



— NOVA SCOTIA —  
**MUNICIPAL FINANCE  
CORPORATION**

35<sup>TH</sup> ANNUAL  
ACCOUNTABILITY REPORT



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## MESSAGE FROM THE CHAIR



As Chair of the Nova Scotia Municipal Finance Corporation (NSMFC), it is my pleasure to present the Corporation's 35th Annual Report for the 2014–2015 fiscal year.

**NSMFC's work touches the lives of all Nova Scotians.** Over its 35 year history, it has helped municipalities to make significant investments into the infrastructure we all use and rely on, from fire services equipment to improve public safety, to wellness centres that support healthy communities, to facilities that provide clean drinking water for thousands of residents. And by pooling administration costs and offering rates below what lenders can offer, the Corporation saves taxpayers money as well.

I am pleased to report that this has been another productive and successful year at NSMFC. The following are some of the highlights:

## Debt Issues and Short-Term Financing

- The Corporation strives to provide the lowest possible long-term and short-term interest rates to municipalities. In 2014–2015, the Corporation was able to achieve this goal through its two annual debenture issuances: one for \$44.9 million and one for \$70.7 million. This represents total long-term loan activity of \$115.6 million during the fiscal year. The Corporation also provided two short-term loans under its revised short-term loan program. Two municipal fire departments accessed the program totaling \$660,000 at interest rates of 1.474% and 1.491%, respectively.

## Key Accomplishments

- NSMFC continued to expand use of its core programs amongst clients, including offering training on the Debt Affordability Model and sponsoring training workshops for municipal finance officers. The fiscal year also saw some key changes to the way NSMFC works with clients.
- NSMFC revised its short-term loan program. The Corporation now has access to a \$50 million line of credit from the Department of Finance and Treasury Board to facilitate requests from municipalities. This change will improve access to short-term funding for municipalities until they can participate in the long-term debenture process.
- NSMFC underwent a branding exercise. This process saw the creation of a new logo, stationary, business cards, banner, and promotional materials for the organization, including a revamp of the Corporation’s entire website. By bringing consistency to its image and messaging, the organization will improve communication with municipalities about its mission and services.
- The Corporation continued to encourage use of its financial management best practices by initiating a pilot project with the Town of Middleton. NSMFC staff has been working directly with the Town to research and write policies based on financial management best practices developed by the Corporation in partnership with stakeholders and municipal finance experts. The pilot project will be used to promote the best practices to other municipalities when it wraps up in the summer of 2015.

At this time, I would like to extend my appreciation by thanking the Board Members, the staff of the Corporation, and the staff of the provincial Departments of Municipal Affairs, Finance and Treasury Board, and Justice for their advice and assistance throughout the year.



**Dan McDougall, Chair**

# HOW THE CORPORATION FUNCTIONS

## Authority

NSMFC was established by an Act of the Legislature of the Province of Nova Scotia in 1979, Chapter 301 of the Revised Statutes of Nova Scotia, 1989. The legislative authority for the Corporation is the Municipal Finance Corporation Act.

## Mission and Purpose

The mission of the Corporation is to provide financing to its clients for approved capital projects at competitive rates, within acceptable risk parameters, through a centralized borrowing authority and to provide advice and assistance to its clients regarding financial management. The Corporation fulfils its purpose through the issuance of pooled debentures. Pooling of borrowing requirements eliminates the need for individual municipalities to negotiate and administer their own debenture issues.

All municipalities and municipal enterprises must finance their external capital requirements through the Corporation. Exceptions exist where funds may be borrowed from other governments. Most school board and hospital capital projects are financed directly by the Province of Nova Scotia.

The Corporation collaborates with the Union of Nova Scotia Municipalities (UNSM), Association of Municipal Administrators of Nova Scotia (AMA), the Department of Municipal Affairs (DMA), as well as with other professional associations, in the building of financial management capacity in local governments across Nova Scotia.

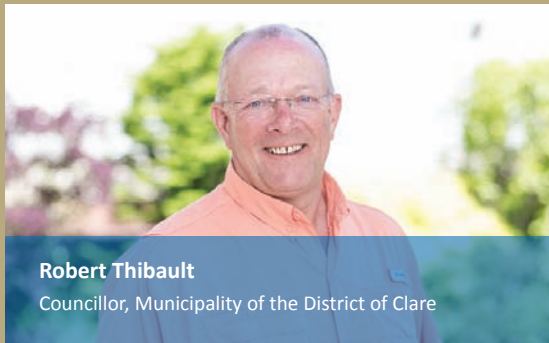
## Administration

A Board of Directors appointed by the Governor-in-Council governs the Corporation. There are currently six directors on the Board: two members are senior provincial public servants, two members are appointed upon the recommendation of the UNSM, one member is appointed upon the recommendation of the AMA, and one member is appointed from the community at large.

The Corporation is completely self-funded. The Minister of DMA is required by legislation to approve the annual administration budget. The Corporation levies fees on loans made to its clients to help offset the administrative expenses of the Corporation.

Support staff and resources of the provincial Departments of Finance and Treasury Board and Municipal Affairs have been provided to the Corporation. The Corporation also contracts with the Department of Justice for the provision of legal services. The advice and assistance given by all three provincial departments is a valuable contribution to the operations of the Corporation.

# DIRECTORS OF THE CORPORATION

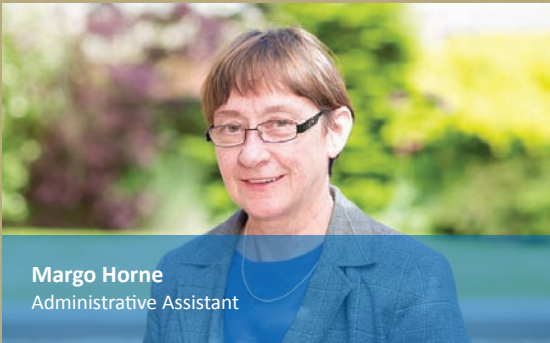


# OFFICERS OF THE CORPORATION





# STAFF OF THE CORPORATION



# DIRECTORS' REPORT



On behalf of NSMFC, we are pleased to provide you with the 35th annual Accountability Report for the organization. This report highlights the work and accomplishments related to our 2014–2015 Business Plan.

Since 1979, NSMFC has worked closely with clients to build healthy and vibrant communities. Our mission: to provide capital infrastructure financing at the lowest available cost, within acceptable risk parameters, and to provide financial management advice and assistance to clients.

Ensuring municipalities, both urban and rural, have modern infrastructure helps Nova Scotia to remain competitive and attract and retain residents and businesses. Though this mandate has not changed since the Corporation's inception, the means through which it is achieved continues to evolve to reflect changing conditions.

Business planning and reporting is an evolving process. Measures are established and evaluated during the course of the year to assess the effectiveness of NSMFC's programs and services in meeting the Corporation's long-term strategic goals:

- **Identify client needs and respond to them**
- **Be well-informed of developments in local government capital finance**
- **Maintain financial self-sufficiency**

During the year, we were delighted to see the following progress towards these on-going goals.

- NSMFC's long-term financing program continues to help municipalities meet their infrastructure needs. This year, loans issued by NSMFC totaled \$115.6 million. They helped to finance investments in projects related to water, sewer, sewage treatment, streets, recreation, and transit, among others. Moreover, our "all-in" costs continued to beat the variable prime interest rate, representing savings to municipal participants.
- The short-term loan program is now facilitated with a \$50 million line of credit from the Department of Finance and Treasury Board. This change will help municipalities to access short-term funding until they can participate in the next debenture process; additionally, it allows for the Corporation to invest and earn more interest on its reserve fund, which was formerly used to finance this program. In 2014–2015, two short-term loans were issued for a total of \$660,000.
- Finally, our new brand and website, Financial Management Best Practices pilot project, and continued focus on training for the Debt Affordability Model, help to ensure that NSMFC remains relevant to local government officials.

Nova Scotians are at the heart of everything we do at NSMFC. That community focus is reflected in our operations and long-term goals. Together, along with our dedicated staff and municipal partners, we are making a difference in our communities and in our neighbourhoods.

"Municipal Finance can be a complicated environment. To have the resources from MFC available to municipal units as it relates to education and capacity building around municipal finance is an important tool to have in a municipality's back pocket, particularly with the changing environments and increasing challenges around financial management and qualified staffing in our own municipalities." **Rachel Turner**, *CAO, Town of Middleton*

# CORPORATE GOVERNANCE

The financing of infrastructure projects worth millions of dollars makes it essential that NSMFC has rigorous and accountable governance structures and practices in place. NSMFC applies a high standard of corporate governance to ensure operational efficiency and accountability.

As a Crown Corporation, NSMFC's powers and responsibility are set out in the Municipal Finance Corporation Act (1979) and the Corporation is accountable to the Nova Scotia legislature through the Minister of the Department of Municipal Affairs.

NSMFC is governed by a Board of Directors and Chief Executive Officer (CEO) appointed by the Governor-in-Council. The Board currently consists of six experienced and well-informed members. The Chair of the Board is traditionally the Deputy Minister for Municipal Affairs. The directors have a wide breadth of expertise and knowledge to carry out their fiduciary duties and uphold the interests of the organization.

The role of the Board is to provide governance, stewardship and to set the strategic management priorities for NSMFC. The Board approves the corporate objectives and regularly monitors financial and operational performance, risk, and accountability. The Board has established an Audit Committee for additional oversight as well. The roles and responsibilities of the Audit Committee are set out in the terms of reference. The Board typically meets every other month during the course of the year.

As part of the Board's commitment to good governance, an annual business plan and annual report are prepared in accordance with applicable legislation and guidelines from Finance and Treasury Board. Both are submitted to the Minister of Municipal Affairs as well as Finance and Treasury Board and posted on the Corporation's website.

"MFC staff are always professional, and work very hard to accommodate the times frames and needs of the partnering municipality. They are open to suggestions and collaborate in the best interests of municipal government overall. I would welcome another opportunity to partner with MFC again in the future."

**Rachel Turner, CAO, Town of Middleton**

The Board has also passed the following policies to govern the organization. They are available publicly on our website:

- **Code of Conduct**
- **Conflict of Interest**
- **Compensation**
- **Signing Authority**
- **Risk Mitigation Strategies**
- **Investment**
- **Reserve Fund**
- **Syndicate Members and Lead Managers**
- **Procurement**
- **Short-Term Loan**
- **Early Loan Repayment**
- **Municipally Guaranteed Borrowing**

The CEO is responsible for the operation of the organization and other functions as assigned by the Board of Directors. The CEO provides leadership to NSMFC’s employees, and fosters a corporate culture that promotes engagement, consistent execution, proper diligence, and client service. A team comprised of three staff support the operations of NSMFC as well.

“MFC staff were very accommodating, including coming to our office to assist with the policy development.”

**Janice Taylor**, CPA, CMA, Manager of Finance, District of East Hants

# BUSINESS PLAN & STRATEGIC GOALS

## Strategic Goal 1

To provide capital infrastructure financing to our clients at the lowest available cost, within acceptable risk parameters, to meet their particular debt structure and timing needs.

### Outcome

- Provide the lowest available cost of financing to clients in a timely manner

### Measures

- Percentage of clients satisfied with the timing of debenture issues
- Percentage of clients that agree the debenture terms and structure are flexible enough to meet their needs
- Quality of credit loans
- Pricing received from lead managers in relationship to the Province of Nova Scotia's cost of funds

### Results in 2014–2015

- 90% of clients were satisfied with the timing of debenture issues<sup>1</sup>
- 90% of clients agreed that the debenture terms and structure are flexible enough to meet their needs<sup>2</sup>
- Procedures ensure creditworthiness of loans
- Provincial guarantee allows the Corporation to price off the Province of Nova Scotia spread

### Targets for 2015–2016

- 95% client satisfaction rate with the timing of debenture issues
- 95% client satisfaction rate with the debenture terms and structure flexibility
- Regular review of loan procedures
- Maintaining credit enhancement through access to the provincial guarantee

### Outputs

- Issued loans to 26 participants, including 18 municipalities and 4 municipal enterprises
- Issued \$115.6 million in debentures and on-loaned a similar amount to clients
- Administered \$917,400 in short-term financing pending issuance of a debenture, \$207,400 of which was debentured in the spring issue
- Administered \$815.3 million in outstanding loans to municipalities and hospitals

<sup>1</sup> Data collected from the 2015 Client Satisfaction Survey conducted by the Nova Scotia Municipal Finance Corporation

<sup>2</sup> Ibid

## Strategic Goal 2

To ensure access to capital markets through prudent management of all financial aspects of the Corporation, including credit risk and asset/liability management.

### Outcome

- Ensure that a sustainable source of funding is available to clients to ensure the operational viability of the Corporation

### Measures

- Client default rates
- Match assets and liabilities

### Results in 2014–2015

- 0% default rate
- Assets were closely matched to term and timing

### Target for 2015–2016

- Maintain 0% default rate
- Maintain matching strategy

### Outputs

- Reviewed all municipal requests with DMA to ensure that the loans to municipalities did not pose a credit risk to the Corporation
- Managed assets and liabilities of the Corporation to mitigate risk and to ensure that the Corporation did not incur any negative carrying costs
- Ended the fiscal year with a deficit of \$11,241 due to lower than anticipated loan volume
- Maintained a reserve fund balance of \$6,576,518

“We have developed the Debt Affordability Model and Debt Management Policy. These will help our municipality make better financial decisions and assist with long-term planning.”

**Janice Taylor**, CPA, CMA, Manager of Finance, District of East Hants

## Strategic Goal 3

To help build financial management knowledge in municipalities and promote municipal capital project planning and financing.

### Outcome

- Client use of the Debt Affordability Model
- Client use of the Financial Management Best Practices
- Increased overall municipal finance knowledge among municipalities
- Increased knowledge of the Corporation's programs and services

### Measures

- Percentage of municipal clients using the Debt Affordability Model and the Financial Management Best Practices
- Attendance at sponsored Municipal Finance Workshops
- Number of tools used to promote programs and services effectively

### Results in 2014–2015

- 50% of clients using the Debt Affordability Model<sup>3</sup>
- 35% of clients using the Financial Management Best Practices<sup>4</sup>
- 61% of capacity attended workshops in 2013
- 86% of clients are aware of NSMFC programs and services<sup>5</sup>

### Targets for 2015–2016

- 60% of clients using the Debt Affordability Model
- 40% of clients using the Financial Management Best Practices
- 80% of capacity attend workshops
- 95% of clients are aware of NSMFC programs and services

### Outputs

- Continued promoting the Corporation's Debt Affordability Model to municipalities
- Use of the Debt Affordability Model at the Nova Scotia Utility and Review Board dissolution hearings for the Town of Springhill and the dissolution deliberations of the Town of Bridgetown
- Encouraged the implementation of recommended practices of the Financial Management and Capacity Building Committee in Nova Scotia municipalities
- Sponsored one finance professional from the County of Annapolis to attend the annual Government Finance Officers Association Conference in Minneapolis in 2014
- Participated in Municipal Finance Officers forums at the AMA Spring and Fall Conferences
- Updated the Corporation's brand to make it more modern, recognizable and consistent
- Updated the website to make it more user-friendly and consistent with the new brand

<sup>3</sup> Ibid <sup>4</sup> Ibid <sup>5</sup> Ibid



# AUDIT COMMITTEE

The Audit Committee was established in 2009–2010 on recommendation of the Auditor General to assist the Board of Directors of the Corporation in fulfilling its oversight responsibilities related to the quality and integrity of financial reporting. In addition to meeting the needs of the Corporation’s clients through programs and services, the Corporation’s Audit Committee ensures more accountability and transparency. Some of the responsibilities of the Audit Committee include reviewing and assessing financial reports, financial and accounting policies, and risk and internal controls.

The Audit Committee must be comprised of at least two members, who are Board Members (excluding the Chair) of the Corporation. The Audit Committee may include additional members. Currently the Audit Committee has an additional member recommended by the AMA.

## The Audit Committee is comprised of:

### Marc Britney

Municipal Finance Corporation Board Member  
UNSM Representative  
Councilor, Town of Middleton

### Dawn Keizer, CPA, CA

Municipal Finance Corporation Board Member  
AMA Representative  
Director of Finance  
Town of Bridgewater

### Kim Ramsay, CPA, CMA

AMA Representative  
Director of Finance and Administration, District of East Hants

## Interest Rates

Interest rates in Canada and the United States remained at low levels throughout the fiscal year 2014–2015. The Bank of Canada, like other central banks around the world, continued to maintain accommodative policies to support economic growth. On January 21, 2015, the Bank lowered the target for the overnight rate from 1%, where it had been since September 2010, to 0.75%. This move was made in response to the recent sharp drop in oil prices, which was viewed by the Bank as negative for economic growth and underlying inflation in Canada.

In statements throughout fiscal year 2014–2015, the Bank of Canada expressed concern about the softness in consumer price inflation that has tracked the bottom of the Bank’s 1-3% inflation control range. The Bank anticipates economic growth in the second quarter of 2015 with assistance from a lower Canadian dollar to aid in the rotation of demand in Canada toward more exports and business investment.

Throughout the financial crisis, the US Federal Reserve Board implemented various quantitative easing programs to lower long-term interest rates. In the March 2015 monetary policy statement, the Federal Reserve Board announced it was reiterating its view that “the current 0-0.25% target range for the federal funds rate remains appropriate. In determining how long to maintain this target range, the Committee will assess progress, both realized and expected, toward its objectives of maximum employment and 2% inflation.” This action continues to reaffirm to market participants that, with the ending of the Federal Reserve’s quantitative easing bond purchase program, actions towards the normalization of interest rates in the US would be based on the Federal Reserve Board’s confidence that the US economy is growing steadily.

After declining for the first three quarters of fiscal year 2014–2015, long-term interest rates began to rise as global financial markets anticipated the ending of the Federal Reserve’s accommodative low interest monetary policy (i.e. the potential timing of a 2015 Federal Fund’s rate increase). As of June 1, 2015, the 10-year Canada bond yield was 1.62%. The 10-year Canada bond yield averaged 1.92% over the 2014–2015 fiscal year, with a fiscal year low of 1.28% occurring February 3, 2015.

Both the spring and fall 2014 NSMFC debt issues were 1 to 15 year serial debentures. The all-in yield for the 2014 spring issue was 3.07%. The fall issue had an all-in yield of 2.96%. Both of these issues benefited from declining Government of Canada bond yields across the maturity curve, as well as marginal tightening in municipal spreads. The all-in cost of borrowing for NSMFC remained attractive by historical standards throughout the fiscal year.

Spring Issue (settled June 5, 2014)		Fall Issue (settled November 17, 2014)	
5 years	2.06	5 years	2.07
10 years	2.82	10 years	2.73
15 years	3.28	15 years	3.14
20 years	3.49	20 years	3.32
All-in cost	3.07	All-in cost	2.96

# OVERVIEW OF LOAN PORTFOLIO

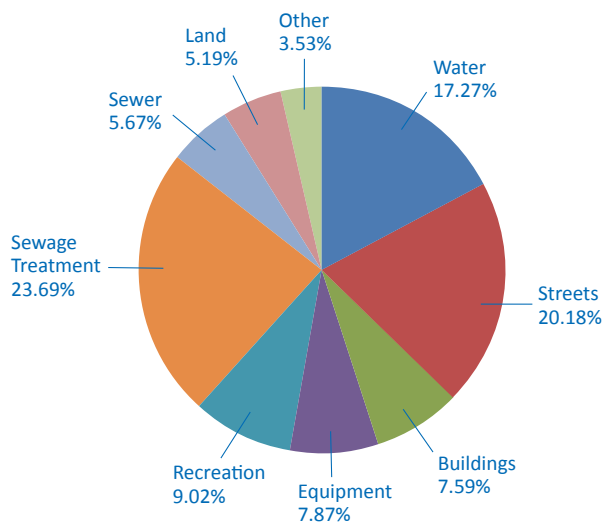
## Loans to Municipalities, School Boards, and Hospitals

The Corporation's loan portfolio consists of loans to municipalities and municipal enterprises, school boards, and hospitals/health authorities. Municipal enterprises are serviced or guaranteed by Nova Scotia municipalities, school boards are supported by the Province of Nova Scotia, and hospitals/health authorities are also supported by the Province. There are no arrears.

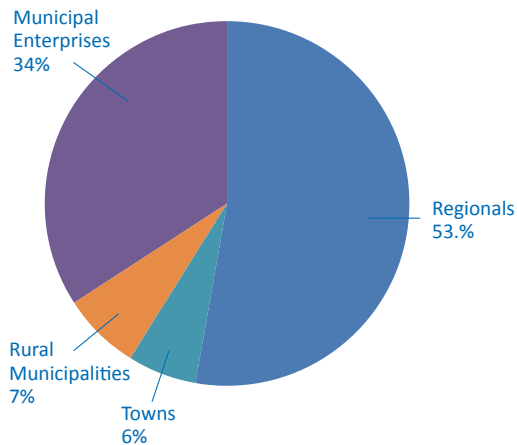
DMA performs credit checks using debt policy guidelines approved by the Minister. Municipalities and municipal enterprises must receive approval from the Minister for capital borrowing. The Corporation's interest rate risk is minimized by matching the interest rates, term, and features of its debenture issues with those on the loans it makes to its clients.

During the year, long-term loans totaling \$115.6 million were made to 18 municipalities, and 4 municipal enterprises. They were used for the purposes as shown below.

## 2014–2015 Debentures by Type



## Loans by Jurisdiction



Purpose	Percentage	Regionals	Towns	Rurals	Enterprises	Total
<b>Water</b>	17.27%	6,000,000	300,000	0	13,672,358	19,972,358
<b>Sewer</b>	5.67%	0	209,600	439,000	5,902,874	6,551,474
<b>Streets</b>	20.18%	21,969,100	1,365,131	0	0	23,334,231
<b>Buildings</b>	7.59%	7,686,300	647,200	72,000	375,000	8,780,500
<b>Land</b>	5.19%	6,000,000	0	0	0	6,000,000
<b>Equipment</b>	7.87%	7,246,500	1,179,142	475,000	197,800	9,098,442
<b>Recreation</b>	9.02%	2,137,200	2,858,131	0	5,430,478	10,425,809
<b>Sewage Treatment</b>	23.69%	10,000,000	0	3,232,588	14,155,016	27,387,604
<b>Other</b>	3.53%	415,900	131,827	3,530,000	0	4,077,727
<b>Totals</b>	100.00%	61,455,000	6,691,031	7,748,588	39,733,526	115,628,145
		53.15%	5.79%	6.70%	34.36%	100.00%

“MFC staff are knowledgeable in the area of policy development and bring a different perspective, including experience and scenarios from other units. We would absolutely work with them on another project.”

**Kim Ramsay, CPA, CMA, Director of Finance and Administration, District of East Hants**

### Year Ended March 31, 2015

The accumulated loans outstanding at March 31, 2015 amounted to \$815.3 million, comprising \$809.1 million to 70 municipalities and enterprises and \$6.2 million to two district health authorities.

### Outstanding Borrowing Program

Funds totaling \$115.6 million for loans to municipalities and municipal enterprises were raised through two issues in the Canadian domestic market. The two issues were placed privately with the Province of Nova Scotia, which purchased a \$44.9 million issue in June 2014 and a \$70.7 million issue in November 2014. Interest rates ranged from 1.200% to 3.792%.

### New Long-Term Loans During the Year

Fiscal year ending at March 31 (\$millions)

Year	Municipal	Hospitals	School Boards	Total
2006	112.0	-	-	112.0
2007	108.3	-	-	108.3
2008	139.5	0.5	-	140.0
2009	110.9	-	-	110.9
2010	114.2	-	-	114.2
2011	119.0	-	-	119.0
2012	73.0	-	-	73.0
2013	137.8	-	-	137.8
2014	118.7	-	-	118.7
2015	115.6	-	-	115.6

### Ten-Year History of Loans to Municipalities, School Boards, and Hospitals

The following table shows the total loans outstanding at the end of each of the last ten fiscal years, broken down by category.

### Loans Outstanding at Year End

Fiscal year ending at March 31 (\$millions)

Year	Municipal	Hospitals	School Boards	Total
2006	611.1	10.2	-	621.3
2007	632.4	9.8	-	642.2
2008	679.6	9.9	-	689.5
2009	700.3	9.5	-	709.8
2010	719.5	9.0	-	728.5
2011	748.1	8.5	-	756.6
2012	725.1	8.0	-	733.1
2013	764.3	7.4	-	771.7
2014	790.3	6.8	-	797.1
2015	809.1	6.2	-	815.3

# SCHEDULE OF OUTSTANDING LOANS

Year ending March 31, 2015

By Jurisdiction	Principal March 31/14	New Loans	Principal Repayment	Principal March 31/15
<b>Regional Municipalities</b>				
Cape Breton	113,278,811	19,300,000	(15,794,042)	116,784,769
Halifax	280,528,870	42,155,000	(44,384,945)	278,298,925
Queens	5,279,354	0	(768,423)	4,510,931
<b>Total Regional Municipalities</b>	<b>399,087,035</b>	<b>61,455,000</b>	<b>(60,947,410)</b>	<b>399,594,625</b>
<b>Towns</b>				
Amherst	9,457,359	0	(742,170)	8,715,189
Annapolis Royal	9,300	0	(9,300)	0
Antigonish	3,461,000	350,000	(283,500)	3,527,500
Berwick	2,508,480	0	(250,755)	2,257,725
Bridgetown	2,166,661	165,200	(348,872)	1,982,989
Bridgewater	6,265,500	0	(1,233,100)	5,032,400
Clark's Harbour	200,000	90,000	(20,000)	270,000
Digby	1,867,764	46,949	(230,566)	1,684,147
Hantsport	2,047,336	45,000	(202,783)	1,889,553
Kentville	7,642,640	925,000	(1,072,510)	7,495,130
Lockeport	290,647	70,000	(49,059)	311,588
Lunenburg	3,167,600	207,400	(333,450)	3,041,550
Mahone Bay	705,000	0	(61,400)	643,600
Middleton	2,887,120	0	(276,903)	2,610,217
Mulgrave	135,000	0	(25,000)	110,000
New Glasgow	9,537,226	636,482	(1,140,530)	9,033,178
Oxford	1,909,100	269,000	(251,200)	1,926,900
Pictou	4,385,332	0	(343,173)	4,042,159
Port Hawkesbury	6,304,130	0	(698,545)	5,605,585
Shelburne	1,579,345	0	(200,122)	1,379,223
Springhill	4,394,779	0	(730,402)	3,664,377
Stellarton	11,253,285	0	(644,599)	10,608,686
Stewiacke	1,772,540	0	(192,936)	1,579,604
Trenton	647,025	0	(55,775)	591,250
Truro	19,840,800	3,035,000.00	(1,424,700)	21,451,100
Westville	1,651,501	0	(194,138)	1,457,363
Windsor	6,701,261	0	(501,125)	6,200,136
Wolfville	2,633,600	851,000	(460,033)	3,024,567
Yarmouth	3,366,667	0	(400,000)	2,966,667
<b>Total Towns</b>	<b>118,787,998</b>	<b>6,691,031</b>	<b>(12,376,646)</b>	<b>113,102,383</b>

<b>Rural Municipalities</b>				
Annapolis	2,383,500	0	(427,500)	1,956,000
Antigonish	4,313,912	0	(218,609)	4,095,303
Argyle	1,018,182	0	(127,273)	890,910
Barrington	557,183	0	(138,151)	419,032
Chester	5,664,647	4,005,000	(1,109,601)	8,560,046
Clare	2,793,750	0	(297,083)	2,496,667
Colchester	20,841,433	3,232,588	(2,144,358)	21,929,663
Cumberland	5,050,650	0	(442,000)	4,608,650
Digby	1,100,000	0	(110,000)	990,000
Guysborough	2,017,068	0	(193,152)	1,823,916
Hants East	29,974,581	0	(1,720,913)	28,253,668
Hants West	3,042,546	0	(180,707)	2,861,839
Inverness	1,700,000	0	(250,000)	1,450,000
Kings	8,387,111	180,000	(1,566,991)	7,000,120
Lunenburg	11,639,775	0	(1,115,508)	10,524,267
Richmond	2,103,124	331,000	(284,979)	2,149,145
St Mary's	1,250,000	0	125,000	1,125,000
Shelburne	42,600	0	(14,200)	28,400
Victoria	550,500	0	(133,500)	417,000
Yarmouth	2,755,000	0	(142,500)	2,612,500
<b>Total Rural Municipalities</b>	<b>107,185,562</b>	<b>7,748,588</b>	<b>(10,742,025)</b>	<b>104,192,126</b>

<b>Villages</b>				
Baddeck	590,055	0	(67,518)	522,537
Kingston	100,000	0	(36,000)	64,000
Lawrencetown	42,500	0	(8,500)	34,000
St Peters	316,299	0	(46,267)	270,032
Port Williams	204,000	0	(51,000)	153,000
Westport	20,000	0	(5,000)	15,000
Weymouth	70,000	0	(17,500)	52,500
<b>Total Villages</b>	<b>1,342,854</b>	<b>0</b>	<b>(231,785)</b>	<b>1,111,069</b>

<b>Municipal Enterprises</b>				
Bridgewater Public Service Commission	3,394,200	0	(421,300)	2,972,900
Digby Area Recreation	120,000	0	(30,000)	90,000
Glen Haven Manor Corporation	568,080	0	(71,010)	497,070
Halifax Regional Water Commission	143,373,916	33,730,248	(11,059,043)	166,045,121
Kings Regional Rehabilitation Centre	550,000	0	(22,000)	528,000
Lunenburg County Multi-Purpose Centre	0	5,430,478	0	5,430,478
Lunenburg Home for Special Care	508,030	0	(62,175)	445,855
Pictou County Wellness Centre	10,560,000	0	(440,000)	10,120,000
RK MacDonald Nursing Home	1,093,820	375,000	(123,853)	1,344,967
St Peters-Samsonville Water Utility	1,338,400	0	(65,400)	1,273,000
Valley Waste Resource Management	2,368,510	197,800	(198,339)	2,367,971
<b>Total Municipal Enterprises</b>	<b>163,874,956</b>	<b>39,733,526</b>	<b>(12,493,120)</b>	<b>191,115,362</b>

<b>District Health Authorities</b>				
Capital District Health Authority	6,611,683	0	(575,354)	6,036,329
Annapolis Valley Health	233,830	0	(54,160)	179,670
<b>Total District Health Authorities</b>	<b>6,845,513</b>	<b>0</b>	<b>(629,514)</b>	<b>6,215,999</b>
<b>Total Loans</b>	<b>797,123,918</b>	<b>115,628,145</b>	<b>(97,420,500)</b>	<b>815,331,564</b>



## OTHER PROGRAMS

In addition to its long-term borrowing program, NSMFC offers additional programs to assist municipalities with financial planning and capacity building.

### Short-Term Borrowing

In 2014, the Corporation secured a \$50 million line of credit from the Department of Finance and Treasury Board to facilitate requests from municipalities. Previously, the Corporation's reserve fund was used to provide short-term loans to clients that had completed capital projects and were awaiting participation in the next debenture issue. This change creates an opportunity for the municipal client to access low-interest, short-term loans; and for the Corporation to invest and earn more interest on its reserve fund. Short-term loans are available to finance municipalities until the next debenture offering. Interest is charged at 90 day Bankers' Acceptance plus 50 basis points calculated using the Canadian Dollar Offered Rate (CDOR). The Corporation administered \$917,400 to 1 municipality and 2 municipal enterprises for capital-related projects; 1 was debentured during 2014–2015.

### Financial Management Best Practices

In 2014, NSMFC launched a pilot project – first with the Town of Bridgetown (before its decision to pursue dissolution) and then with the Town of Middleton – to implement all seven core financial management best practices into policies. Expected to conclude in the summer of 2015, the results will be used to promote the core best practices to other municipalities.

### Debt Affordability Model

The Corporation actively promotes the use of its Debt Affordability Model. The model is a debt management tool that allows municipalities to make strategic long-term capital planning decisions. In 2014–2015, staff continued to work with clients to provide training and to assist in implementation of the model based on their unique needs. The Debt Affordability Model was also used as part of the evidence presented to the Utility and Review Board for the Bridgetown and Springhill dissolution hearings.

“The Town of Middleton is in very good shape with respect to financial management overall, but implementing the best practices helps instill confidence in Council, staff, and the public on this issue.”

*Rachel Turner, CAO, Town of Middleton*

## Municipal Finance Training and Capacity Building Program

NSMFC encourages capacity building amongst municipal finance officials. To that end, the Corporation sponsors a financial professional working in municipal government in Nova Scotia to attend the annual GFOA conference. This international conference is dedicated to the development of financial excellence in local government through the use of best practices and bench-marking.

The Corporation also sponsored local training opportunities for both elected officials and administrative staff, including UNSM conferences and Municipal Finance Officers training sessions. John Ferguson, CAO for the County of Annapolis, was selected to attend the GFOA Conference in Minneapolis, Minnesota 2014–2015.

## Internship Program

Every summer, the Corporation participates in the internship program at the Dalhousie School of Public Administration by hiring a Master of Public Administration (MPA) student. In the summer of 2014, Brandon Knill worked on two projects for NSMFC. He developed an Investment Policy Template for municipalities and investigated the possibility of using e-documents in the debenture process. He also worked with DMA to create a resource binder for municipalities considering structure reform and with the Office of Policy and Priorities to produce two research papers related to the One Nova Scotia Commission's *Now or Never* Report.

## Partnerships

NSMFC works closely with stakeholders in the municipal community in Nova Scotia. The Corporation has built strong partnerships with the UNSM and AMA which represent the elected and administrative municipal officials in the province. This relationship helps to promote and distribute information about NSMFC through their respective annual conferences, listservs, and websites. By having representation from these organizations on the Board, NSMFC is also able to remain up-to-date with current municipal issues and needs.

“The value in MFC’s best practices for our organization is that they have been developed with the current legislation and guidelines in mind, as well as having been developed through a jurisdictional scan to ensure that they are applicable and practical in most instances. The work to develop them has primarily been done by the MFC staff, which takes the onus off of municipal staff to do the research and drafting of any of the documents.” **Rachel Turner, CAO, Town of Middleton**

The Corporation maintains close ties to provincial departments as well. The staffs at DMA and NSMFC work together throughout the debenture process to evaluate borrowing requests from municipalities. The Debt Affordability Model is also regularly used by the Municipal Advisors and other DMA staff in policy matters. Finally, NSMFC staff serves on several internal DMA committees. The Departments of Finance and Treasury Board and Justice also provide assistance to the Corporation.

## Staff Changes

In August 2014, Bob Houlihan retired as Chief Executive Officer and Treasurer of the Corporation. Bob became involved with the Corporation in 2002 when he served as Corporate Secretary, and in 2010 joined the Corporation as Chief Executive Officer and Treasurer. He brought over 25 years of experience in municipal government finance to the Corporation and always put the issues and concerns of the Corporation’s municipal clients first and foremost. The Board of Directors and staff wish to acknowledge Bob’s valuable contribution to NSMFC and wish him all the best in his retirement.

Paul Wills took over as Chief Executive Officer and Treasurer of the Corporation in December 2014. Paul Wills came to the Corporation from DMA where he served as a Municipal Advisor since September 2008 as well as NSMFC’s Corporate Secretary from 2009 to 2012. Prior to this Paul was the Manager of Municipal Finance with DMA. Paul brings extensive municipal government finance experience from his time with the Municipality of the County of Kings, the Town of New Glasgow and the Town of Westville. Paul was also the past chair of the Tangible Capital Asset Committee for Nova Scotia and the past chair of the Financial Reporting and Accounting Manual (FRAM) Committee. The Board of Directors and staff welcome Paul to NSMFC and look forward to working with him.

Policy Analyst Emily Pond left on maternity leave in August 2014. Emily was hired as Manager of Client Services in 2012 and previously worked as a summer intern with NSMFC and at Dalhousie University. She holds a BA from the University of King’s College and MPA from Dalhousie University. In April 2015, Emily accepted a new position at DMA as a Municipal Advisor. The Board of Directors and staff thank Emily for her valuable contribution and congratulate her on her new role at DMA and the addition to her family.

Kristen Stallard was hired for a 12 month term to fill the Policy Analyst position. She previously worked for the AMA and Town of New Glasgow; she was also a summer intern with the NSMFC in 2012. Kristen holds a BA (Hons) from St Francis Xavier University, MA from the University of Toronto, and MPA from Dalhousie University.

“Using MFC’s Best Practices makes so much sense for municipalities. Why reinvent the wheel when MFC has already created a good base for well thought-out policy and programs?”

**Kim Ramsay**, CPA, CMA, Director of Finance and Administration, District of East Hants

# MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of the Nova Scotia Municipal Finance Corporation are the responsibility of management, and have been prepared in accordance with the Public Sector Accounting Board and Canadian Institute of Chartered Accountants accounting principles, which are generally accepted in Canada, applied on a basis consistent with that of the preceding year. The financial information presented elsewhere in the Annual Report is consistent with the financial statements and the underlying information from which these statements were prepared.

The financial statements have been examined independently by the external auditors, KPMG LLP, whose responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Generally Accepted Accounting Principles. The Auditor's Report, attached to the financial statements, outlines the scope of their examination and contains their opinion.

The Board of Directors has approved the financial statements and all information in the Annual Report. The external auditors have full and free access to the Board, with and without the presence of management, to discuss auditing, internal controls, accounting policy, and financial reporting matters.

# INDEPENDENT AUDITORS' REPORT

## To the Directors of Nova Scotia Municipal Finance Corporation

We have audited the accompanying financial statements of Nova Scotia Municipal Finance Corporation which comprise the statement of financial position as at March 31, 2015, the statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Financial Statements

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

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nova Scotia Municipal Finance Corporation as at March 31, 2015, and its results of operations and its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants  
June 16th, 2015  
Halifax, Canada


# STATEMENT OF FINANCIAL POSITION


March 31, 2015, with comparative information for 2014

	2015	2014
<b>Financial assets:</b>		
Cash and cash equivalents (note 5(a))	\$ 7,308,963	\$ 6,684,214
Accrued interest receivable	9,824,171	9,973,919
HST receivable	674	152
Accounts receivable	5,594	5,513
Loans (note 2)	815,314,249	797,097,462
	832,453,651	813,761,260
<b>Financial liabilities:</b>		
Accounts payable	39,865	51,009
Employee obligation (Note 4)	80,477	98,917
Accrued interest payable	9,816,706	9,964,606
Short-term loan due to Province of Nova Scotia (Note 7)	660,000	-
Debentures (note 3)	815,280,085	797,058,969
	825,877,133	807,173,501
Net financial assets	6,576,518	6,587,759
<b>Accumulated surplus</b>	<b>\$ 6,576,518</b>	<b>\$ 6,587,759</b>

See accompanying notes to audited financial statements.

On behalf of the Board:

  
 Director

  
 Director

# STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended March 31, 2015, with comparative information for 2014

	Budget 2015	Actual 2015	Actual 2014
<b>Revenue:</b>			
Interest on loans	31,661,915	\$ 30,916,294	\$ 31,823,718
Interest on short-term investments	68,526	73,575	74,733
Recovery of issue costs	422,000	364,971	389,566
Administration fee	501,820	462,513	474,685
	32,654,261	31,817,353	32,762,702
<b>Expenses:</b>			
Interest on debenture debt and short term loans	31,660,039	30,916,968	31,821,744
Debenture issue expenses	404,140	367,409	386,911
Administrative expenses	581,491	544,217	523,357
	32,645,670	31,828,594	32,732,012
Annual operating surplus (deficit)	8,591	(11,241)	30,690
Accumulated surplus, beginning of year	6,587,759	6,587,759	6,557,069
<b>Accumulated surplus, end of year</b>	<b>\$ 6,596,350</b>	<b>\$ 6,576,518</b>	<b>\$ 6,587,759</b>

See accompanying notes to audited financial statements.

# STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

Year ended March 31, 2015, with comparative information for 2014

	Budget 2015	Actual 2015	Actual 2014
Annual operating surplus (deficit)	\$ 8,591	\$ (11,241)	\$ 30,690
Increase in net financial assets	8,591	(11,241)	30,690
Net financial assets, beginning of year	6,587,759	6,587,759	6,557,069
<b>Net financial assets, end of year</b>	<b>\$ 6,596,350</b>	<b>\$ 6,576,518</b>	<b>\$ 6,587,759</b>

See accompanying notes to audited financial statements

# STATEMENT OF CASH FLOWS

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
<b>Operating activities:</b>		
Annual operating surplus	\$ (11,241)	\$ 30,690
Item not involving cash:		
Amortization of fair value adjustment on loans	(9,142)	(11,805)
Amortization of fair value adjustment on debenture debt	9,142	11,805
Increase (decrease) in employee obligations	(18,440)	15,000
Change in non-cash operating working capital (note 5(b))	650,101	30,280
	620,420	75,970
<b>Investing activities:</b>		
Issuance of loans to units	(115,628,145)	(118,671,225)
Payments received on loans to units	97,420,500	93,205,360
	(18,207,645)	(25,465,865)
<b>Financing activities:</b>		
Proceeds of debentures	115,628,000	118,672,000
Principal payments on debenture	(97,416,026)	(93,206,456)
	18,211,974	25,465,544
Increase in cash and cash equivalents	624,749	75,649
Cash and cash equivalents, beginning of year	6,684,214	6,608,565
Cash and cash equivalents, end of year	\$ 7,308,963	\$ 6,684,214

Supplemental cash flow information (note 5 (c))

See accompanying notes to audited financial statements.



# NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2015

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Nova Scotia Municipal Finance Corporation (the "Corporation") was created by the Municipal Finance Corporation Act which was proclaimed on July 31, 1979. The Corporation began operations on January 1, 1980 and has a March 31 fiscal year-end. The object of the Corporation is to provide financing of approved capital projects for municipalities, municipal enterprises, regional school boards, and hospitals through a central borrowing authority. The Corporation is not subject to provincial or federal taxes.

## 1. Significant accounting policies:

### (a) Basis of accounting:

The financial statements of the Corporation have been prepared in accordance with Canadian public sector accounting standards as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada ("CPA").

The Corporation follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

### (b) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, balances with banks, short-term deposits with the Province of Nova Scotia with maturities of three months or less and short-term loans. Cash and cash equivalents are recorded at amortized cost.

### (c) Loans:

Loans are recorded at amortized cost.

### (d) Employee future benefits:

The Corporation provides certain employee benefits which will require funding in future periods.

#### *Public service awards:*

Upon retirement, employees are eligible for a public service award equal to one week's salary per year of service to a maximum of twenty-six years. Management recognizes compensation expense on an accrual basis based on management's best estimate.

#### *Employee pension plan:*

Permanent employees participate in the Nova Scotia Public Service Superannuation Plan (the "Plan"), a contributory defined benefit pension plan, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. The Corporation is not responsible for any under-funded liability, nor does the Corporation have any access to any surplus that may arise in this Plan. The cost of the Plan is the Corporation's required contributions due to the plan during the period.

# NOTES TO FINANCIAL STATEMENTS

## (e) Debentures:

Debentures are recorded at amortized cost.

## (f) Accumulated surplus:

The accumulated surplus was created from annual accumulated surpluses and interest on funds which had been advanced by the Province of Nova Scotia and interest on other surplus monies. Included in the accumulated surplus is the reserve fund which provides a capital base for the Corporation, as well as funds which may be required for administrative purposes and timing differences. The board requires a reserve fund to be maintained between a range of \$6 million to \$7 million.

## (g) Revenue recognition:

Interest revenue on loans is recognized on an accrual basis and reported as revenue in the period earned.

## (h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

## 2. Loans:

(a) Loans are made on the security of debentures and are due in annual instalments for periods up to a maximum of twenty years. Interest rates on the loans range from 1.0% to 6.125%. Repayment terms are negotiated on specific loans and would normally not exceed twenty years.

	2015	2014
Loans	\$815,314,249	\$797,097,462
Less current portion	109,036,923	97,420,500
	\$706,277,326	\$699,676,962

(b) Principal payments receivable and due on debentures payable in each of the next five years are as follows:

	Loans	Debentures payable
2016	\$109,036,923	\$109,028,549
2017	97,125,804	97,119,394
2018	90,770,589	90,752,720
2019	81,131,073	84,128,842
2020	76,272,574	76,272,302

# NOTES TO FINANCIAL STATEMENTS

## 3. Debentures:

The debenture debt outstanding at March 31, 2015 totaling \$815,280,085 (2014 – \$797,058,969) is in Canadian funds and are placed with the Province of Nova Scotia, with the exception of Series “AT”, and the “FCM” loans which are private placements. Interest is payable semi-annually, except for Series “AT”, which is payable annually. At year-end, the total debentures due to the Province of Nova Scotia was \$808,129,329 (2014 - \$789,126,683).

Series	Date issued	Maturity date Calendar Year	Interest rate	2015
				Amortized cost of debt outstanding
AP	Jan.30/98	2016 to 2019	6.000-6.125	\$ 13,435,345
AT*	May 28/99	2015	1.000	168,750
BA	Nov. 7/02	2015 to 2017	5.875-6.000	1,312,511
BB	Jan. 9/03	2015 to 2023	5.913	6,036,329
BC	May 28/03	2015 to 2018	5.625-5.750	3,341,454
BD	Oct. 15/03	2015 to 2018	5.125-5.375	2,828,430
BE	June 10/04	2015 to 2019	5.550-5.750	878,945
BF	Sept. 1/04	2015 to 2024	5.525-5.940	55,000,000
BG	Nov. 25/04	2015 to 2019	5.100-5.325	1,304,000
BH	June 1/05	2015 to 2020	4.560-4.880	16,059,000
BI	Nov. 22/05	2015 to 2020	4.515-4.830	20,156,000
BJ	June 1/06	2015 to 2021	4.825-5.080	14,949,000
BK	Oct. 24/06	2015 to 2021	4.340-4.590	25,611,000
FCM-A**	Oct. 31/06	2015 to 2016	2.550	166,160
FCM-B**	Mar. 5/07	2016 to 2017	2.620	64,770
BL	June 1/07	2015 to 2022	4.525-4.770	29,371,000
BM	Oct. 17/07	2015 to 2022	4.912-5.210	25,956,000
BN	Jul. 7/08	2015 to 2023	4.584-5.088	27,154,000
FCM-C**	Sept. 30/08	2015 to 2018	2.190	264,495
BP	Oct. 24/08	2015 to 2023	4.750-5.480	27,025,000
BQ	June 1/09	2015 to 2024	3.666-5.644	41,945,000
BR	Oct. 27/09	2015 to 2024	3.387-4.939	26,702,000
BS	June 29/10	2015 to 2025	3.430-4.875	39,671,000
BT	Nov. 9/10	2015 to 2025	2.570-4.410	37,423,000
BU	May 30/11	2015 to 2026	2.811-4.597	21,745,000
BV	Nov. 9/11	2015 to 2026	2.057-4.026	29,912,000
FCM-D**	Nov. 15/11	2015 to 2021	1.750	890,910
FCM-E**	Mar. 26/12	2016 to 2032	2.000	376,391
BW	May 15/12	2015 to 2027	2.165-3.856	35,588,000
FCM-F**	July 3/12	2015 to 2032	2.000	1,636,595
BX	July 6/12	2015 to 2022	1.785-3.156	28,800,000
FCM-G**	Aug. 22/12	2015 to 2032	2.000	3,600,000
BY	Nov. 9/12	2015 to 2027	1.820-3.580	49,968,000
BZ	May 15/13	2015 to 2028	1.435-3.489	68,299,000
CA	Nov. 15/13	2015 to 2028	1.463-4.114	42,013,000
CB	June 5/14	2015 to 2029	1.245-3.792	44,961,000
CC	Nov. 17/14	2015 to 2029	1.200-3.559	70,667,000
				\$ 815,280,085

All debt directly placed with the Province of Nova Scotia except:

\* Placed with private investor

\*\* Placed with Federation of Canadian Municipalities

Amounts repayable over the next five years are presented in note 2(b).

# NOTES TO FINANCIAL STATEMENTS

## 4. Employee obligations:

### (a) Public Service Awards:

As at March 31, 2015, the Corporation has recorded a liability in the amount of \$80,477 (2014 – \$98,917) in respect of the provincial public service award for the employees of the Corporation.

### (b) Employee pension plan:

Permanent employees of the Corporation participate in the Nova Scotia Public Service Superannuation Plan (the "Plan"), a contributory defined benefit pension plan administered by the Province, which provides pension benefits based on length of service and earnings.

Contributions to the Plan are required by both the employees and the employer. The Corporation's contributions range from 8.4% to 10.9% of employee salary. Total employer contributions for 2015 were \$27,873 (2014 – \$28,412) and are recognized in administrative expenses in the financial statements.

The Corporation is not responsible for any under-funded liability, nor does the Corporation have access to any surplus that may arise in this Plan.

## 5. Supplemental cash flow information:

### (a) Cash and cash equivalents include:

	2015	2014
Cash	\$ 3,323,963	\$ 76,814
Short-term investments	3,985,000	6,607,400
	<u>\$ 7,308,963</u>	<u>\$ 6,684,214</u>

### (b) Change in non-cash working capital:

	2015	2014
Accrued interest receivable	\$ 149,748	\$ 2,341
Other receivables	(603)	311
Accounts payable	(11,144)	29,487
Accrued interest payable	(147,900)	(1,859)
Due to PNS	660,000	-
	<u>\$ 650,101</u>	<u>\$ 30,280</u>

### (c) Supplemental cash flow information:

	2015	2014
Interest paid	\$ 31,055,727	\$ 31,811,798
Interest received	\$ 31,055,421	\$ 31,813,773

# NOTES TO FINANCIAL STATEMENTS

## 6. Financial instruments:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. The Corporation's financial instruments are primarily exposed to interest rate volatility, credit and liquidity risk.

### (i) Interest rate risk

Interest rate risk is the risk that the market value of the Corporation's investments and debt will fluctuate due to changes in market interest rates. Interest rate risk is mitigated due to the fact that the Corporation's mandated rate of interest charged on loans is directly matched to its cost of borrowing, thereby mitigating the risk of equity erosion. It is management's opinion that the Corporation is not exposed to significant interest rate risk arising from financial instruments.

### (ii) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Corporation. Due to the existing statutory provision for the recovery of any defaults by municipalities an allowance for doubtful accounts is not required. It is management's opinion that the Corporation is not exposed to significant credit risk arising from financial instruments. The maximum exposure to credit risk is equal to the carrying amount of the loans.

During the year and at year-end, there are no loans which are past due or considered impaired.

### (iii) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity requirements are managed through the receipt of payments on the loans and short-term investments and interest earned on the loans and short-term investments. These sources of funds are used to satisfy debt service requirements on the debentures and short-term loans and to pay expenses. In the normal course of business, the Corporation enters into contracts that give rise to commitments for future payments which may also impact the Corporation's liquidity. The Corporation also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities. It is management's opinion that the Corporation is not exposed to significant liquidity risk arising from financial instruments.

The following table summarizes the contractual maturities for all financial liabilities as at March 31, 2015:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	March 31, 2015 total
Accounts payable	\$ 39,865	\$-	\$ -	\$-	\$ 39,865
Accrued interest payable	9,816,706	-	-	-	9,816,706
Employee obligations	28,721	41,377	10,379	-	80,477
Debentures (principal)	109,028,549	348,273,258	325,745,217	32,250,376	815,297,400
Debentures (interest)	29,771,664	83,716,934	38,033,107	2,621,566	154,143,271
	\$ 148,685,505	\$ 432,031,569	\$ 363,788,703	\$ 34,871,942	\$ 979,377,719

# NOTES TO FINANCIAL STATEMENTS

## **7. Short term loan due to PNS:**

On November 14, 2014, the Corporation entered into a Line of Credit Agreement with the Province of Nova Scotia as represented by the Minister of Finance and Treasury Board. The Province has extended a revolving unsecured credit facility of \$50 million. The purpose of this line of credit is to provide short-term financing to municipalities for completed capital projects until long-term financing can be arranged. The current amount outstanding on the Line of Credit is \$660,000. The balance bears interest at the Canadian Bankers acceptance rate and will be paid off through the bi-annual debenture issuance.

# FROM THE 2015 CLIENT SURVEY

## STAFF

**88%**

feel the terms and structures offered by NSMFC on its debenture issues were flexible to meet their needs

**100%**

are interested in making the debenture process electronic

**96%**

indicated their questions were answered in a timely manner by NSMFC staff

**70%**

feel additional training for Council would be useful

### Most highly rated NSMFC programs:

- Debt Affordability Model (**92%**)
- Financial Management Best Practices (**83%**)
- Municipal Finance Officers Workshops (**83%**)

## ELECTED

**91%**

are aware that NSMFC offers lower interest rates than financial institutions, a 23% increase from 2013

**84%**

are aware that municipalities are required to borrow from NSMFC for capital loans

**72%**

are interested in receiving more information about the Debt Affordability Model



— NOVA SCOTIA —  
**MUNICIPAL FINANCE  
CORPORATION**

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