



— NOVA SCOTIA —
**MUNICIPAL FINANCE
CORPORATION**

36TH ANNUAL
ACCOUNTABILITY REPORT

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

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ACCOUNTABILITY STATEMENT

The Accountability Report of the Nova Scotia Municipal Finance Corporation for the year ended March 31, 2016 is prepared pursuant to the *Finance Act* and government policies and guidelines. These authorities require the reporting of outcomes against the Nova Scotia Municipal Finance Corporation Business Plan for the fiscal year just ended. The reporting of the Nova Scotia Municipal Finance Corporation outcomes necessarily includes estimates, judgments and opinions by Nova Scotia Municipal Finance Corporation management.

We acknowledge that this Accountability Report is the responsibility of Nova Scotia Municipal Finance Corporation management. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Nova Scotia Municipal Finance Corporation 2015-2016 Statement of Business Plan.



Zach Churchill, Minister



Dan McDougall, Chair



Paul Wills, CEO

MESSAGE FROM THE CHAIR



As Chair of the Nova Scotia Municipal Finance Corporation (the Corporation), it is my pleasure to present the Corporation's 36th Annual Report for the 2015–2016 fiscal year.

The Corporation's work touches the lives of all Nova Scotians. Over its 36 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 other 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 the Corporation. Below are some of the highlights:

Debenture Issues and Short-Term Financing

The Corporation strives to provide the lowest possible long-term and short-term interest rates to municipalities. In 2015-2016, the Corporation was able to achieve this goal through its two annual debenture issuances: one for \$41.2 million and one for \$68.9 million and one Federation of Canadian Municipalities loan for \$2.5 million. This represents total long-term loan activity of \$112.6 million during the fiscal year. The Corporation also provided six short-term loans under its overhauled short-term loan program. Three municipalities (one for two separate loans) accessed the program totaling \$1,339,737 at interest rates of 1.494%, 1.298%, 1.340% and 1.342%, respectively.

Key Accomplishments

- The Corporation 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 Corporation has access to a \$50 million line of credit from the Department of Finance and Treasury Board to facilitate requests from municipalities. This change has improved access to short-term funding for municipalities until they can participate in the long-term debenture process.
- The Corporation continued to encourage use of its financial management best practices. The Corporation staff will work directly with the municipality to research and write policies based on financial management best practices developed by the Corporation in partnership with stakeholders and municipal finance experts.

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

The Corporation 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, the Association of Municipal Administrators of Nova Scotia, the Department of Municipal Affairs, 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 Union of Nova Scotia Municipalities, one member is appointed from the community at large, and one member is appointed upon the recommendation of the Association of Municipal Administrators of Nova Scotia.

The Corporation is completely self-funded. The Minister of the Department of Municipal Affairs 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.

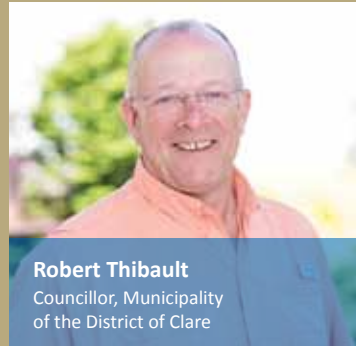
DIRECTORS, OFFICERS AND EMPLOYEES OF THE CORPORATION



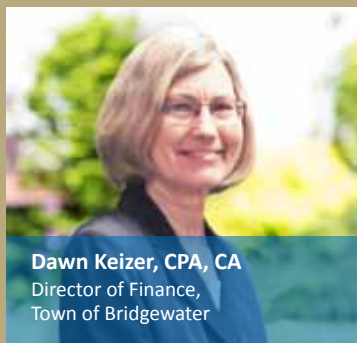
Dan McDougall, Chair
Deputy Minister, Department of
Municipal Affairs



Marc Britney, CFP
Councillor, Town of Middleton



Robert Thibault
Councillor, Municipality
of the District of Clare



Dawn Keizer, CPA, CA
Director of Finance,
Town of Bridgewater



Byron Rafuse, CPA, CMA
Associate Deputy Minister
Financial and Treasury Board



Darrell Hiltz
New Ross, Nova Scotia



**Chief Executive Officer and
Treasurer - Paul Wills, CPA, CMA**
Nova Scotia Municipal Finance Corporation



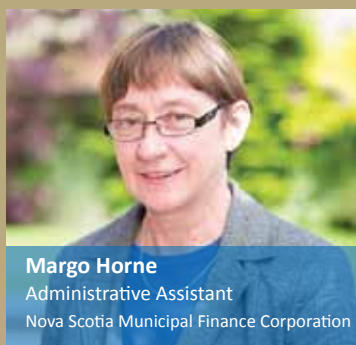
General Counsel - Phil Reid
Department of Justice



Corporate Secretary - Rob Frost
Municipal Advisor, Department
of Municipal Affairs



Assistant Treasurer - Roy Spence
Director, Liability Management and
Treasury Services, Department of
Finance and Treasury Board



Margo Horne
Administrative Assistant
Nova Scotia Municipal Finance Corporation



Bob Audoux, CPA, CGA
Manager, Financial Services
Nova Scotia Municipal Finance Corporation

DIRECTORS' REPORT



Dan McDougall

Dawn Keizer

Marc Britney

Darrell Hiltz

Byron Rafuse

Robert Thibault

On behalf of the Corporation, we are pleased to provide you with the 36th Annual Accountability Report for the Corporation. This report highlights the work and accomplishments related to our 2015-16 Business Plan.

Since 1979, the Corporation has worked closely with clients to build healthy and vibrant communities. Our mission is 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 the Corporation'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.

- The Corporation's long-term financing program continues to help municipalities meet their infrastructure needs. This year, loans issued by the Corporation totaled \$112.6 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 tremendous savings to municipal participants.
- The short-term loan program has a \$50 million line of credit from the Department of Finance and Treasury Board. This helps 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 2015-16, six short-term loans were issued for a total of \$1,999,737.
- During the year, the Corporation has begun to move to a more modern loan/debenture system to keep track of the loans and debenture portfolio. It is anticipated to have completely moved to this new system in the 2016-17 fiscal year.
- In the winter of 2015-16, the Corporation has requested the removal of the seal requirement on its debentures from the *Municipal Government Act*. If approved, it is anticipated the Fall 2016 debenture issue could be done paperless, thus reducing mailing and courier charges for both, the Corporation and its clients.
- Finally, our website, Financial Management Best Practices pilot project, and continued focus on training for the Debt Affordability Model, help to ensure that the Corporation remains relevant to local government officials.

Nova Scotians are at the heart of everything we do at the Corporation. 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.

CORPORATE GOVERNANCE

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

As a Crown Corporation, the Corporation'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.

The Corporation is governed by a Board of Directors and a 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 the Corporation. 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.

“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

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.

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 the Corporation’s management and employees, and fosters a corporate culture that promotes engagement, consistent execution, proper diligence, and client service. A team comprised of two staff support the operations of the Corporation 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 possible cost, within acceptable risk parameters, within their particular debt structure, so that their timing needs will be met.

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 2015-2016

- 90% of clients were satisfied with the timing of debenture issues¹
- 90% of clients agreed that the debenture terms and structure are flexible enough to meet their needs²
- Procedures ensure creditworthiness of loans
- Provincial guarantee allows the Corporation to price off the Province of Nova Scotia spread

Targets for 2016-17

- 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 27 participants, including 22 municipalities and 5 municipal enterprises
- Issued \$112.6 million in debentures and on-loaned a similar amount to clients
- Administered \$1,999,737 in short-term financing pending issuance of a debenture, \$1,129,850 of which was debentured in the spring issue
- Administered \$818.9 million in outstanding loans to municipalities and hospitals

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

² 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

Measure

- Client default rates
- Match assets and liabilities

Results in 2015-2016

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

Target for 2016-2017

- Maintain 0% default rate
- Maintain matching strategy

Outputs

- Reviewed all municipal requests with Department of Municipal Affairs 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 surplus of \$49,277 due to not replacing the vacant Policy Analyst position
- Maintained a reserve fund balance of \$6,625,795

“As a young local government professional, my experience at GFOA Philadelphia was enriching and I would encourage all financial planners, who are able to attend.”

Jody Cook, Administrative Assistant, Municipality of the District of St. Mary’s

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 Corporation sponsored Municipal Finance Workshops
- Number of tools used to promote programs and services effectively

Results in 2015-2016

- 50% of clients using the Debt Affordability Model³
- 35% of clients using the Financial Management Best Practices⁴
- 61% of capacity attended workshops in 2015
- 86% of clients are aware of the Corporation programs and services⁵

Targets for 2016-2017

- 60% of clients using the Debt Affordability Model
- 50% of clients using the Financial Management Best Practices
- 80% of capacity attend workshops
- 95% of clients are aware of the Corporation 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 Parrsboro and the dissolution deliberations of the Town of Mulgrave
- Encouraged the implementation of recommended practices of the Financial Management and Capacity Building Committee in Nova Scotia municipalities
- Sponsored one finance professional from the District of St Mary's to attend the annual Government Finance Officers Association Conference in Philadelphia in 2015
- Participated in Municipal Finance Officers forums at the Association of Municipal Administrators of Nova Scotia Spring and Fall Conferences

³ Ibid ⁴ Ibid ⁵ Ibid

AUDIT COMMITTEE

The Audit Committee was established in 2009-10 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 must be Board Members (excluding the Chair) of the Corporation as per the Audit Committee Terms of Reference. The Audit Committee may include additional members. Currently the Audit Committee has an additional member recommended by the Association of Municipal Administrators of Nova Scotia.

The Audit Committee is comprised of:

Dawn Keizer, CPA, CA

Municipal Finance Corporation Board Member
Director of Finance
Town of Bridgewater

Kim Ramsay, CPA, CMA

Association of Municipal Administrators of Nova Scotia Representative
Director of Finance and Administration
District of East Hants

Darrell Hiltz

Municipal Finance Corporation Board Member
Member-at-Large

Interest Rates

Interest rates in Canada and the United States remained at low levels throughout the fiscal year 2015-16. The Bank of Canada, like other central banks around the world, continued to maintain accommodative policies, such as low interest rates, to support economic growth. In calendar year 2015 the Bank of Canada lowered the overnight rate by 25 basis points on both January 21 and July 15. The target for the overnight rate had been 1% since September 2010. This move was made in response to the drop in oil prices, which was viewed by the Bank as negative for economic growth and underlying inflation in Canada.

In 2015 and early 2016, the core rate of CPI inflation has been trending just under the mid-point of the Bank of Canada's target range of 1% to 3%. Total CPI inflation has remained below 2% for most of the same time period, falling to a low of 0.8% in April 2015 due to the declines in consumer energy prices. The Bank of Canada expects total CPI inflation to remain below 2% throughout 2016 and to be close to 2% thereafter. Core inflation is expected to be about 2% throughout the projection horizon as the disinflationary effects of slack in the economy are counterbalanced by rising prices of imported goods due to the fall in the exchange rate.

Throughout the financial crisis, the US Federal Reserve Board, the Bank of Japan, and European Central Bank implemented various quantitative and qualitative easing programs to lower long-term interest rates. After maintaining the federal funds rate at 0.00–0.25% since December 2008, the Federal Reserve Board increased that rate to a 0.25%-0.5% target range in December 2015. In the March 2016 monetary policy statement, the Federal Reserve Board announced it was maintaining the current 0.25%-0.5% target range for the federal funds rate. The Federal Open Market Committee expects that economic activity in the United States will continue to expand at a moderate pace and labour market indicators will continue to strengthen in 2016, this positive trend being offset by risks posed by global economic and financial developments. Inflation in the United States is expected to remain low in the near term, in part because of earlier declines in energy prices, but to rise to 2% over the medium term as the transitory effects of declines in energy and import prices dissipate and the labour market strengthens further.

Long-term interest rates remained at very low levels during the 2015-16 fiscal year. At the pricing of the Spring MFC issue, the 10-year Canada bond yield was 1.756%, and in the Fall MFC issue that rate was 1.46%. The 10-year Canada bond yield averaged 1.47% over the 2015-16 fiscal year, down from averaging 1.92% in the 2014-15 fiscal year. During the 2015-16 fiscal year, 10-year Canada yields dropped to a low of 1% in early February 2016, and a high of 1.91% in June 2015.

Both the spring and fall 2015 NSMFC debt issues were 1 to 15 year serial debentures. The all-in yield for the 2015 spring issue was 2.49%. The fall issue had an all-in yield of 2.76%. Both of these issues benefited from declining Government of Canada bond yields across the maturity curve, as well as marginal tightening in municipal spreads.

Spring Issue (settled June 1, 2015)		Fall Issue (settled November 20, 2015)	
5 years	1.75	5 years	1.76
10 years	2.38	10 years	2.43
15 years	2.77	15 years	2.90
20 years	2.96	20 years	3.13
All-in cost	2.49	All-in cost	2.76

OVERVIEW OF LOAN PORTFOLIO

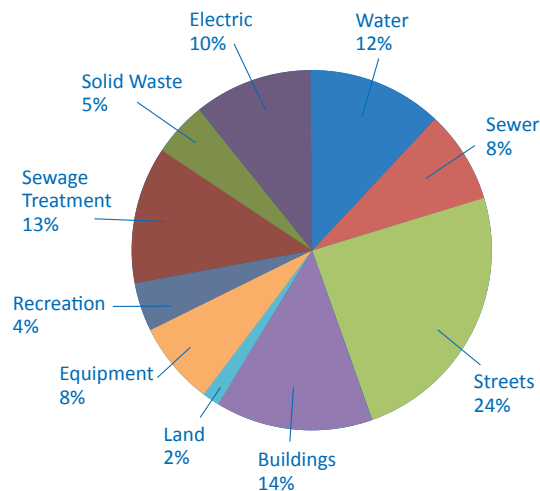
Loans to Municipalities, School Boards, and Hospitals

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

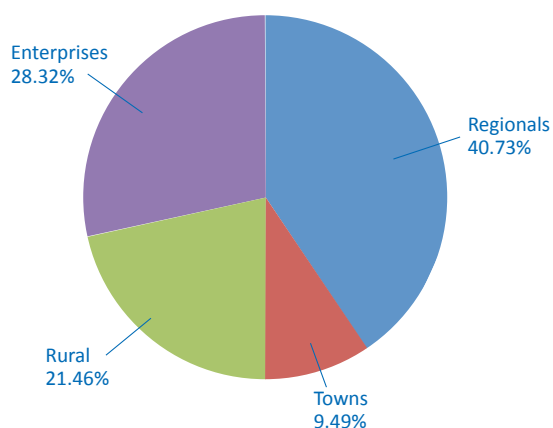
The Department of Municipal Affairs performs credit checks using debt policy guidelines approved by the Minister. Municipalities and municipal enterprises must receive approval from the Minister for capital borrowing. The Corporation's interest rate risk is minimized by matching the interest rates, term,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

During the year, long-term loans totaling \$112.6 million were made to 22 municipalities, and 5 municipal enterprises. They were used for the purposes as shown below

2015–2016 Debentures by Type



2015 -2016 Loans by Jurisdiction



Purpose	Percentage	Regionals	Towns	Rurals	Enterprises	Total
Water	12.17%	-	176,100	69,000	13,466,930	13,712,030
Sewer	7.91%	2,091,782	731,037	2,855,000	3,230,000	8,907,819
Streets	24.38%	24,920,150	1,694,005	851,619	-	27,465,774
Buildings	14.46%	6,662,274	6,866,498	2,530,000	226,256	16,285,028
Land	1.50%	1,334,448	360,211	-	-	1,694,659
Equipment	7.57%	6,208,743	777,478	879,320	660,000	8,525,541
Recreation	4.14%	4,579,758	87,047	-	-	4,666,805
Sewage Treatment	12.59%	-	-	67,000	14,110,096	14,177,096
Other	0.25%	76,459	-	-	205,064	281,523
Solid Waste	4.57%	-	-	5,150,000	-	5,150,000
Electric Systems	10.45%	-	-	11,774,254	-	11,774,254
Totals	100.00%	45,873,614	10,692,376	24,176,193	31,898,346	112,640,529
		40.73%	9.49%	21.46%	28.32%	100.00%

Year Ended March 31, 2016

The accumulated loans outstanding at March 31, 2016 amounted to \$818.9 million, comprising \$813.4 million to 69 municipalities and enterprises and \$5.5 million to two district health authorities.

Outstanding Borrowing Program

Funds totaling \$112.6 million for loans to municipalities and municipal enterprises were raised through two issues in the Canadian domestic market and one Federation of Canadian Municipalities loan of \$2.5 million. Two issues were placed privately with the Province of Nova Scotia, which purchased a \$41.2 million issue in June 2015 and a \$68.9 million issue in November 2015 and \$2.5 million for Federation of Canadian Municipalities in October 2015. Interest rates ranged from 1.011% to 3.449%.

New Long-Term Loans During the Year

Fiscal year ending at March 31 (\$millions)

Year	Municipal	Hospitals	School Boards	Total
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
2016	112.6	-	-	112.6

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
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
2016	813.4	5.5	-	818.9

SCHEDULE OF OUTSTANDING LOANS

Year ending March 31, 2016

By Jurisdiction	Principal March 31/15	New Loans	Principal Repayment	Principal March 31/16
Regional Municipalities				
Cape Breton	116,784,769	6,200,000	(17,524,042)	105,460,727
Halifax	278,298,925	39,673,614	(45,198,095)	272,774,444
Queens	4,510,931	-	(768,423)	3,742,508
Total Regional Municipalities	399,594,625	45,873,614	(63,490,560)	381,977,679
Towns				
Amherst	8,715,189	-	(727,469)	7,987,720
Antigonish	3,527,500	-	(318,500)	3,209,000
Berwick	2,257,725	-	(250,751)	2,006,974
Bridgewater	5,032,400	83,000	(1,233,100)	3,882,300
Clark's Harbour	270,000	-	(29,000)	241,000
Digby	1,684,147	-	(235,261)	1,448,886
Kentville	7,495,130	1,044,000	(1,130,810)	7,408,320
Lockeport	311,588	160,000	(53,726)	417,862
Lunenburg	3,041,550	179,000	(374,930)	2,845,620
Mahone Bay	643,600	-	(61,400)	582,200
Middleton	2,610,217	113,935	(276,903)	2,447,249
Mulgrave	110,000	126,500	(25,000)	211,500
New Glasgow	9,033,178	1,363,416	(1,139,051)	9,257,543
Oxford	1,926,900	-	(305,000)	1,621,900
Pictou	4,042,159	-	(343,173)	3,698,986
Port Hawkesbury	5,605,585	-	(666,545)	4,939,040
Shelburne	1,379,223	596,425	(157,723)	1,817,925
Stellarton	10,608,686	-	(644,599)	9,964,087
Stewiacke	1,579,604	-	(192,936)	1,386,668
Trenton	591,250	-	(55,775)	535,475
Truro	21,451,100	5,200,000	(1,602,050)	25,049,050
Westville	1,457,363	450,000	(194,138)	1,713,225
Windsor	6,200,136	176,100	(491,604)	5,884,632
Wolfville	3,024,567	1,200,000	(486,366)	3,738,201
Yarmouth	2,966,667	-	(400,000)	2,566,667
Total Towns	105,565,464	10,692,376	(11,395,810)	104,862,030

By Jurisdiction	Principal March 31/15	New Loans	Principal Repayment	Principal March 31/16
Rural Municipalities				
Annapolis	3,938,989	1,160,619	(606,444)	4,493,164
Antigonish	4,095,303	-	(218,609)	3,876,694
Argyle	890,910	-	(127,273)	763,637
Barrington	419,032	717,320	(108,375)	1,027,977
Chester	8,560,046	3,000,000	(1,434,933)	10,125,113
Clare	2,496,667	-	(178,333)	2,318,334
Colchester	21,929,663	4,750,000	(2,323,896)	24,355,767
Cumberland	8,273,027	-	(739,902)	7,533,125
Digby	990,000	-	(110,000)	880,000
Guysborough	1,823,916	11,474,254	(193,152)	13,105,018
Hants East	28,253,668	1,071,000	(1,635,953)	27,688,715
Hants West	4,751,392	1,780,000	(2,168,790)	4,362,602
Inverness	1,450,000	-	(250,000)	1,200,000
Kings	7,000,120	223,000	(1,460,589)	5,762,531
Lunenburg	10,524,267	-	(3,660,028)	6,864,239
Richmond	2,149,145	-	(307,045)	1,842,100
St Mary's	1,125,000	-	(125,000)	1,000,000
Shelburne	28,400	-	(14,200)	14,200
Victoria	417,000	-	(133,500)	283,500
Yarmouth	2,612,500	-	(142,500)	2,470,000
Total Rural Municipalities	111,729,045	24,176,193	(15,938,522)	119,966,716

Villages				
Baddeck	522,537	-	(67,518)	455,019
Kingston	64,000	-	(16,000)	48,000
Lawrencetown	34,000	-	(8,500)	25,500
St. Peters	270,032	-	(47,867)	222,165
Port Williams	153,000	-	(51,000)	102,000
Westport	15,000	-	(5,000)	10,000
Weymouth	52,500	-	(17,500)	35,000
Total Villages	1,111,069	-	(213,385)	897,684

By Jurisdiction	Principal March 31/15	New Loans	Principal Repayment	Principal March 31/16
Municipal Enterprises				
Blandford Fire Commission	-	400,000	-	400,000
Bridgewater Public Service Commission	2,972,900	-	(421,300)	2,551,600
Digby Area Recreation	90,000	205,064	(30,000)	265,064
Glen Haven Manor Corporation	497,070	-	(71,010)	426,060
Halifax Regional Water Commission	166,045,121	30,807,026	(15,470,245)	181,381,902
Kings Regional Rehabilitation Centre	528,000	-	(22,000)	506,000
Lunenburg County Multi-Purpose Centre	5,430,478	-	(362,032)	5,068,446
Lunenburg Home for Special Care	445,855	-	(65,360)	380,495
Milford Haven Corporation	-	226,256	-	226,256
Pictou County Wellness Centre	10,120,000	-	(440,000)	9,680,000
RK MacDonald Nursing Home	1,344,967	-	(143,893)	1,201,074
St Peters-Samsonville Water Utility	1,273,000	-	(68,100)	1,204,900
Valley Waste Resource Management	2,367,971	-	(237,899)	2,130,072
Western Shore Fire Dept	-	260,000	-	260,000
Total Municipal Enterprises	191,115,362	31,898,346	(17,331,839)	205,681,869
District Health Authorities				
Capital District Health Authority	6,036,329	-	(609,877)	5,426,452
Annapolis Valley Health	179,670	-	(56,930)	122,740
Total District Health Authorities	6,215,999	-	(666,807)	5,549,192
Total Loans	815,331,564	112,640,529	(109,036,923)	818,935,170

OTHER PROGRAMS

In addition to its long-term borrowing program, the Corporation 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 and interest is charged at 90 day Bankers' Acceptance plus 50 basis points calculated using Canadian Dollar Offered Rate (CDOR). The Corporation administered \$1,999,737 to 3 municipalities and 2 municipal enterprises for capital-related projects; 4 were debentured during 2015-16.

Financial Management Best Practices

In 2015, the Corporation provided assistance to the County of Antigonish in developing its Capital Investment Policy to assist Council in making capital investment decisions.

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 2015-16, 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 is also being used as part of the evidence presented to the Utility and Review Board for the Mulgrave and Parrsboro dissolution hearings.

Municipal Finance Training and Capacity Building Program

The Corporation encourages capacity building amongst municipal finance officials. To that end, the Corporation sponsored a financial professional working in municipal government in Nova Scotia to attend the annual Government Finance Officers Association conference. This international conference is dedicated to the development of financial excellence in local government through the use of best practices and bench-marking. Jody Cook, Finance Manager for the District of St. Mary's, was selected to attend the Government Finance Officers Association 109th Annual Conference held in Philadelphia, Pennsylvania in 2015.

The Corporation also sponsored local training opportunities for both elected officials and administrative staff, including conferences hosted by the Union of Nova Scotia Municipalities and the Association of Municipal Administrators of Nova Scotia Municipal Finance Officers training sessions.

Internship Program

The Corporation participates in the internship program at the Dalhousie School of Public Administration by hiring a Master of Public Administration student. In the summer of 2015, William Dare worked on two projects for the Corporation. He developed a succession planning business plan for the Board to consider and a discussion paper on blended versus serial debenture offerings. While the Board did not move forward with the succession planning initiative, a mentoring program was developed in its place. He also worked with Department of Municipal Affairs to assist in doing a fire services survey for the purposes of updating the Department's Financial Information Return and Financial Reporting Accounting Manual.

Partnerships

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

The Corporation maintains close ties to provincial departments as well. The staff at the Department of Municipal Affairs and Nova Scotia Municipal Finance Corporation

work together throughout the debenture process to process borrowing requests from municipalities. The Debt Affordability Model is also regularly used by the Municipal Advisors and other staff in policy matters. The Departments of Finance and Treasury Board and Justice also provide assistance to the Corporation.

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 Canadian public sector accounting standards as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, 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, 2016, 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

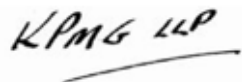
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2016, 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 10, 2016
Halifax, Canada

STATEMENT OF FINANCIAL POSITION

March 31, 2016, with comparative information for 2015

	2016	2015
Financial assets:		
Cash and cash equivalents (note 5(a))	\$ 7,431,903	\$ 7,308,963
Accrued interest receivable	9,505,829	9,824,171
HST receivable	119	674
Accounts receivable	113	5,594
Loans (note 2)	818,925,540	815,314,249
	835,863,504	832,453,651
Financial liabilities:		
Accounts payable	59,176	39,865
Employee obligation (Note 4)	86,195	80,477
Accrued interest payable	9,500,866	9,816,706
Short-term loan due to Province of Nova Scotia (Note 7)	690,887	660,000
Debentures (note 3)	818,900,585	815,280,085
	829,237,709	825,877,133
Net financial assets	6,625,795	6,576,518
Accumulated surplus	\$ 6,625,795	\$ 6,576,518

See accompanying notes to audited financial statements.

On behalf of the Board:


Director


Director

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended March 31, 2016, with comparative information for 2015

	Budget 2016	Actual 2016	Actual 2015
Revenue:			
Interest on loans	30,707,117	\$ 29,875,213	\$ 30,916,294
Interest on short-term investments	88,855	55,609	73,575
Recovery of issue costs	404,000	352,122	364,971
Administration fee	480,000	450,562	462,513
	31,679,972	30,733,506	31,817,353
Expenses:			
Interest on debenture debt and short-term loans	30,705,504	29,877,359	30,916,968
Debenture issue expenses	404,104	351,918	367,409
Administrative expenses (schedule)	572,150	454,952	544,217
	31,681,758	30,684,229	31,828,594
Annual operating surplus (deficit)	(1,786)	49,277	(11,241)
Accumulated surplus, beginning of year	6,576,518	6,576,518	6,587,759
Accumulated surplus, end of year	\$ 6,574,732	\$ 6,625,795	\$ 6,576,518

See accompanying notes to audited financial statements.

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

Year ended March 31, 2016, with comparative information for 2015

	Budget 2016	Actual 2016	Actual 2015
Annual operating surplus (deficit)	\$ (1,786)	\$ 49,277	\$ (11,241)
Increase in net financial assets	(1,786)	49,277	(11,241)
Net financial assets, beginning of year	6,576,518	6,576,518	6,587,759
Net financial assets, end of year	\$ 6,574,732	\$ 6,625,795	\$ 6,576,518

See accompanying notes to audited financial statements

STATEMENT OF CASH FLOWS

Year ended March 31, 2016, with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operating activities:		
Annual operating surplus	\$ 49,277	\$ (11,241)
Item not involving cash:		
Amortization of fair value adjustment on loans	(7,685)	(9,142)
Amortization of fair value adjustment on debenture debt	7,685	9,142
Increase (decrease) in employee obligations	5,718	(18,440)
Change in non-cash operating working capital (note 5(b))	58,736	650,101
	113,731	620,420
Investing activities:		
Issuance of loans to units	(112,640,529)	(115,628,145)
Payments received on loans to units	109,036,923	97,420,500
	(3,603,606)	(18,207,645)
Financing activities:		
Proceeds of debentures	112,641,364	115,628,000
Principal payments on debenture	(109,028,549)	(97,416,026)
	3,612,815	18,211,974
Increase in cash and cash equivalents	122,940	624,749
Cash and cash equivalents, beginning of year	7,308,963	6,684,214
Cash and cash equivalents, end of year	\$ 7,431,903	\$ 7,308,963

Supplemental cash flow information (note 5 (c))

See accompanying notes to audited financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2016

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 objective 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 1.011% to 6.125%. Repayment terms are negotiated on specific loans and would normally not exceed twenty years.

	2016	2015
Loans	\$818,925,540	\$815,314,249
Less current portion	105,998,660	109,036,923
	\$712,926,880	\$706,277,326

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

	Loans	Debentures payable
2017	\$105,998,660	\$105,992,530
2018	99,643,445	99,624,856
2019	93,003,930	93,001,978
2020	85,145,431	85,145,438
2021	83,214,773	83,216,639

NOTES TO FINANCIAL STATEMENTS

3. Debentures:

The debenture debt outstanding at March 31, 2016 totaling \$818,900,585 (2015 - \$815,280,085) is in Canadian funds and are placed with the Province of Nova Scotia, with the exception of the “FCM” loans which are private placements. Interest is payable semi-annually. At year-end, the total debentures due to the Province of Nova Scotia was \$809,991,452 (2015 - \$808,129,329).

Series	Date issued	Maturity date Calendar Year	Interest rate	2016
				Amortized cost of debt outstanding
AP	Jan.30/98	2017 to 2019	6.000-6.125	\$ 10,376,180
BA	Nov. 7/02	2016 to 2017	5.875-6.000	964,786
BB	Jan. 9/03	2016 to 2023	5.913	5,426,452
BC	May 28/03	2016 to 2018	5.625-5.750	2,964,382
BD	Oct. 15/03	2016 to 2018	5.250-5.375	2,429,049
BE	June 10/04	2016 to 2019	5.600-5.750	702,973
BF	Sept. 1/04	2016 to 2024	5.570-5.940	49,500,000
BG	Nov. 25/04	2016 to 2019	5.145-5.325	1,122,000
BH	June 1/05	2016 to 2020	4.635-4.880	9,282,000
BI	Nov. 22/05	2016 to 2020	4.580-4.830	14,490,000
BJ	June 1/06	2016 to 2021	4.880-5.080	10,568,000
BK	Oct. 24/06	2016 to 2021	4.410-4.590	22,131,000
FCM-A*	Oct. 31/06	2016	2.550	83,080
FCM-B*	Mar. 5/07	2017	2.620	32,385
BL	June 1/07	2016 to 2022	4.560-4.770	25,024,000
BM	Oct. 17/07	2016 to 2022	4.955-5.210	18,590,000
BN	Jul. 7/08	2016 to 2023	4.684-5.088	23,019,000
FCM-C*	Sept. 30/08	2016 to 2018	2.190	198,372
BP	Oct. 24/08	2016 to 2023	4.895-5.480	22,179,000
BQ	June 1/09	2016 to 2024	4.038-5.644	36,356,000
BR	Oct. 27/09	2016 to 2024	3.649-4.939	23,233,000
BS	June 29/10	2016 to 2025	3.730-4.875	35,255,000
BT	Nov. 9/10	2016 to 2025	2.875-4.410	29,765,000
BU	May 30/11	2016 to 2026	3.115-4.597	18,909,000
BV	Nov. 9/11	2016 to 2026	2.355-4.026	26,206,000
FCM-D*	Nov. 15/11	2016 to 2021	1.750	763,637
FCM-E*	Mar. 26/12	2017 to 2032	2.000	354,251
BW	May 15/12	2016 to 2027	2.355-3.856	29,577,000
FCM-F*	July 3/12	2016 to 2032	2.000	1,545,674
BX	July 6/12	2016 to 2022	2.003-3.156	27,200,000
FCM-G*	Aug. 22/12	2016 to 2032	2.000	3,400,000
BY	Nov. 9/12	2016 to 2027	2.040-3.580	46,212,000
BZ	May 15/13	2016 to 2028	1.610-3.489	62,789,000
CA	Nov. 15/13	2016 to 2028	1.743-4.114	39,155,000
CB	June 5/14	2016 to 2029	1.366-3.792	41,183,000
CC	Nov. 17/14	2016 to 2029	1.387-3.559	65,273,000
CD	June 1/15	2016 to 2030	1.011-3.205	41,227,000
FCM-H*	Oct. 30/15	2016 to 2025	1.750	2,541,364
CE	Nov. 20/15	2016 to 2030	1.040-3.449	68,873,000
				\$ 818,900,585

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

* 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, 2016, the Corporation has recorded a liability in the amount of \$86,195 (2015 - \$80,477) in respect of the provincial public service award for the employees of the Corporation. On April 7, 2015, the Province announced that the public service award would be discontinued on a go-forward basis for excluded (non-union) employees accrued to August 11, 2015.

(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 2016 were \$26,171 (2015 - \$27,873) 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:

	2016	2015
Cash	\$ 6,741,016	\$ 3,323,963
Short-term investments	690,887	3,985,000
	<u>\$ 7,431,903</u>	<u>\$ 7,308,963</u>

(b) Change in non-cash working capital:

	2016	2015
Accrued interest receivable	\$ 318,342	\$ 149,748
Other receivables	6,036	(603)
Accounts payable	19,311	(11,144)
Accrued interest payable	(315,840)	(147,900)
Due to PNS	30,887	660,000
	<u>\$ 58,736</u>	<u>\$ 650,101</u>

(c) Supplemental cash flow information:

	2016	2015
Interest paid	\$ 30,185,514	\$ 31,055,727
Interest received	\$ 30,183,883	\$ 31,055,421

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, 2016:

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	March 31, 2016 total
Accounts payable	\$ 59,176	\$-	\$ -	\$-	\$ 59,176
Accrued interest payable	9,500,866	-	-	-	9,500,866
Employee obligations	28,721	42,000	15,474	-	86,195
Debentures (principal)	105,992,530	360,988,911	320,840,459	31,088,315	818,910,215
Debentures (interest)	28,453,443	79,374,500	32,984,450	2,775,634	143,588,027
	\$ 144,034,736	\$ 440,405,411	\$ 353,840,383	\$ 33,863,949	\$ 972,144,479

NOTES TO FINANCIAL STATEMENTS

7. Short term loan due to PNS:

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 \$690,887 (2015 - \$660,000). The balance bears interest at the Canadian Bankers acceptance rate and will be paid off through the bi-annual debenture issuance.

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year ended March 31, 2016, with comparative information for 2015

	Budget 2016	Actual 2016	Actual 2015
Salaries and benefits	\$ 387,700	\$ 314,786	\$ 390,601
Travel	6,500	5,816	3,382
Equipment and maintenance	9,500	3,670	3,048
Printing	2,200	6,703	2,009
Postage	2,550	1,490	1,829
Telecommunications	4,250	2,292	4,701
Stationary and supplies	1,500	1,433	492
Professional services	35,700	35,700	34,250
Bank charges	5,400	5,497	5,203
Directors' fees and expenses	19,600	4,807	6,591
Audit Committee fees and expenses	3,400	1,367	1,391
Professional development	14,000	6,643	7,511
Dues and subscriptions	3,600	2,681	3,630
Insurance	750	785	750
Rent	37,500	34,790	35,899
Other	500	173	4,238
Communications	-	-	12,000
Website	-	-	500
Special projects	15,000	12,226	12,694
Sponsorship projects	14,500	14,093	13,498
Municipal client training initiatives	8,000	-	-
	\$ 572,150	\$ 454,952	\$ 544,217

FROM THE 2015 CLIENT SURVEY

STAFF

88%

feel the terms and structures offered by the Corporation 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 the Corporation staff

70%

feel additional training for Council would be useful

Most highly rated Corporation programs:

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

ELECTED

91%

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

84%

are aware that municipalities are required to borrow from the Corporation for capital loans

72%

are interested in receiving more information about the Debt Affordability Model



— NOVA SCOTIA —
**MUNICIPAL FINANCE
CORPORATION**

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