



Nova Scotia  
**MUNICIPAL  
FINANCE  
CORPORATION**

39<sup>th</sup> 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.

## CONTENTS

- 03** Accountability Statement
- 04** Message from the Chair and Board of Directors
- 06** How the Corporation Functions
- 07** Directors, Officers and Staff
- 08** Corporate Governance
- 09** Business Plan & Strategic Goals
- 12** Audit Committee
- 14** Overview of Loan Portfolio
- 17** Schedule of Outstanding Loans
- 20** Other Programs

## FINANCIAL STATEMENTS

- 22** Management's Responsibility for Financial Statements
- 23** Independent Auditor's Report
- 26** Statement of Financial Position
- 27** Statement of Operations and Accumulated Surplus
- 27** Statement of Changes in Net Financial Assets
- 28** Statement of Cash Flows
- 29** Notes to Financial Statements

# Accountability Statement

The Accountability Report of the Nova Scotia Municipal Finance Corporation for the year ended March 31, 2019 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 2018-2019 Statement of Business Plan.



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Chuck Porter, Minister



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Nancy MacLellan, Chair



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Paul Wills, CEO

# Message from the Chair and Board of Directors

As Chair of the Nova Scotia Municipal Finance Corporation (NSMFC), and on behalf of the Board of Directors, it is my pleasure to present the Corporation's 39<sup>th</sup> Annual Report for the 2018-2019 fiscal year.

Since 1979, the Corporation has worked closely with clients to build healthy and vibrant communities, and to help advance economic growth in the province. 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. NSMFC's work touches the lives of all Nova Scotians. Over its 39-year history, it has helped municipalities to make significant investments in the infrastructure we all use and rely on, from fire services equipment to wellness centres that support healthy communities, to facilities that provide clean drinking water for thousands of residents to initiatives that improve public safety. By pooling administration costs and offering rates below what lenders can offer, the Corporation saves taxpayers money as well.

Ensuring municipalities, both urban and rural, have modern infrastructure helps Nova Scotia remain competitive and attract and retain residents and businesses. Although our mandate has not changed since our 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 year to assess the effectiveness of the Corporation's programs and services in meeting our long-term strategic goal which areas:

- 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 made steady progress towards achieving/advancing these goals.

The Corporation strives to provide the lowest possible long-term and short-term interest rates to municipalities. In 2018-2019, we achieved this goal through two annual debenture issuances: one for \$52.0 million and one for \$59.6 million. We also had one FCM loan for \$1 million. This represents total long-term loan activity of \$112.6 million during the fiscal year. Moreover, our "all-in" costs were below the variable prime interest rate, representing tremendous savings to municipal participants. We provided short-term loans to three municipalities and one municipal enterprise under our short-term loan program totaling \$1,423,315 at interest rates of 2.2525%, 2.420%, 2.560%, and 2.720% respectively. This program helps municipalities access short-term funding until they can participate in the next debenture issue; additionally, it allows for the Corporation to invest and earn more interest on its reserve fund.

Through our Mentoring Program, newly hired municipal Directors/Managers of Finance continue to benefit from retired municipal Directors' of Finance knowledge and experiences in understanding their roles in municipal government. In 2018-2019, four municipal units took advantage of this free program with overwhelming gratitude for the support they received.

During 2018-2019, two municipal units placed funds in the Corporation High Interest Savings Account Program earning double the interest they would have earned otherwise. The Corporation does not charge a fee to participate in this program, allowing municipalities to earn all the interest they are entitled to and helping them increase reserves balances.

The Corporation continues to promote the use of its Financial Management Best Practices. During 2018-2019 four municipalities have begun or continue to implement some of the best practices to help strengthen their processes. Corporation staff provide support in developing these practices, free of charge, to ensure the best practice components are within the policies.

The Debt Affordability Model continues to be a tool that can help municipalities plan for future capital needs while ensuring the long-term sustainability of resources. Since 2014, 34 municipalities have used the model for various purposes.

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 positive difference in our communities.

The Board would like to extend its appreciation by thanking the Corporation's staff, as well our colleagues at the provincial Departments of Municipal Affairs, Finance and Treasury Board, and Justice for their advice and assistance throughout the year.



Nancy MacLellan, Chair

“We have taken advantage of the High Interest Savings Account (HISA) offered by MFC. My calculations are that we will earn virtually double the rate of interest we are now receiving. I look forward to working with MFC, your assistance, so readily given and insightful, is very much appreciated.” Jim Davis, *Chief Administrative Officer, Town of Mulgrave*

# 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 Nova Scotia Federation of Municipalities (formerly 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 consisting of two members who are senior provincial public servants, two members who are appointed upon the recommendation of the Nova Scotia Federation of Municipalities (formerly the Union of Nova Scotia Municipalities), one member who is appointed from the community at large, and one member who 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 of the Corporation

**Nancy MacLellan, Chair**

Deputy Minister, Department of Municipal Affairs

**Geoff Gatien, Vice Chair, CPA, CA**

Associate Deputy Minister, Department of Finance and Treasury Board

**Bernie Murphy**

Councillor, Town of Westville

**George MacDonald**

Councillor, Cape Breton Regional Municipality

**Dawn Keizer, CPA, CA**

Director of Finance, Town of Bridgewater

**Neil Morley, CPA, CA**

Member At Large, Ellershouse, Nova Scotia

## Officers of the Corporation

***Chair - Nancy MacLellan***

Deputy Minister, Department of Municipal Affairs

***Vice Chair - Geoff Gatien, CPA, CA***

Associate Deputy Minister and Controller, Department of Finance and Treasury Board

***Chief Executive Officer and Treasurer - Paul Wills, CPA, CMA***

Nova Scotia Municipal Finance Corporation

***Corporate Secretary - Ahmad Shahwan, CPA, CMA***

Municipal Advisor, Department of Municipal Affairs

***General Counsel - Phil Reid***

Department of Justice

***Assistant Treasurer - Roy Spence***

Director, Liability Management and Treasury Services, Department of Finance and Treasury Board

## Staff of the Corporation

**Paul Wills, CPA, CMA**

Chief Executive Officer and Treasurer

**Bob Audoux, CPA, CGA**

Manager, Financial Services

**Margo Horne**

Administrative Assistant

# 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 is 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 the Department of 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.

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.



# 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 2018-2019

- 100% of clients were satisfied with the timing of debenture issues<sup>1</sup>
- 96% 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 2019-2020

- 100% client satisfaction rate with the timing of debenture issues
- 100% 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 36 participants (32 municipalities and 4 municipal enterprises)
- Issued \$112.6 million in debentures and loaned a similar amount to clients
- Administered \$7,266,815 in short-term financing pending issuance of a debenture, \$6,671,750 of which was debentured in the spring issue and \$295,065 was debentured in the fall
- Administered \$782.1 million in outstanding loans to municipalities and hospitals

## 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 2018-2019

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

### Target for 2019-2020

- Maintain 0% default rate
- Maintain matching strategy

### Outputs

- Reviewed all municipal requests with Department of Municipal Affairs to ensure 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 \$159,114 due to higher loan volumes than expected
- Maintained a reserve fund balance of \$6,764,660

## 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 Officers Workshops
- Number of tools used to promote programs and services effectively
- Attendance at Corporation sponsored Association of Municipal Administrators of Nova Scotia (AMANS) finance modules

## Results in 2018-2019

- 50% of clients using the Debt Affordability Model<sup>3</sup>
- 38% of clients using the Financial Management Best Practices<sup>4</sup>
- 56% of municipal units attended Municipal Finance Officers workshop in 2018
- 86% of clients are aware of the Corporation programs and services<sup>5</sup>
- 50% attendance of available space AMANS Financial Management Module for Elected Officials<sup>6</sup>

## Targets for 2019-2020

- 60% of clients using the Debt Affordability Model
- 50% of clients using the Financial Management Best Practices
- 80% of municipal units attend Municipal Finance Offices workshops
- 95% of clients are aware of the Corporation programs and services
- 75% attendance of available space at AMANS Financial Management Module for municipal staff
- 75% attendance of available space at AMANS Financial Management Module for municipal councilors

## Outputs

- Continued promoting the Corporation's Debt Affordability Model to municipalities
- Encouraged the implementation of recommended best practices in Nova Scotia municipalities
- Sponsored finance professional from the District of Barrington to attend the annual Government Finance Officers Association Conference in St Louis in the spring of 2018
- Sponsored and participated in Municipal Finance Officers forum at AMANS Spring workshop
- Sponsored one finance modules provided by AMANS - Financial Management III: Financial Management for Elected Officials
- Continue promoting the Corporation's Short Term Loan Program, High Interest Savings Account Program and the Mentoring Program to municipalities

<sup>1</sup> Data collected from the 2019 Client Satisfaction Survey conducted by the Nova Scotia Municipal Finance Corporation <sup>2</sup> Ibid <sup>3</sup> Ibid <sup>4</sup> Ibid <sup>5</sup> Ibid

<sup>6</sup> In 2018—2019 AMANS only offered one module and it was for municipal councilors

# 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 accountability and transparency. The Audit Committee reviews and assesses 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. 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:

**Neil Morley, CPA, CA**

Municipal Finance Corporation Board Member  
Member-at-Large, and Committee Chair

**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

## Interest Rates

The Federal Reserve Board established a near-zero target range for the Federal Funds Rate in late 2008, and maintained this policy stance until late 2015. At that time, the Federal Reserve Board commenced the policy normalization process with the first increase in the Federal Funds Rate in almost a decade, and followed with a further eight interest rate hikes over the next number of years to a range of 2.25 – 2.50%. By the end of the 2018-19 fiscal year, the Federal Reserve Board, at least temporarily, appears to have ended this interest rate hike cycle.

The Bank of Canada, like the Federal Reserve Board, started a process of returning the overnight rate to more normal levels after numerous years of accommodative monetary policies, such as low interest rates, to support economic growth. The overnight rate is the interest rate at which major financial institutions borrow and lend one-day funds among themselves; the Bank of Canada sets a target level for that rate. In fiscal year 2018-19, the Bank of Canada increased the overnight rate by a total of 50 basis points over two interest rate announcements, thereby increasing the overnight rate to 1.75%. The Bank of Canada maintains that the degree of monetary policy accommodation is appropriate and that the Bank will remain data dependent for future policy decisions. The Bank also states it will continue to monitor developments in household spending, oil markets and the global trade environment.

Longer term interest rates in Canada and the United States started the 2018-19 fiscal year at comparatively modest levels by recent standards, and generally rose throughout calendar year 2018, only to reverse course in November and end the fiscal year at the lowest levels for the year. The Province of Nova Scotia's 10-year average cost of funds in the 2018-19 fiscal year was 2.93%, compared to an average of 2.67% in 2017-18. In large part, the Province's continued low cost of funds reflects very low Government of Canada interest rates and relatively stable credit spreads over Canada yields.

Since 2001, the Bank of Canada's main measure of core inflation has been "core" consumer price index (CPIX) inflation, which excludes eight of the most volatile components of the CPI and adjusts the remainder for the effect of changes in indirect taxes. Following a review of a wide selection of measures of core inflation in 2015, the Bank of Canada chose three preferred measures of core inflation: (i) a measure based on a trimmed mean (CPI-trim); (ii) a measure based on the weighted median (CPI-median); (iii) a measure based on the common component (CPI-common). These measures of core inflation have remained stable and close to 2% since the beginning of 2018. Lower prices for gasoline may be partially offset by temporarily higher airfare and the implementation of Federal carbon levies, leaving inflation close to 2% by the second half of 2019. The Bank of Canada forecasts inflation to remain close to 2% through 2020 and 2021.

Long-term interest rates fell to historic lows during the 2017-18 fiscal year. At the pricing of the Spring MFC issue, the 10-year Canada bond yield was 2.39%, up from the Spring 2017 issue yield of 1.45%, and in the Fall MFC issue that rate was 2.42%, up from the 2017 yield of 2.06% and 2016 yield of 1.14%. The 10-year Canada bond yield averaged 2.21% over the 2018-19 fiscal year, up from 1.91% over the 2017-18 fiscal year, and 1.38% in the 2016-17 fiscal year. During the 2018-19 fiscal year, 10-year Canada yields dropped to a low of 1.59% in March 2019, and a high of 2.62% in October 2018.

<u>Spring Issue (settled May 30, 2018)</u>		<u>Fall Issue (settled November 9, 2018)</u>	
5 years	2.88%	5 years	3.11%
10 years	3.18%	10 years	3.31%
15 years	3.36%	15 years	3.45%
20 years	3.43%	20 years	3.51%
<b>All-in cost</b>	<b>3.35%</b>	<b>All-in cost</b>	<b>3.39%</b>

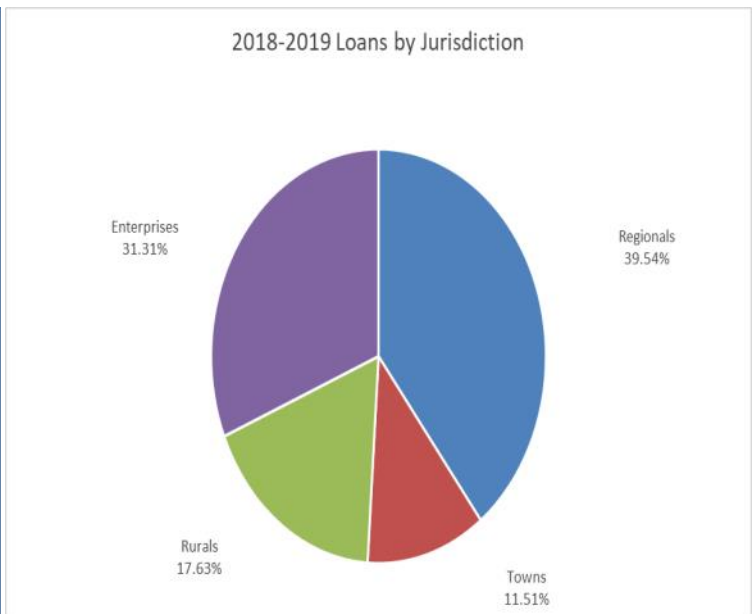
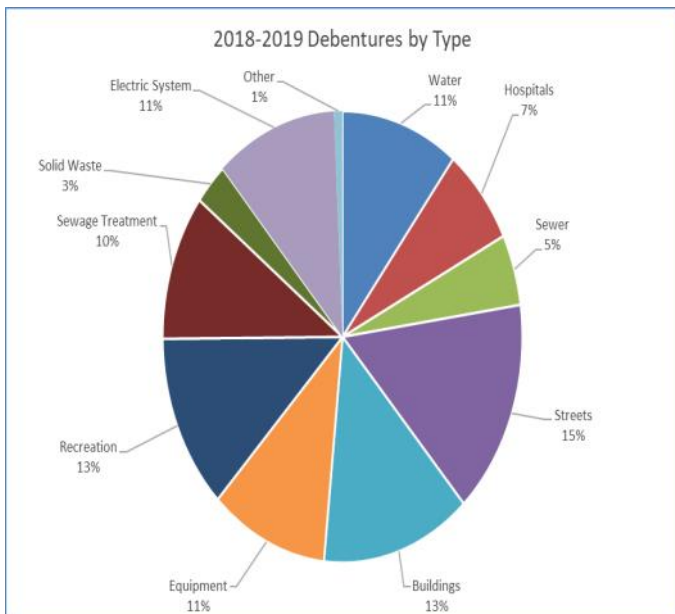
# Overview of Loan Portfolio

## 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 health authorities are also 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 32 municipalities and 4 municipal enterprises. They were used for the purposes as shown below.



Purpose	Percentage	Regionals	Towns	Rural	Enterprises	Total
Water	10.55%	0	1,060,475	3,314,460	7,500,000	11,874,935
Hospitals	7.08%	0	450,000	1,250,000	6,271,750	7,971,750
Sewer	5.10%	561,572	2,578,080	0	2,600,000	5,739,652
Streets	15.51%	14,209,822	3,256,812	0	0	17,466,634
Buildings	13.42%	6,319,863	1,064,537	7,534,621	187,335	15,106,356
Equipment	10.56%	9,060,492	2,386,218	125,102	320,000	11,891,812
Recreation	12.66%	13,630,944	619,690	0	0	14,250,634
Sewage Treatment	10.48%	0	412,500	4,992,465	6,400,000	11,804,965
Solid Waste	3.03%	737,708	0	2,598,104	79,000	3,414,812
Electric System	10.85%	0	315,000	0	11,900,000	12,215,000
Other	0.76%	5,600	813,241	41,077	0	859,918
<b>Totals</b>	<b>100.00%</b>	<b>44,526,000</b>	<b>12,956,553</b>	<b>19,855,829</b>	<b>35,258,085</b>	<b>112,596,467</b>
		<b>39.54%</b>	<b>11.51%</b>	<b>17.63%</b>	<b>31.31%</b>	<b>100.00%</b>

### Year Ended March 31, 2019

The accumulated loans outstanding at March 31, 2019 amounted to \$782.1 million, comprising \$778.8 million to 66 municipalities and enterprises and \$3.4 million to one district health authority.

### 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 private placement with FCM. The two issues were placed privately with the Province of Nova Scotia, which purchased a \$52.0 million issue in May 2018 and a \$59.6 million issue in November 2018. Interest rates ranged from 2.060% to 3.551%.

### New Long-Term Loans During the Year

Fiscal year ending at March 31 (\$millions)

Year	Municipal	Hospitals	Total
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
2017	84.5	-	84.5
2018	83.4	-	83.4
2019	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	Total
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
2017	792.6	4.8	797.4
2018	770.8	4.1	774.9
2019	778.8	3.4	782.1

“The debt affordability model is a great tool for planning purpose plus MFC staff will assist with completing the model at no charge-which is very affordable!”

Doug Armstrong, Director of Finance, Town of Windsor



# Schedule of Outstanding Loans

Year ending March 31, 2019

<b>By Jurisdiction</b>	<b>Principal March 31/18</b>	<b>New Loans</b>	<b>Principal Repayment</b>	<b>Principal March 31/19</b>
<b>Regional Municipalities</b>				
Cape Breton	84,811,687	12,975,000	(13,545,841)	84,240,846
Halifax	225,544,379	31,021,000	(41,452,516)	215,112,863
Queens	3,178,132	530,000	(227,303)	3,480,829
<b>Total Regional Municipalities</b>	<b>313,534,198</b>	<b>44,526,000</b>	<b>(55,225,660)</b>	<b>302,834,538</b>
<b>Towns</b>				
Amherst	8,785,891	916,677	(855,859)	8,846,709
Antigonish	5,546,700	0	(578,800)	4,967,900
Berwick	4,305,724	315,000	(342,040)	4,278,684
Bridgewater	4,250,003	1,227,000	(945,124)	4,531,879
Clark's Harbour	183,000	0	(29,000)	154,000
Digby	1,490,334	0	(192,051)	1,298,283
Kentville	7,356,640	916,000	(1,388,620)	6,884,020
Lockeport	300,610	75,000	(58,626)	316,984
Lunenburg	3,341,158	910,180	(428,609)	3,822,729
Mahone Bay	766,900	800,000	(68,900)	1,498,000
Middleton	2,068,197	0	(227,444)	1,840,753
Mulgrave	1,894,534	0	(125,533)	1,769,001
New Glasgow	10,579,609	1,018,932	(1,657,651)	9,940,890
Oxford	1,936,900	99,000	(348,000)	1,687,900
Pictou	2,862,640	414,416	(303,173)	2,973,883
Port Hawkesbury	3,794,230	262,500	(793,365)	3,263,365
Shelburne	2,459,125	225,123	(208,308)	2,475,940
Stellarton	8,694,965	1,090,000	(634,561)	9,150,404
Stewiacke	1,018,296	350,000	(175,436)	1,192,860
Trenton	1,968,333	1,595,000	(160,617)	3,402,716
Truro	21,542,750	1,165,000	(2,824,450)	19,883,300
Westville	1,696,148	54,000	(234,089)	1,516,059
Windsor	8,516,429	492,975	(1,177,373)	7,832,031
Wolfville	5,644,236	1,029,750	(635,991)	6,037,995
Yarmouth	1,766,667	0	(400,000)	1,366,667
<b>Total Towns</b>	<b>112,770,019</b>	<b>12,956,553</b>	<b>(14,793,620)</b>	<b>110,932,952</b>

<b>By Jurisdiction</b>	<b>Principal March 31/18</b>	<b>New Loans</b>	<b>Principal Repayment</b>	<b>Principal March 31/19</b>
<b>Rurals</b>				
Annapolis	3,035,650	0	(468,038)	2,567,612
Antigonish	3,439,476	0	(218,609)	3,220,867
Argyle	509,091	0	(127,273)	381,818
Barrington	1,345,856	0	(179,732)	1,166,124
Chester	7,554,547	2,938,104	(1,437,833)	9,054,818
Clare	1,961,668	1,827,018	(1,428,333)	2,360,353
Colchester	21,942,258	0	(2,178,472)	19,763,786
Cumberland	13,245,621	7,433,000	(1,097,655)	19,580,966
Digby	1,281,000	0	(179,000)	1,102,000
Guysborough	11,377,264	0	(962,152)	10,415,112
Hants East	24,730,475	5,000,000	(2,261,500)	27,468,975
Hants West	8,007,731	1,331,105	(757,753)	8,581,083
Inverness	2,320,000	0	(230,000)	2,090,000
Kings	3,657,882	0	(870,817)	2,787,065
Lunenburg	4,864,543	0	(999,848)	3,864,695
Richmond	1,228,010	0	(307,045)	920,965
St Mary's	750,000	331,460	(125,000)	956,460
Shelburne	35,948	41,077	(3,595)	73,430
Victoria	75,000	0	(75,000)	0
Yarmouth	2,785,000	0	(292,500)	2,492,500
<b>Total Rural Municipalities</b>	<b>114,147,020</b>	<b>18,901,764</b>	<b>(14,200,155)</b>	<b>118,848,629</b>
<b>Villages</b>				
Baddeck	319,983	252,465	(319,983)	252,465
Canning	0	659,000	0	659,000
Kingston	16,000	0	(16,000)	0
Lawrencetown	8,500	0	(8,500)	0
St. Peters	121,231	42,600	(47,100)	116,731
<b>Total Villages</b>	<b>465,714</b>	<b>954,065</b>	<b>(391,583)</b>	<b>1,028,196</b>

<b>By Jurisdiction</b>	<b>Principal March 31/18</b>	<b>New Loans</b>	<b>Principal Repayment</b>	<b>Principal March 31/19</b>
<b>Municipal Enterprises</b>				
AREA	38,582,075	11,900,000	(1,524,200)	48,957,875
Blandford Fire Commission	285,714	0	(57,143)	228,571
Bridgewater Public Service Commission	2,665,000	0	(516,900)	2,148,100
Digby Area Recreation	164,052	0	(20,506)	143,546
Glen Haven Manor Corporation	284,040	0	(71,010)	213,030
Halifax Regional Water Commission	168,912,914	16,500,000	(16,129,629)	169,283,285
Kings Regional Rehabilitation Centre	462,000	0	(22,000)	440,000
Lunenburg Co Multi-Purpose Centre	4,344,382	0	(362,032)	3,982,350
Lunenburg Home for Special Care	239,580	0	(75,910)	163,670
Milford Haven Corporation	196,088	0	(15,084)	181,004
Pictou Co Shared Services	0	6,271,750	0	6,271,750
Pictou Co Wellness Centre	8,800,000	0	(440,000)	8,360,000
R.K. MacDonald Nursing Home	1,218,145	0	(164,470)	1,053,675
St Peters-Samsonville Water Utility	1,060,000	0	(77,100)	982,900
Valley Waste Resource Mgmt	2,446,799	586,335	(492,709)	2,540,425
Western Shore Fire Dept	208,000	0	(26,000)	182,000
<b>Total Municipal Enterprises</b>	<b>229,868,789</b>	<b>35,258,085</b>	<b>(19,994,693)</b>	<b>245,132,181</b>
<b>District Health Authorities</b>				
Capital District Health Authority	4,094,716	0	(726,382)	3,368,334
<b>Total District Health Authorities</b>	<b>4,094,716</b>	<b>0</b>	<b>(726,382)</b>	<b>3,368,334</b>
<b>Total Loans</b>	<b>774,880,456</b>	<b>112,596,467</b>	<b>(105,332,093)</b>	<b>782,144,831</b>

*"I was fortunate to be selected to attend the GFOA conference in St Louis, Missouri. The conference covered a wide variety of topics including financial reporting, budgeting, financial management, best practices, debt, pension, benefits and more. It was a great opportunity to learn new skills, discuss best practices and gain knowledge of government policies and procedures."*

Leah d'Eon, Director of Finance, Municipality of the District of Barrington

## 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 \$8,095,065 to 5 municipalities and 1 municipal enterprise for capital projects; 5 were debentured during 2018-2019 in the amount of \$6,966,815.

### Financial Management Best Practices

The Corporation continued to assist the Town of Lockeport in implementing the 7 Core Best Practices. As of March 31, 2019, the Town has implemented six of the seven Core Best Practices.

The Corporation continued to assist the County of Cumberland in developing a Multi Year Capital Planning policy incorporating best practices into its policy.

The Town of Oxford and the Town of Westville have both utilized the Corporation's resources in implementing the 7 Core Best Practices during 2018-2019. As of March 31, 2019 the Town of Oxford has implemented six of the seven Core Best Practices while the Town of Westville has implemented two of the seven Core Best Practices.

### 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 2018-19, staff continued to work with clients to provide training and to assist in implementation of the model based on their unique needs.

### 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 Leah d'Eon, Manager of Finance for the District of Barrington was selected to attend the Government Finance Officers Association 112<sup>th</sup> Annual Conference held in St. Louis, Missouri in 2018.

The Corporation sponsored local training opportunities for both elected officials and administrative staff. For administrative staff, the Corporation sponsored the Association of Municipal Administrators of Nova Scotia Spring and Fall Conferences, and the Municipal Finance Officers training sessions.

For elected officials, the Corporation sponsored the Union of Nova Scotia Municipalities Fall Conference, and the Association of Municipal Administrators of Nova Scotia Financial Management III Module: Financial Management for Elected Officials.

## **Partnerships**

The Corporation works closely with stakeholders in the municipal community in Nova Scotia. The Corporation has built strong partnerships with the Nova Scotia Federation of Municipalities (formerly the Union of Nova Scotia Municipalities) and 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.

## **Fraud Risk Assessment**

In October 2017, the Office of the Auditor General reported 42 organizations that did not have a Fraud Policy or a Fraud Risk Assessment. Staff developed a Fraud Policy that was approved at the Board of Directors' December 8th, 2018 Regular Board meeting based on the provincial policy. In December 2017, the Corporation tendered for Audit Services and as part of the Audit Tender, a requirement for a fraud risk assessment was included to be completed by the Corporation's March 31, 2019 year end. In the fall/winter of 2018, the Corporation's auditors completed a fraud risk assessment that:

- identified key fraud risks within the Corporation;
- identified the Corporation's current anti-fraud programs and controls to address the fraud risks identified; and
- identified recommendations to provide better mitigation against key fraud risks.

At the February 7th, 2019 Regular Board Meeting, the Board accepted the recommendations from the fraud risk assessment and directed the Chief Executive Officer to develop a plan to implement the recommendations. These recommendations will be implemented during the 2019-2020 fiscal year.

# 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.



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Paul Wills, CPA, CMA  
CEO/Treasurer



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Robert J. Audoux, CPA, CGA  
Manager of Financial Services



KPMG LLP  
Purdy's Wharf Tower One  
1959 Upper Water Street, Suite 1500  
Halifax Nova Scotia B3J 3N2  
Canada  
Telephone (902) 4926000  
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## INDEPENDENT AUDITORS' REPORT

To the Directors of Nova Scotia Municipal Finance Corporation Opinion

We have audited the financial statements of Nova Scotia Municipal Finance Corporation (the Corporation), which comprise:

- the statement of financial position as at end of March 31, 2019
- the statement of operations and accumulated surplus for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at end of March 31, 2019, and its results of operations, its changes in net assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditors’ Responsibilities for the Audit of the Financial Statements” section of our auditors’ report.

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. KPMG Canada provides services to KPMG LLP.



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

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

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

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

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

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

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

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.





- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants, Licensed Public Accountants  
Halifax, Canada

# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Statement of Financial Position

March 31, 2019, with comparative information for 2018

	2019	2018
<b>Financial assets:</b>		
Cash and cash equivalents (note 5(a))	\$ 8,135,457	\$ 13,385,471
Accrued interest receivable	8,753,125	8,640,518
HST receivable	3,043	647
Accounts receivable	106	85
Loans (note 2)	782,144,831	774,879,967
	<hr/>	<hr/>
	799,036,562	796,906,688
<b>Financial liabilities:</b>		
Accounts payable	50,667	47,015
Employee obligation (note 4)	70,957	86,347
Accrued interest payable	8,737,272	8,626,691
Short-term loan due to Province of Nova Scotia (note 7)	1,128,250	6,671,750
Deposits	45,854	-
Due to municipal units	125,051	-
Debentures (note 3)	782,113,851	774,869,339
	<hr/>	<hr/>
	792,271,902	790,301,142
<b>Net financial assets</b>	<hr/>	<hr/>
	6,764,660	6,605,546
<b>Accumulated surplus</b>	<hr/>	<hr/>
	\$ 6,764,660	\$ 6,605,546

See accompanying notes to audited financial statements.

On behalf of the Board:



Director



Director

# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Statement of Operations and Accumulated Surplus

Year ended March 31, 2019, with comparative information for 2018

	Budget 2019	Actual 2019	Actual 2018
<b>Revenue:</b>			
Interest on loans	25,936,953	\$ 26,233,771	\$ 26,942,114
Interest on short-term investments	107,714	175,978	108,524
Recovery of issue costs	341,666	358,783	280,577
Administration fee	400,000	450,386	333,678
	26,786,333	27,218,918	27,664,893
<b>Expenses:</b>			
Interest on debenture debt and short-term loans	25,934,901	26,254,007	26,948,274
Debenture issue expenses	341,676	360,953	281,950
Administrative expenses (schedule)	492,298	444,844	419,907
	26,768,875	27,059,804	27,650,131
Annual operating surplus	17,458	159,114	14,762
Accumulated surplus, beginning of year	6,605,546	6,605,546	6,590,784
Accumulated surplus, end of year	\$ 6,623,004	\$ 6,764,660	\$ 6,605,546

See accompanying notes to financial statements.

# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Statement of Changes in Net Financial Assets

Year ended March 31, 2019, with comparative information for 2018

	Budget 2019	Actual 2019	Actual 2018
Annual operating surplus	\$ 17,458	\$ 159,114	\$ 14,762
Increase in net financial assets	17,458	159,114	14,762
Net financial assets, beginning of year	6,605,546	6,605,546	6,590,784
Net financial assets, end of year	\$ 6,623,004	\$ 6,764,660	\$ 6,605,546

See accompanying notes to audited financial statements

# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual operating surplus	\$ 159,114	\$ 14,762
Item not involving cash:		
Amortization of fair value adjustment on loans	(489)	(3,406)
Amortization of fair value adjustment on debenture debt	489	3,406
Increase in employee obligations	(15,390)	152
Change in non-cash operating working capital (note 5(b))	124,260	(12,520)
	267,984	2,394
Investing activities:		
Issuance of loans to units	(112,466,692)	(83,419,431)
Payments received on loans to units	105,370,206	105,958,442
Due to municipal unit	(122,034)	-
	(7,218,520)	22,539,011
Financing activities:		
Proceeds of debentures	112,596,000	83,420,000
Principal payments on debenture	(105,351,978)	(105,950,856)
Change in short-term loan due to Province of Nova Scotia	(5,543,500)	6,339,050
	1,700,522	(16,191,806)
Change in cash and cash equivalents	(5,250,014)	6,349,599
Cash and cash equivalents, beginning of year	13,385,471	7,035,872
Cash and cash equivalents, end of year	\$ 8,135,457	\$ 13,385,471

Supplemental cash flow information (note 5 (c))

See accompanying notes to audited financial statements.

# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Notes to Financial Statements

Year ended March 31, 2019

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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 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 less valuation allowances and writeoffs. Periodically loans are assessed for collectibility and risk of loss. To the extent required, a valuation allowance based on past events, current circumstance and all available information at the date of the preparation of the financial statements is recorded to reduce the loans to their expected net realizable value. Losses as a result of a valuation allowance are recorded in the statement of operations.

(d) Employee future benefits:

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

# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Notes to Financial Statements (continued)

Year ended March 31, 2019

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### 1. Significant accounting policies (continued):

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.

(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. At the February 7, 2019 board meeting, the board amended the reserve fund policy by removing the upper CAP of \$7 million and to have the Audit Committee review the Reserve Fund Fee annually and provide recommendations on its level to the Board.

(g) Revenue recognition:

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

# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Notes to Financial Statements (continued)

Year ended March 31, 2019

### 1. Significant accounting policies (continued):

(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 1.323% to 5.940%. Repayment terms are negotiated on specific loans and would normally not exceed twenty years.

	2019	2018
Loans	\$782,144,831	\$774,879,967
Less amounts due within 12 months	106,186,922	105,332,093
Remaining balance	\$675,957,909	\$669,547,874

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

	Loans	Debentures payable
2020	\$106,186,922	\$106,233,438
2021	104,289,894	104,334,639
2022	89,345,818	89,385,612
2023	117,465,567	117,503,252
2024	91,889,733	91,921,197

### 3. Debentures:

The debenture debt outstanding at March 31, 2019 totaling \$782,113,851 (2018 - \$774,869,339) 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.

# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Notes to Financial Statements (continued)

Year ended March 31, 2019

### 3. Debentures (continued):

Series	Date issued	Maturity date		Interest rate	2019
		Calendar Year			Amortized cost of debt outstanding
BB	Jan. 9/03	2019 to 2023		5.913	\$ 3,368,335
BE	June 10/04	2019		5.750	175,000
BF	Sept. 1/04	2019 to 2024		5.720-5.940	33,000,000
BG	Nov. 25/04	2019		5.325	657,000
BH	June 1/05	2019 to 2020		4.825-4.880	7,090,000
BI	Nov. 22/05	2019 to 2020		4.780-4.830	10,109,000
BJ	June 1/06	2019 to 2021		5.000-5.080	2,095,000
BK	Oct. 24/06	2019 to 2021		4.530-4.590	15,054,000
BL	June 1/07	2019 to 2022		4.700-4.770	14,135,000
BM	Oct. 17/07	2019 to 2022		5.105-5.210	2,846,000
BN	July 7/08	2019 to 2023		4.914-5.088	8,960,000
BP	Oct. 24/08	2019 to 2023		5.160-5.480	5,935,000
BQ	June 1/09	2019 to 2024		4.889-5.644	19,567,000
BR	Oct. 27/09	2019 to 2024		4.329-4.939	12,750,000
BS	June 29/10	2019 to 2025		4.360-4.875	23,318,000
BT	Nov. 9/10	2019 to 2025		3.690-4.410	12,950,000
BU	May 30/11	2019 to 2026		3.874-4.597	11,034,000
BV	Nov. 9/11	2019 to 2026		3.256-4.026	15,148,000
FCM-D*	Nov 15/11	2019 to 2021		1.750	381,818
FCM-E*	Mar. 26/12	2020 to 2032		2.000	287,831
BW	May 15/12	2019 to 2027		2.992-3.856	19,679,000
FCM-F*	July 3/12	2019 to 2032		2.000	1,272,911
BX	July 6/12	2019 to 2022		2.646-3.156	22,400,000
FCM-G*	Aug. 22/12	2019 to 2032		2.000	2,800,000
BY	Nov. 9/12	2019 to 2027		2.650-3.580	33,714,000
BZ	May 15/13	2019 to 2028		2.266-3.489	46,044,000
CA	Nov. 15/13	2019 to 2028		2.744-4.114	30,558,000
CB	June 5/14	2019 to 2029		2.244-3.792	29,849,000
CC	Nov. 17/14	2019 to 2029		2.221-3.559	49,090,000
CD	June 1/15	2019 to 2030		1.626-3.205	28,952,000
FCM-H*	Oct. 30/15	2019 to 2025		1.750	1,778,956
CE	Nov. 20/15	2019 to 2030		1.632-3.449	55,292,000
CF	May 16/16	2019 to 2031		1.599-3.475	55,049,000
CG	Nov. 15/16	2019 to 2031		1.323-3.108	16,771,000
CH	May 9/17	2019 to 2032		1.350-3.209	32,893,000
CI	Nov. 9/17	2019 to 2032		1.930-3.382	44,514,000
CJ	May 30/18	2019 to 2033		2.060-3.501	52,032,000
FCM-I*	Oct. 31/18	2019 to 2028		2.250	1,000,000
CK	Nov. 9/18	2019 to 2033		2.490-3.551	59,564,000
					\$ 782,113,851

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).



# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Notes to Financial Statements (continued)

Year ended March 31, 2019

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#### 4. Employee obligations:

##### (a) Public Service Awards:

As at March 31, 2019, the Corporation has recorded a liability in the amount of \$70,957 (2018 - \$86,347) in respect of the provincial public service award (PSA) for the employees of the Corporation.

On April 7, 2015, the Province announced that the PSA would be discontinued on a go-forward basis for excluded (non-union) employees accrued to August 11, 2015.

On January 19, 2018, the Province announced that there would be a one-time Service Payout initiative concerning the PSA. Provincial employees can take their accrued PSA now, versus waiting until retirement. Those employees who do not take their PSA until they retire, would continue to accrue PSA. The PSA is calculated as "service time x salary at retirement date". Service time is frozen as of April 1, 2015, but salary at retirement date is used in the PSA calculation upon retirement.

##### (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 2019 were \$24,082 (2018 - \$23,943) and are recognized in administrative expenses in the financial statements.

Actuarial valuations of the Province of Nova Scotia's Plan, of which the Corporation's employees are members, are conducted annually, and provide an estimate of the accrued pension obligation (Plan liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Province of Nova Scotia's consulting actuaries, Mercer, performed a valuation as at December 31, 2016 and issued their report in June 2017. The report indicated that the Province of Nova Scotia's Plan had a funding excess of \$160,833,000 (December 31, 2015 – funding excess of \$44,869,000).

# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Notes to Financial Statements (continued)

Year ended March 31, 2019

### 5. Supplemental cash flow information:

(a) Cash and cash equivalents include:

	2019	2018
Cash	\$ 7,007,207	\$ 6,713,721
Short-term investments	1,128,250	6,671,750
	\$ 8,135,457	\$ 13,385,471

(b) Change in non-cash working capital:

	2019	2018
Accrued interest receivable	\$ (112,607)	\$ 332,032
Other receivables	(2,416)	(89)
Accounts payable	3,651	(3,566)
Accrued interest payable	235,632	(340,897)
	\$ 124,260	\$ (12,520)

(c) Supplemental cash flow information:

	2019	2018
Interest paid	\$ 26,142,936	\$ 27,285,765
Interest received	\$ 26,119,399	\$ 27,287,241

### 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.

# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Notes to Financial Statements (continued)

Year ended March 31, 2019

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### 6. Financial instruments (continued):

(i) Interest rate risk

Interest rate risk is the risk that future earnings or 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. Also, interest rates are fixed for longer term loans and borrowings reducing the fluctuation in future cash flows and earnings. As a result, 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. Cash deposits are held with tier one Canadian financial institutions to reduce the credit risk. 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 and cash and cash equivalents.

During the year and at year-end, there are no loans which are past due or considered impaired and therefore no allowance for loan losses.

(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, 2019:

# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Notes to Financial Statements (continued)

Year ended March 31, 2019

### 6. Financial instruments (continued):

	Within 1 year	2 to 5 years	6 to 10 years	Over 10 years	March 31, 2019 total
Accounts payable	\$ 50,667	\$ -	\$ -	\$ -	50,667
Accrued interest payable	8,737,272	-	-	-	8,737,272
Employee obligations	26,766	-	44,191	-	70,957
Short-term loan	1,128,250	-	-	-	1,128,250
Debentures (principal)	106,233,438	403,144,700	216,518,581	56,217,132	782,113,851
Debentures (interest)	25,245,784	66,439,708	25,620,683	5,239,556	122,545,731
	\$ 141,422,177	\$ 469,584,408	\$ 242,183,455	\$ 61,456,688	\$ 914,646,728

### 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 \$1,128,250 (2018 - \$6,671,750). The balance bears interest at the Canadian Bankers acceptance rate (2019 - 2.06% and 2.14%; 2018 - 1.54% to 1.66%) and will be paid off through the bi-annual debenture issuance.

### 8. Related party transactions:

The Corporation is related to the Province of Nova Scotia as it was created by the Municipal Finance Corporation Act of Nova Scotia and is primarily financed by debentures from the Province of Nova Scotia (note 3). The amount of interest charged in debentures is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

# NOVA SCOTIA MUNICIPAL FINANCE CORPORATION

## Schedule of Administrative Expenses

Year ended March 31, 2019, with comparative information for 2018

	2019 Budget	2019 Actual	2018 Actual
Salaries and benefits	\$ 322,928	\$ 302,832	\$ 299,194
Travel	5,000	305	1,822
Equipment and maintenance	8,500	6,337	3,192
Printing	5,000	4,291	4,598
Postage	1,900	973	1,198
Telecommunications	1,750	1,678	1,623
Stationary and supplies	900	1,222	314
Professional services	49,750	48,770	33,600
Bank charges	675	1,179	1,094
Directors' fees and expenses	13,400	7,066	5,974
Audit Committee fees and expenses	2,200	1,022	803
Professional development	11,200	6,900	5,378
Dues and subscriptions	3,500	3,065	3,251
Insurance	900	910	875
Rent	36,220	36,219	36,219
Other	500	65	89
Advertising	2,200	2,294	1,755
Special projects	6,775	3,837	2,893
Sponsorship projects	14,000	13,379	13,535
Municipal client training initiatives	5,000	2,500	2,500
	\$ 492,298	\$ 444,844	\$ 419,907

# FROM THE 2019 CLIENT SURVEY

## STAFF

**97%**

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

**100%**

indicated their questions were answered in a timely manner by the Corporation staff

### Most highly rated Corporation programs:

- Debt Affordability Model (100%)
- Long-term capital finance planning (100%)
- Municipal Finance Officers Workshops (100%)
- Short term Loan Program (100%)
- Financial Management Best Practices (100%)

## ELECTED

**81%**

aware that the Corporation offers lower interest rates than financial institutions

**38%**

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