



— NOVA SCOTIA —
**MUNICIPAL FINANCE
CORPORATION**

42nd 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](#)
- [**07** How the Corporation Functions](#)
- [**09** Directors, Officers, and Staff](#)
- [**10** Corporate Governance](#)
- [**11** Business Plan & Strategic Goals](#)
- [**14** Audit Committee](#)
- [**15** Interest Rates](#)
- [**17** Overview of Loan Portfolio](#)
- [**19** Schedule of Outstanding Loans](#)
- [**22** Other Programs](#)
- [**25** Annual Report under Section 18 of the *Public Interest Disclosure of Wrongdoing Act*](#)

FINANCIAL STATEMENTS

- [**26** Management's Responsibility for Financial Statements](#)
- [**27** Independent Auditor's Report](#)
- [**30** Statement of Financial Position](#)
- [**31** Statement of Operations and Accumulated Surplus](#)
- [**31** Statement of Changes in Net Financial Assets](#)
- [**32** Statement of Cash Flows](#)
- [**33** Notes to Financial Statements](#)

ACCOUNTABILITY STATEMENT

The Accountability Report of the Nova Scotia Municipal Finance Corporation for the year ended March 31, 2022, 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 2021-2022 Statement of Business Plan.



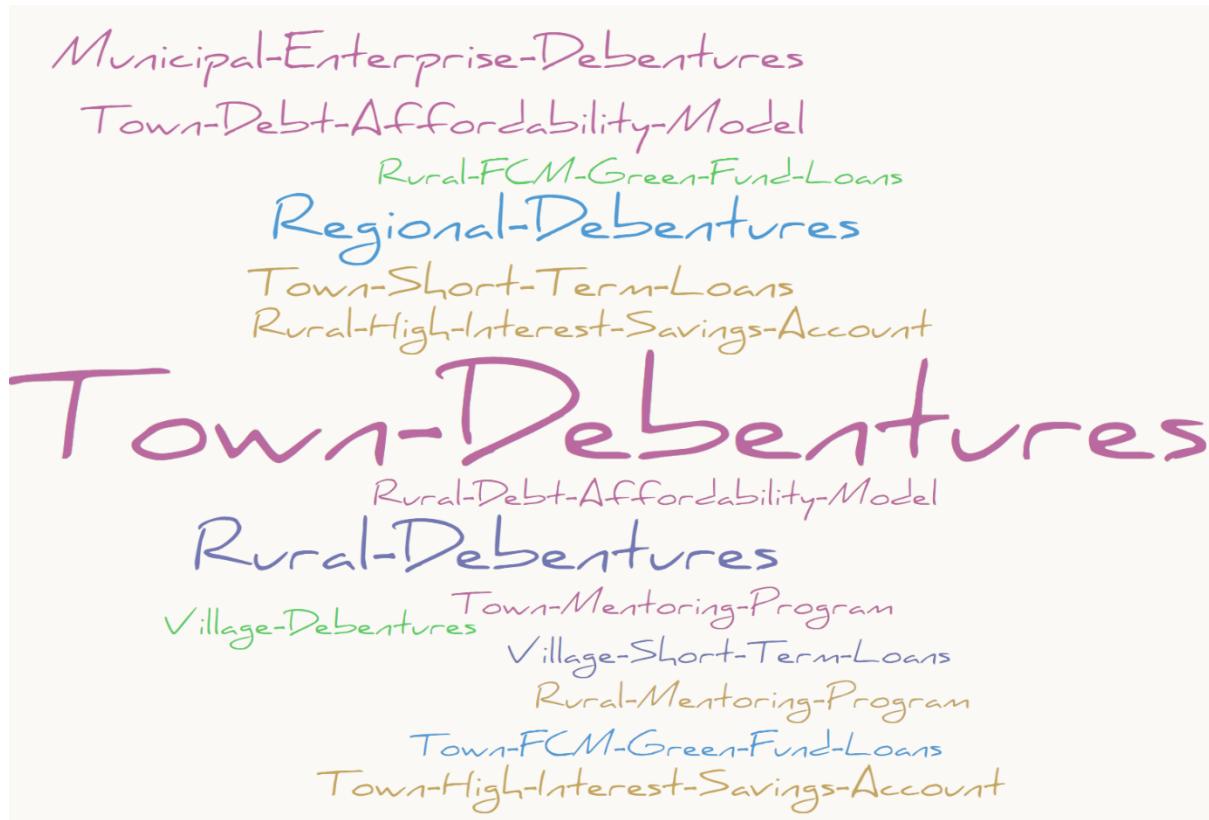
John Lohr, Minister



Mark A. Peck, Chair



Paul Wills, CEO



MESSAGE FROM THE CHAIR AND BOARD OF DIRECTORS

Since 1979, the staff of the Nova Scotia Municipal Finance Corporation (Corporation) have worked closely with clients to build healthy and vibrant communities, and advance economic growth in Nova Scotia. 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. Our work touches the lives of all Nova Scotians. Over our 42 -year history, we have helped municipalities make significant investments in the infrastructure that we all use and rely upon: fire service equipment, wellness centres that support healthy communities, facilities that provide clean drinking water for thousands of residents, and initiatives that improve public safety. By pooling administration costs and offering rates below what lenders can offer, we save taxpayers money as well.

Ensuring that rural and urban municipalities have modern infrastructure helps Nova Scotia remain competitive and attract and retain residents and businesses. Although this 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 our programs and services in meeting our 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 made steady progress towards achieving/advancing these goals.

We strive to provide the lowest possible long-term and short-term interest rates to municipalities. In 2021-2022, we achieved this goal through two annual debenture issuances: one for \$121.8 million and one for \$29.3 million. 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 village under our short-term loan program totaling \$1,485,124 at interest rates of .9350%, .93375%, 1.225%, and .9350% 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 2021-2022, two municipal units took advantage of this free program with overwhelming gratitude for the support and expertise they received.

During 2021-2022, four municipal units placed funds in the Corporation’s High Interest Savings Program earning additional interest than they would have earned otherwise. We do not charge a fee to participate in this program, allowing municipalities to earn all the interest they are entitled to and helping them increase reserve balances.

The Corporation continues to promote the use of its Financial Management Best Practices. 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. During 2021-2022, five municipalities used the model for various purposes.

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

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

A handwritten signature in blue ink that reads "Mark A. Peck".

Mark A. Peck, 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 fulfills 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 educational entities (defined by the *Education Act*) and hospital capital projects are financed directly by the Province of Nova Scotia.

The Corporation collaborates with the Nova Scotia Federation of Municipalities, Association of Municipal Administrators of Nova Scotia, the Department of Municipal Affairs and Housing 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, 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 and Housing 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 and Housing 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

Board of Directors

Mark A. Peck, Chair Associate Deputy Minister Department of Municipal Affairs and Housing	Eldon MacDonald Councillor Cape Breton Regional Municipality
Geoff Gatien, Vice Chair, CPA, CA Associate Deputy Minister Department of Finance and Treasury Board	Kenzie McNeil Senior Financial Consultant Halifax
Sandra Snow Mayor Town of Kentville	Neil Morley, CPA, CA Member At Large Mount Uniacke, Nova Scotia

Officers of the Corporation

Chair Mark A. Peck Associate Deputy Minister Department of Municipal Affairs and Housing	Corporate Secretary Jason Haughn Municipal Advisor Department of Municipal Affairs and Housing
Vice Chair Geoff Gatien, CPA, CA Associate Deputy Minister and Controller Department of Finance and Treasury Board	General Counsel Phil Reid Department of Justice
Chief Executive Officer and Treasurer Paul Wills, CPA, CMA Nova Scotia Municipal Finance Corporation	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
Kathleen McCarthy - Brumaire - 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 and Housing.

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 the Associate Deputy Minister for the Department of Municipal Affairs and Housing. 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 accountability report are prepared in accordance with applicable legislation and guidelines from Finance and Treasury Board. Both are submitted to the Minister of Municipal Affairs and Housing 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.

“The mentoring program is a great opportunity to sit down and discuss a variety of topics with an experienced municipal Director of Finance. This is a wonderful resource for someone new to municipal finance.”

Leah d'Eon, Manager of Finance, District of Barrington

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 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 2021-2022

- 94% of clients were satisfied with the timing of debenture issues¹
- 94% 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 2022-23

- 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 28 participants (25 municipalities, 1 village and 2 municipal enterprises)
- Issued \$151.1 million in debentures and loaned a similar amount to clients
- Issued \$3.0 million through the Federation of Canadian Municipalities Green Fund to one municipal client
- Administered \$1,485,124 in short-term financing pending issuance of a debenture, of which \$1,128,945 was debentured in the spring issue
- Administered \$757.5 million in outstanding loans to municipalities and hospitals

¹Data collected from the 2021 Client Satisfaction Survey conducted by the Nova Scotia Municipal Finance Corporation

²Ibid

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 2021-2022

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

Target for 2022-2023

- Maintain 0% default rate
- Maintain matching strategy

Outputs

- Reviewed all municipal requests with Department of Municipal Affairs and Housing 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 \$300,692 due to higher loan volumes than expected due to deferral of the fall 2020 issue
- Maintained a reserve fund balance of \$7,066,261

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 service

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
- Attendance at Corporation Sponsored Association of Municipal Administrators of Nova Scotia (AMANS) finance modules

Results in 2021-2022

- 84% of clients using or are aware of the Debt Affordability Model³
- 90% of clients using or are aware of the Financial Management Best Practices⁴
- 65% of municipal units attended the Municipal Finance Officers workshops
- 32% of municipal units attendance of AMANS virtual Financial Management for Elected Officials Module and 16% of municipal units attendance of AMANS virtual Strategy, Statements, and Budget for Municipal Managers Module

Targets for 2022-2023

- 90% of clients using the Debt Affordability Model
- 95% of clients using the Financial Management Best Practices
- 80% of municipal units attend Municipal Finance Offices workshops
- 75% attendance of available space AMANS Financial Management Module for municipal councilors

Outputs

- Continue promoting the Corporation's Debt Affordability Model to municipalities
- Encourage the implementation of recommended best practices of the Financial Management and Capacity Building Committee in Nova Scotia municipalities
- Continue to sponsor up to two finance modules provided by AMANS
- Continue promoting the Corporation's Short-Term Loan, High Interest Savings Account, and the Mentoring Programs to municipalities

Ibid⁴ Ibid⁵ Ibid⁶ Ibid

AUDIT COMMITTEE

The Audit Committee was established in 2009 - 2010 on recommendation of the Auditor General to assist the Board of Directors of the Corporation in fulfilling its oversight responsibilities related to the quality and integrity of financial reporting. In addition to meeting the needs of the Corporation's clients through programs and services, the Corporation's Audit Committee ensures 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:

Kenzie McNeil

Municipal Finance Corporation Board Member
Senior Financial Consultant
Halifax Regional Municipality

Sandra Snow

Municipal Finance Corporation Board Member
Mayor
Town of Kentville

Jennifer Campbell, CPA, CA

Association of Municipal Administrators of Nova Scotia Representative
Chief Financial Officer
Cape Breton Regional Municipality

"We really appreciate all the support and the creation of the Debt Affordability Model; a tool Council can use each year in setting the annual budget and in making other financial decisions."

Trudy Payne, CAO, The Municipality of the District of Shelburne

Interest Rates

The Federal Reserve Board had returned the Federal Funds Rate to more normal levels by the end of 2018, only to be followed by the reduction of the administered interest rates by 25 basis points each over three rate decisions in calendar year 2019. With the outbreak of the Covid-19 pandemic in early 2020, the Federal Reserve Board reduced administered interest rates by 150 basis points in two interest rate resets in March 2020. In early 2022, the Federal Reserve Board increased administered interest rates by 0.75% in response to the US economy nearing full employment and rising inflation rates.

The Bank of Canada has followed a similar path to the Federal Reserve Board in interest rate changes since the 2008 Global Financial Crisis and the current Covid-19 pandemic. The Bank of Canada lowered the overnight administered interest rates by 150 basis points in March 2020 in response to the pandemic. Similar to the Federal Reserve Board, the Bank of Canada increased administered interest rates by 0.75% in the first part of 2022. 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.

Longer term interest rates in Canada and the United States fell to historic low levels in 2020 in response to the global pandemic. Interest rates returned to pre-pandemic levels by the end of March 2021 and experienced sharply rising rates in early 2022. During the pandemic, the yield on the 10-year Government of Canada bond fell to 44 basis points in August 2020, and by the end of the March 2022 stood at 2.40%. The Province of Nova Scotia's 10-year average cost of funds in the 2021-2022 fiscal year was 2.27%, compared to an average of 1.51% in 2020-21. The province's low average cost of funds throughout calendar year 2021 reflected very low Government of Canada interest rates and relatively stable provincial 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).

By March 2022, Canada's All-Items Consumer Price Index (CPI) increased by 6.7% year-over-year, the largest increase since January 1991. These increases were broad based with rising prices in all major components. Price increases in March reflect sustained price pressures in Canadian housing markets, supply constraints and geopolitical conflict which has affected energy, commodity, and agriculture markets. Regarding the Bank of Canada's preferred measures of core inflation, compared to March 2021, CPI-Common increased 2.8%, CPI-Median increased 3.8% and CPI-Trim was up 4.7% in Canada.

After long-term interest rates fell to historic lows in the 2020-21 fiscal year, they returned to the recent high levels seen in 2018 by the end of the 2021-22 fiscal year. At the pricing of the Spring 2021 MFC issue, the 10-year Canada bond yield was 1.58%, up a full percentage point from the Spring 2020 issue. In the Fall 2021 MFC issue the 10-year Canada rate was 1.50%. The 10-year Canada bond yield averaged 1.56% over the 2021-22 fiscal year, up significantly from 0.77% over the 2020-21 fiscal year and from 1.46% over the 2019-20 fiscal year. During the 2021-22 fiscal year, 10-year Canada yields dropped to a low of 1.10% in August 2021, and the highest yield for the fiscal year was 2.61% near the end of March 2022.

Spring Issue (<i>settled May 28, 2021</i>)		Fall Issue (<i>settled October 22, 2021</i>)	
5 years	1.24%	5 years	1.40%
10 years	1.91%	10 years	1.92%
15 years	2.35%	15 years	2.29%
20 years	2.54%	20 years	2.46%
All-in cost	2.16%	All-in cost	2.07%

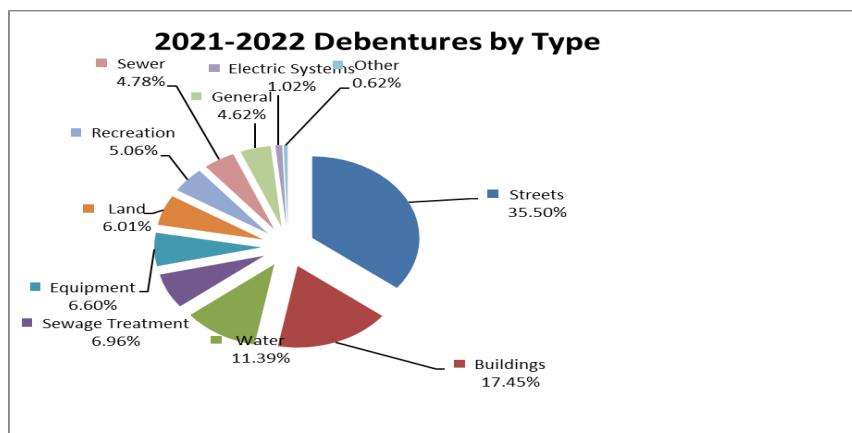
OVERVIEW OF LOAN PORTFOLIO

Loans to Municipalities, School Boards, and Hospitals

The Corporation's loan portfolio consists of loans to municipalities, 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 and Housing 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 \$151.1 million were made to 26 municipalities, 1 village and 4 municipal enterprises. In addition, one Federation of Canadian Municipalities Green Fund loan for \$3.0 million was made to one municipal client. These loans were used for the purposes as shown below.



Purpose	Percent	Regionals	Towns	Rural Municipality	Municipal Enterprise	Total
Streets	35.38%	50,541,560	3,445,814	525,000	-	\$54,512,374
Buildings	17.39%	19,799,525	2,020,586	4,822,409	150,000	\$26,792,520
Water	11.35%	-	6,222,281	1,107,615	10,160,000	\$17,489,896
Sewage Treatment	6.93%	-	2,333,500	2,347,000	6,000,000	\$10,680,500
Equipment	6.58%	8,614,548	1,208,681	273,003	38,212	\$10,134,444
Land	5.99%	9,029,718	200,000	-	-	\$9,229,718
Recreation	5.04%	5,682,671	953,091	1,133,560	-	\$7,769,322
Sewer	4.76%	2,503,452	830,471	-	4,000,000	\$7,333,923
General	4.60%	7,090,545	-	-	-	\$7,090,545
Electric Systems	1.02%	-	910,000	229,944	424,519	\$1,564,463
Other	0.62%	255,997	132,000	562,500	-	\$950,497
Hospitals	0.36%	-	550,000	-	-	\$550,000
Totals	100.00%	\$103,518,016	\$18,806,424	\$11,001,031	\$20,772,731	\$154,098,202
		67.18%	12.20%	7.14%	13.48%	100.00%

Year Ended March 31, 2022

The accumulated loans outstanding at March 31, 2022 amounted to \$757.5 million, comprising \$756.6 million to 64 municipalities and enterprises and \$.9 million to one district health authority.

Outstanding Borrowing Program

Funds totaling \$151.1 million for loans to municipalities and municipal enterprises were raised through two issues in the Canadian domestic market. The issue was placed privately with the Province of Nova Scotia, which purchased a \$121.8 million issue in May 2021 and a \$29.3 million issue in October 2021. Interest rates ranged from 0.400% to 2.809%.

New Long-Term Loans During the Year Fiscal year ending at March 31 (\$millions)

Year	Municipal	Hospitals	Total
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
2020	96.8	-	96.8
2021	42.9	-	42.9
2022	154.1	-	154.1

Ten-Year History of Loans to Municipalities, Educational Entities, 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
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
2020	770.2	2.6	772.8
2021	701.7	1.8	703.5
2022	756.6	0.9	757.5

SCHEDULE OF OUTSTANDING LOANS

Year ending March 31, 2022

By Jurisdiction	Principal March 31/21	New Loans	Principal Repayment	Principal March 31/22
Regional Municipalities				
Cape Breton	66,981,908	19,941,740	(11,529,769)	75,393,879
Halifax	159,984,341	79,550,125	(32,167,606)	207,366,860
Queens	3,930,223	507,757	(357,803)	4,080,177
West Hants Regional Municipality	12,411,935	3,518,394	(1,375,521)	14,554,808
Total Regional Municipalities	243,308,407	103,518,016	(45,430,699)	301,395,724
Towns				
Amherst	7,324,519	1,434,090	(940,679)	7,817,930
Annapolis Royal	225,000	0	(25,000)	200,000
Antigonish	3,913,800	800,000	(1,275,300)	3,438,500
Berwick	4,750,288	250,000	(391,401)	4,608,887
Bridgewater	3,677,231	1,521,778	(625,024)	4,573,985
Clark's Harbour	96,000	0	(29,000)	67,000
Digby	1,773,085	0	(199,143)	1,573,942
Kentville	5,478,760	1,062,600	(1,102,000)	5,439,360
Lockeport	214,128	71,396	(39,231)	246,293
Lunenburg	3,449,476	1,168,650	(989,769)	3,628,357
Mahone Bay	1,414,462	92,500	(204,146)	1,302,816
Middleton	1,440,067	297,266	(229,284)	1,508,049
Mulgrave	1,557,935)	0	(100,533)	1,457,402
New Glasgow	9,378,939	488,534	(1,548,679)	8,318,794
Oxford	1,018,500	615,100	(307,800)	1,325,800
Pictou	5,659,060	0	(538,291)	5,120,769
Port Hawkesbury	3,761,000	887,500	(1,419,000)	3,229,500
Shelburne	3,134,650	0	(277,505)	2,857,145
Stellarton	7,827,182	6,705,802	(6,738,982)	7,794,002
Stewiacke	868,739	311,815	(148,685)	1,031,869
Trenton	2,837,482	0	(282,617)	2,554,865
Truro	15,545,650	1,216,000	(2,584,400)	14,177,250
Westville	957,814	223,393	(97,897)	1,083,310
Wolfville	7,333,433	1,660,000	(638,717)	8,354,716
Yarmouth	766,667	0	(300,000)	466,667
Total Towns	94,403,867	18,806,424	(21,033,083)	92,177,208

By Jurisdiction	Principal March 31/21	New Loans	Principal Repayment	Principal March 31/22
Rural Municipalities				
Annapolis	2,364,008	0	(439,799)	1,924,209
Antigonish	2,783,649	0	(218,609)	2,565,040
Argyle	127,273	3,014,100	(127,273)	3,014,100
Barrington	806,660	0	(179,732)	626,928
Chester	5,602,698	1,182,503	(1,063,877)	5,721,324
Clare	1,945,985	0	(207,184)	1,738,801
Colchester	16,095,196	1,133,560	(2,846,568)	14,382,188
Cumberland	18,551,008	482,309	(1,436,549)	17,596,768
Digby	744,000	0	(179,000)	565,000
Guysborough	8,490,808	0	(962,152)	7,528,656
Hants East	29,476,124	2,958,615	(4,012,883)	28,421,856
Inverness	1,630,000	0	(230,000)	1,400,000
Kings	1,448,531	2,000,000	(544,217)	2,904,314
Lunenburg	640,000	0	(640,000)	0
Richmond	433,541	0	(180,379)	253,162
St Mary's	658,314	0	(149,073)	509,241
Shelburne	137,980	0	(16,587)	121,393
Yarmouth	2,450,000	0	(350,000)	2,100,000
Total Rural Municipalities	94,385,775	10,771,087	(13,783,882)	91,372,980
Villages				
Baddeck	151,479	0	(50,493)	100,986
Canning	395,400	229,944	(131,800)	493,544
Pugwash	58,000	0	(19,333)	38,667
St. Peters	173,338	0	(27,005)	146,333
Total Villages	778,217	229,944	(228,631)	779,530

By Jurisdiction	Principal March 31/21	New Loans	Principal Repayment	Principal March 31/22
Municipal Enterprises				
Alternative Resource Energy Authority	44,995,795	0	(2,035,825)	42,959,970
Blandford Fire Commission	114,285	0	(57,143)	57,142
Bridgewater Public Service Commission	1,235,500	160,000	(442,700)	952,800
Digby Area Recreation	102,534	0	(20,506)	82,028
Glen Haven Manor Corporation	71,010	0	(71,010)	0
Halifax Regional Water Commission	199,591,027	20,000,000	(14,058,629)	205,532,398
Kings Regional Rehabilitation Centre	396,000	150,000	(22,000)	524,000
Lunenburg Co Multi-Purpose Centre	3,258,286	0	(362,032)	2,896,254
Milford Haven Corporation	150,836	0	(15,084)	135,752
Pictou Co Shared Services	7,810,662	0	(204,294)	7,606,368
Pictou Co Wellness Centre	7,480,000	0	(440,000)	7,040,000
R.K. MacDonald Nursing Home	757,735	0	(131,472)	626,263
St Peters-Samsonville Water Utility	818,500	0	(79,700)	738,800
Valley Waste Resource Management	1,922,947	462,731	(799,401)	1,586,277
Western Shore Fire Dept	130,000	0	(26,000)	104,000
Total Municipal Enterprises	268,835,117	20,772,731	(18,765,796)	270,842,052

District Health Authorities				
Capital District Health Authority	1,782,197	0	(865,143)	917,055
Total District Health Authorities	1,782,197	0	(865,143)	917,055
Total Loans	703,493,580	154,098,202	(100,107,233)	757,484,549

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

The Corporation currently has access to a secured \$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 \$1,485,124 to 3 municipalities and 1 village for capital-related projects; 3 were debentured during 2021-22 in the amount of \$1,128,945.

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 2021-2022, staff continued to work with clients to provide training and to assist in implementation of the model based on their unique needs. During 2021-2022, the Corporation has assisted four municipalities and one municipal enterprise utilize the model.

Municipal Finance Training and Capacity Building Program

The Corporation encourages capacity building amongst municipal finance officials. To that end, the Corporation sponsors a financial professional working in municipal government in Nova Scotia to attend the annual in person the Canadian Association of Government Finance Officers conference.

This national conference is dedicated to the development of financial excellence in local government using best practices and benchmarking. Unfortunately, due to COVID-19, this conference was canceled for in person attendance and was offered virtually and as such, no sponsorship was made.

The Corporation sponsors local training opportunities for both elected officials and administrative staff. For administrative staff, the Corporation usually sponsors the Association of Municipal Administrators of Nova Scotia Spring and Fall Conferences, and the spring and fall Municipal Finance Officers training sessions. No sponsorship was provided for the Spring Conference and Municipal Finance Officers training session as both were both held virtually. Sponsorship was provided for both the Fall Conference and Municipal Finance Officers training session as each were held in person.

The Corporation sponsored two finance modules provided by AMANS virtually – one for elected officials - Financial Management for Elected Officials and one for municipal managers – Strategy, Statements, and Budget for Municipal Managers.

For elected officials, the Corporation usually sponsors the Nova Scotia Federation of Municipalities Fall Conference. Sponsorship was provided for this conference which was held virtually due to Covid 19.

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 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, listservs, 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 Housing and Nova Scotia Municipal Finance Corporation work together throughout the debenture process to process borrowing requests from municipalities. The Debt Affordability Model is also often 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.

Annual Report under Section 18 of the *Public Interest Disclosure of Wrongdoing Act*

The Public Interest Disclosure of Wrongdoing Act was proclaimed into law on December 20, 2011. The Corporation adopted a Wrongdoing Disclosure Policy that mirrors the Act on June 20, 2019.

The Policy provides for the Corporation employees to be able to come forward if they reasonably believe that a wrongdoing has been committed or is about to be committed and they are acting in good faith.

The Policy also protects employees who do disclose from reprisals, by enabling them to lay a complaint of reprisal with the Labor Board.

A Wrongdoing for the purposes of the Policy is:

- a) a contravention of provincial or federal laws or regulations
- b) a misuse or gross mismanagement of public funds or assets
- c) an act or omission that creates an imminent risk of a substantial and specific danger to the life, health, or safety of persons or the environment, or
- d) directing or counselling someone to commit a wrongdoing

The following is a summary of disclosures received by Corporation.

Information Required under Section 18 of the Act	Fiscal Year 2021-2022
The number of disclosures received	None
The number of findings of wrongdoing	None
Details of each wrongdoing	N/A
Recommendations and actions taken on each wrongdoing	N/A

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.



Paul Wills CPA, CMA
Chief Executive Officer/Treasurer



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

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, 2022
- 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, 2022, 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.

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' Responsibility 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.

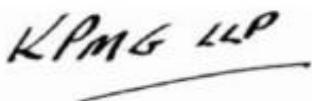
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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.

The logo for KPMG LLP, featuring the letters "KPMG" in a bold, italicized serif font, with "LLP" in a smaller, regular serif font directly below it, all underlined by a single horizontal line.

Chartered Professional Accountants, Licensed Public Accountants
Halifax, Canada
June 24, 2022

STATEMENT OF FINANCIAL POSITION

March 31, 2022, with comparative information for 2021

	2022	2021
Financial assets:		
Cash and cash equivalents (note 5(a))	\$ 7,356,861	\$ 7,898,601
Accrued interest receivable	7,274,223	7,552,659
HST receivable	1,203	579
Accounts receivable	-	87
Municipal operating loans receivable (note 9)	31,691,796	47,498,896
Loans (note 2)	757,484,549	703,493,580
	803,808,632	766,444,402
Financial liabilities:		
Accounts payable	39,982	55,409
Employee obligation (note 4)	46,649	46,649
Accrued interest payable	7,265,251	7,545,111
Short-term loan due to Province of Nova Scotia (note 7)	356,179	1,128,945
Municipal operating loans payable (note 9)	31,691,796	47,498,896
Deposits	20,253	33,049
Due to municipal units	-	-
Debentures (note 3)	757,322,262	703,370,774
	796,742,372	759,678,833
Net financial assets	7,066,260	6,765,569
Accumulated surplus	\$ 7,066,260	\$ 6,765,569

See accompanying notes to audited financial statements.

On behalf of the Board:

Mark A. Peck Director
Keff Natom Vice Chair Director

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

Year ended March 31, 2022, with comparative information for 2021

	Budget 2022	Actual 2022	Actual 2021
Revenue:			
Interest on loans	\$ 22,983,103	\$ 22,310,484	\$ 23,660,822
Interest on short-term investments	59,547	63,728	59,252
Recovery of issue costs	341,668	448,807	148,181
Administration fee	400,000	616,393	171,530
	23,781,318	24,439,412	24,039,785
Expenses:			
Interest on debenture debt and short-term loans	22,977,416	22,305,588	23,657,778
Debenture issue expenses	341,699	449,095	146,045
Administrative expenses (schedule)	423,276	384,038	380,381
	23,742,391	23,138,721	24,184,204
Annual operating surplus	41,927	300,691	(144,419)
Accumulated surplus, beginning of year	6,765,569	6,765,569	6,909,988
Accumulated surplus, end of year	\$ 6,807,496	\$ 7,066,260	\$ 6,765,569

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

Year ended March 31, 2022, with comparative information for 2021

	Budget 2022	Actual 2022	Actual 2021
Annual operating surplus			
Annual operating surplus	\$ 41,927	\$ 300,691	\$ (144,419)
Increase in net financial assets	41,927	300,691	(144,419)
Net financial assets, beginning of year	6,765,569	6,765,569	6,909,988
Net financial assets, end of year	\$ 6,807,496	\$ 7,066,260	\$ 6,765,569

See accompanying notes to audited financial statements

STATEMENT OF CASH FLOWS

Year ended March 31, 2022, with comparative information for 2021

	2022	2021
Cash provided by (used in):		
Operating activities:		
Annual operating surplus (deficiency)	\$ 300,691	\$ (144,419)
Item not involving cash:		
Decrease in employee obligations	-	1,571
Change in non-cash operating working capital (note 5(b))	<u>(17,388)</u>	<u>(133,284)</u>
	283,303	(276,132)
Investing activities:		
Issuance of municipal operating loans to municipalities	-	(47,498,896)
Issuance of loans to units	<u>(154,098,202)</u>	<u>(42,882,514)</u>
Payments received on loans to units	100,095,112	112,164,632
Due to municipal unit	<u>(695)</u>	<u>(856)</u>
	(54,003,765)	21,782,366
Financing activities:		
Proceeds of debentures	154,098,100	42,883,000
Principal payments on debenture	<u>(100,146,612)</u>	<u>(112,215,639)</u>
Change in short-term loan due to Province of Nova Scotia	<u>(772,766)</u>	<u>48,547,841</u>
	53,178,722	(20,784,798)
Change in cash and cash equivalents	(541,740)	721,436
Cash and cash equivalents, beginning of year	7,898,601	7,177,165
Cash and cash equivalents, end of year	<u>\$ 7,356,861</u>	<u>\$ 7,898,601</u>

Supplemental cash flow information (note 5 (c))

See accompanying notes to audited financial statements.

NOTES TO FINANCIAL STATEMENTS

Year ended March 31, 2022

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 costs less valuation allowances and write-offs. Periodically loans are assessed for collectability and risk of loss. To the extent required, a valuation allowance based on past events, current circumstances, 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.

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. At the February 7, 2019 board meeting, the board amended the reserve fund policy by removing the 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.

(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 0.400% to 5.940%. Repayment terms are negotiated on specific loans and would normally not exceed twenty years.

	2022	2021
Loans	\$757,484,549	\$703,493,580
Less amounts due within 12 months	142,411,911	100,107,233
Remaining balance	<u>\$615,072,638</u>	<u>\$603,386,347</u>

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

	Debentures Loans	payable
2023	\$142,411,911	\$142,449,943
2024	116,817,111	116,847,777
2025	94,491,121	94,521,029
2026	79,575,084	79,595,243
2027	54,954,494	54,964,407

NOTES TO FINANCIAL STATEMENTS

3. Debentures:

The debenture debt outstanding at March 31, 2022 totaling \$757,322,262 (2021 - \$703,370,774) 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 \$749,170,055 (2021 – \$697,438,197).

Series	Date issued	Maturity date Calendar Year	Interest rate	Amortized cost of debt outstanding	2022
BB	Jan. 9/03	2022 to 2023	5.913	917,055	
BF	Sept 1/04	2022 to 2024	5.880-5.940	16,500,000	
BL	June 1/07	2022	4.770	9,452,000	
BM	Oct. 17/07	2022	5.210	1,907,000	
BN	July 7/08	2022 to 2023	5.034-5.088	5,980,000	
BP	Oct. 24/08	2022 to 2023	5.430-5.480	4,521,000	
BQ	June 1/09	2022 to 2024	5.359-5.644	9,245,000	
BR	Oct. 27/09	2022 to 2024	4.719-4.939	719,000	
BS	June 29/10	2022 to 2025	4.655-4.875	11,876,000	
BT	Nov. 9/10	2022 to 2025	4.110-4.410	902,000	
BU	May 30/11	2022 to 2026	4.301-4.597	3,475,000	
BV	Nov. 9/11	2022 to 2026	3.766-4.026	2,267,000	
FCM-E*	Mar. 26/12	2023 to 2032	2.000	221,411	
BW	May 15/12	2022 to 2027	3.480-3.856	10,083,000	
FCM-F*	July 3/12	2022 to 2032	2.000	1,000,148	
BX	July 6/12	2022	3.156	17,600,000	
FCM-G*	Aug 22/12	2022 to 2032	2.000	2,200,000	
BY	Nov. 9/12	2022 to 2027	3.160-3.580	22,801,000	
BZ	May 15/13	2022 to 2028	2.812-3.489	29,829,000	
CA	Nov. 15/13	2022 to 2028	3.469-4.114	21,960,000	
CB	June 5/14	2022 to 2029	3.003-3.792	18,867,000	
CC	Nov. 17/14	2022 to 2029	2.873-3.559	33,080,000	
CD	June 1/15	2022 to 2030	2.330-3.205	17,277,000	
FCM-H*	Oct 30/15	2022 to 2025	1.750	1,016,548	
CE	Nov. 20/15	2022 to 2030	2.373-3.449	40,465,000	
CF	May 16/16	2022 to 2031	2.218-3.475	40,224,000	
CG	Nov. 15/16	2022 to 2031	1.854-3.108	12,054,000	
CH	May 9/17	2022 to 2032	1.860-3.209	26,155,000	
CI	Nov. 9/17	2022 to 2032	2.466-3.382	33,167,000	
CJ	May 30/18	2022 to 2033	2.761-3.501	39,901,000	
FCM-I*	Oct. 31/18	2022 to 2028	2.250	700,000	
CK	Nov. 9/18	2022 to 2023	2.963-3.551	45,798,000	
CL	May 9/19	2022 to 2034	2.039-3.048	11,819,000	
CM	Nov. 15/19	2022 to 2034	2.129-2.829	69,243,000	
CN	July 7/20	2022 to 2035	0.859-2.378	40,002,000	
CP/CQ	May 28/21	2022 to 2036	0.400-2.809	121,786,000	
CR	Oct 22/21	2022 to 2036	0.500-2.677	29,298,000	
FCM-J*	Mar 15/22	2023 to 2032	3.650	3,014,100	
				\$ 757,322,262	

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, 2022, the Corporation has recorded a liability in the amount of \$46,649 (2021 - \$46,649) 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.

(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 2022 were \$25,100 (2021 - \$24,645) 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, 2020 and issued their report in June 2021. The report indicated that the Province of Nova Scotia's Plan had a funding deficit of \$156,497,000 (December 31, 2019 – funding deficit of \$105,080,000).

NOTES TO FINANCIAL STATEMENTS

5. Supplemental cash flow information:

(a) Cash and cash equivalents include:

	2022	2021
Cash	\$ 7,000,682	\$ 6,769,656
Short-term investments	356,179	1,128,945
	\$ 7,356,861	\$ 7,898,601

(b) Change in non-cash working capital:

	2022	2021
Accrued interest receivable	\$ 278,436	\$ 968,889
Other receivables	(537)	(101)
Accounts payable	(15,427)	3,919
Accrued interest payable	(279,860)	(1,105,991)
	\$ (17,388)	\$ (133,284)

(c) Supplemental cash flow information:

	2022	2021
Interest paid	\$ 22,585,448	\$ 24,662,553
Interest received	\$ 22,589,332	\$ 24,363,641

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 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.

NOTES TO FINANCIAL STATEMENTS

(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, 2022:

	Within 1-year	2 to 5 years	6 to 10 years	Over 10 years	March 31, 2022 total
Accounts payable	\$ 39,982	\$ -	\$ -	\$ -	\$ 39,982
Accrued interest payable	7,265,251	-	-	-	7,265,251
Employee obligations	-	46,649	-	-	46,649
Short Term Loan	356,179	31,691,796	-	-	32,047,975
Debentures (principal)	142,449,943	345,928,455	231,855,926	37,087,938	757,322,262
Debentures (interest)	20,253,666	47,349,636	21,068,377	1,967,810	90,639,489
	<u>\$ 170,365,021</u>	<u>\$ 425,016,536</u>	<u>\$ 252,924,303</u>	<u>\$ 39,055,748</u>	<u>\$ 887,361,608</u>

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 \$356,179 (2021 - \$1,128,945). The balance bears interest at the Canadian Bankers' acceptance rate 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.

9. Municipal operating loans program:

On April 28, 2020 the Province of Nova Scotia announced a new operating loan program to help municipalities with reduced cash flow due to COVID-19. The \$380 million loan program, which was developed in collaboration with the Nova Scotia Federation of Municipalities and the Association of Municipal Administrators, will be available through the Corporation.

As of March 31, 2022, there were 4 municipalities that have accessed the program for a total of \$31,691,796 all at the 3-year rate of 1.10%. The following table summarizes the contractual maturities of loans in years 2 and 3 of the program:

	In Year 2	In Year 3	Total
Operating loans (principal)	\$ 15,845,899	\$ 15,845,897	\$ 31,691,796
Operating loans (interest)	261,528	87,224	348,752
	\$ 16,107,427	\$ 15,933,121	\$ 32,040,548

SCHEDULE OF ADMINISTRATIVE EXPENSES

Year ended March 31, 2022, with comparative information for 2021

	Budget 2022	Actual 2022	Actual 2021
Salaries and benefits	\$ 313,952	\$ 319,289	\$ 328,216
Travel	5,000	368	227
Equipment and maintenance	2,600	5,049	5,844
Postage	1,800	1,158	758
Telecommunications	1,400	1,645	1,372
Stationary and supplies	400	60	128
Professional services	34,600	34,600	36,075
Bank charges	180	30	170
Directors' fees and expenses	8,975	1,766	1,791
Audit Committee fees and expenses	5,220	500	200
Professional development	12,450	1,130	1,586
Dues and subscriptions	3,300	2,974	2,984
Insurance	985	1,021	972
Other	500	78	70
Advertising	2,200	1,755	1,755
Special projects	8,214	769	733
Sponsorship projects	16,500	6,846	2,500
Municipal client training initiatives	5,000	5,000	5,000
	\$ 423,276	\$ 384,038	\$ 380,381

FROM THE 2021 CLIENT SURVEY

94%

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 (**84%**)
- Municipal Finance Officers Workshops Attendance (**65%**)
- Short term Loan Program (**84%**)
- Financial Management Best Practices (**90%**)

Most requested booth items:

- Brochures on Programs and Services (**90%**)
- Testimonials on various programs (**50%**)
- CAGFO attendance sponsorships (**30%**)
- Information on debenture process (**30%**)



NOVA SCOTIA
MUNICIPAL FINANCE
CORPORATION



Office location
8 North, Maritime Centre
1505 Barrington Street
Halifax, Nova Scotia
B3J 3K5

Telephone
(902) 424-6333

Fax
(902) 424-0525

Mailing address
P.O. Box 850, Station M
Halifax, Nova Scotia
B3J 2V2