

Internet: www.ofina.on.ca

Provides information on Ontario's debt, debt issues and retail products and contains publications from the Ontario Financing Authority and Ontario Ministry of Finance. It also contains the *OFA Bulletin*, a quarterly update of Ontario's Finances.

Publications

Ontario Budget

Paper D, *Report on Borrowing and Debt Management Initiatives*, provides a discussion of the Province's borrowing and debt management activities for the fiscal year ended and reviews the outlook for the fiscal year ahead.

Ontario Economic Outlook and Fiscal Review

The *Ontario Economic Outlook and Fiscal Review* provides a semi annual update on the Province's economic outlook, fiscal and borrowing plan.

Form 18-k

The Province's annual report to the U.S. Securities and Exchange Commission.

Contact Information

Enquiries regarding information on the Province or OFA should be directed to:

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