



# Public Accounts

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Volume 1 – Consolidated Financial Statements  
For the fiscal year ended March 31, 2020



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## Message from the Minister

Government has consistently worked to put Nova Scotia on the path to fiscal sustainability. The province had a strong economy coming into the pandemic and our fiscal health will ensure the Province can adapt to address the needs of Nova Scotians throughout the pandemic.

This solid foundation will enable us to respond with strategic investments while remaining fiscally responsible. We remain strongly committed to the health and safety of Nova Scotians and the sustainability of the business community.

We are delivering the programs and services valued by Nova Scotians. Budget 2019-20 focused on strengthening services and supports with key investments in health care, infrastructure, early years, forestry transition, the green economy, and communities.

In the Public Accounts, we present the actual financial results at the end of the fiscal year and compare these to the budget approved at the beginning of the fiscal year.

The Province of Nova Scotia reported a surplus of \$2.3 million in its Public Accounts for the year ended March 31, 2020. This was \$31.3 million lower than the estimate of \$33.6 million.

Total consolidated revenues were \$12.34 billion, an increase of \$454.1 million from estimate primarily due to changes in tax revenue, recoveries, and federal transfer payments.

Total consolidated expenses were \$12.34 billion, an increase of \$485.5 million from estimate mainly due to COVID-19 relief funding, increased demand for various health care services, and additional funding for the remediation of Boat Harbour.

The Province's Net Debt as of March 31, 2020 was \$15.24 billion. The net debt to GDP ratio has declined 3.9 percentage points since 2016 to 33.1 per cent in 2020.

Detailed analysis of these results is contained within this document.

These consolidated financial statements are in accordance with Canadian public sector accounting standards and have received an unmodified opinion from the Auditor General of Nova Scotia.



Honourable Karen Casey  
Minister of Finance and Treasury Board

## Introduction to the Public Accounts

In accordance with the *Finance Act*, the Minister of Finance and Treasury Board for the Province of Nova Scotia (Province) produces the Public Accounts annually to report on the operating results and financial condition of the Province. Volume 1 of the Public Accounts includes general purpose financial statements meant to meet the needs of a variety of users. They are prepared on a consolidated basis, which means that they include the financial information of the departments and public service units of government as well as the Crown corporations, boards, and other entities owned or controlled by the Province.

These consolidated financial statements are prepared in accordance with Canadian public sector accounting standards. For purposes of the Province's financial statements, this refers to the Public Sector Accounting Standards (PSAS) of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), supplemented where appropriate by other accounting standards of CPA Canada and the International Federation of Accountants.

The 2020 Public Accounts *Volume 1 – Consolidated Financial Statements* commences with the Financial Statement Discussion and Analysis (FSD&A) section. The FSD&A is a reporting practice recommended by PSAB, and responsibility for its preparation rests with management. This section presents comparative financial highlights of the consolidated financial statements including all the entities owned or controlled by the government, as well as selected financial highlights of the General Revenue Fund itself. The FSD&A also includes an overview of the provincial debt and the Nova Scotia economy. The government is responsible for the integrity, objectivity, and fair presentation of the information in the FSD&A. The Controller prepares the FSD&A in accordance with PSAS on behalf of the Minister and the Deputy Minister of Finance and Treasury Board.

The General Revenue Fund is the level at which the annual estimates are prepared in detail for approval by the provincial government. Therefore, the FSD&A includes a section on the Selected Highlights of the General Revenue Fund that provides more detailed information and budget-to-actual analysis on revenues, departmental expenses, tangible capital assets, additional appropriations, and debt servicing costs. The General Revenue Fund is comprised of all departments and public service units of the Nova Scotia Government, as well as the net income of the Province's government business enterprises (GBEs), but excludes the other governmental units (GUs) owned or controlled by the Province and government partnership arrangements (GPAs).

There are two additional publications in the Public Accounts suite of annual financial reports. *Volume 2 – Entities and Funds* is a collection of the audited financial statements of various agencies, boards, commissions, other GUs, GBEs, GPAs, and special purpose funds. *Volume 3 – Supplementary Information* is produced in accordance with the *Finance Act* as a record of the payments made by the General Revenue Fund during the fiscal year for salaries, travel, grants, and other expenses.



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# **FINANCIAL STATEMENT DISCUSSION AND ANALYSIS**

**for the fiscal year ended March 31, 2020**

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## Financial Highlights of the Consolidated Financial Statements

### Financial Highlights

For the fiscal year ended March 31, 2020

(\$ thousands, except for Net Debt per Capita)

						*	Page
	2016	2017	2018	2019	2020	5-Year Trend	
	(as restated)	(as restated)	(as restated)	(as restated)			
<b>Performance Measures</b>							
<b><u>Sustainability</u></b>							
Provincial Surplus (Deficit)	(\$13,201)	\$151,186	\$226,289	\$122,875	\$2,287	↑	12
Provincial Surplus (Deficit) to Nominal GDP	(0.03%)	0.36%	0.53%	0.28%	0.00%	↑	-
Net Debt	\$15,071,580	\$14,967,742	\$14,966,090	\$14,992,969	\$15,242,397	↑	13
Net Debt per Capita	\$16,094	\$15,876	\$15,747	\$15,626	\$15,691	↓	13
Net Debt to Nominal GDP	37.0%	36.0%	34.9%	33.8%	33.1%	↓	14
<b><u>Flexibility</u></b>							
Debt Servicing Costs to Total Revenue	7.9%	7.5%	7.0%	7.3%	6.7%	↓	20
Own Source Revenue to Nominal GDP	18.4%	18.6%	19.2%	18.3%	18.2%	↓	16
<b><u>Vulnerability</u></b>							
Federal Transfers to Total Revenue	31.4%	31.2%	31.2%	31.8%	32.2%	↑	16
<b>Other Financial Indicators</b>							
Total Revenue	\$10,937,550	\$11,230,080	\$11,976,215	\$11,874,746	\$12,344,136	↑	15
Total Expenses	\$10,950,751	\$11,078,894	\$11,749,926	\$11,751,871	\$12,341,849	↑	19
Interest on Unmatured Debt	\$758,778	\$729,470	\$727,242	\$766,031	\$726,256	↓	20
Financial Assets	\$4,244,033	\$4,710,714	\$5,189,299	\$4,904,756	\$5,032,561	↑	22
Total Liabilities	\$19,315,613	\$19,659,969	\$20,155,389	\$19,897,725	\$20,274,958	↑	24
Unmatured Debt	\$13,524,557	\$13,089,820	\$13,420,391	\$13,520,878	\$13,683,163	↑	25
Non-Financial Assets	\$5,813,348	\$5,851,754	\$6,091,716	\$6,241,470	\$6,493,185	↑	28
Accumulated Deficits	\$9,248,687	\$9,115,988	\$8,874,374	\$8,751,499	\$8,749,212	↓	31

\* An upward 5-Year Trend does not necessarily mean a positive or favourable change, and a downward 5-Year Trend does not necessarily mean a negative or unfavourable change.

**Sustainability** indicates a government's ability to maintain existing services and financial obligations without the need to increase revenues or debt borrowings.

**Flexibility** indicates a government's ability to either expand revenues or increase debt borrowings to meet existing services and financial obligations.

**Vulnerability** indicates a government's reliance on revenue sources beyond its direct control or influence and exposure to funding risks.

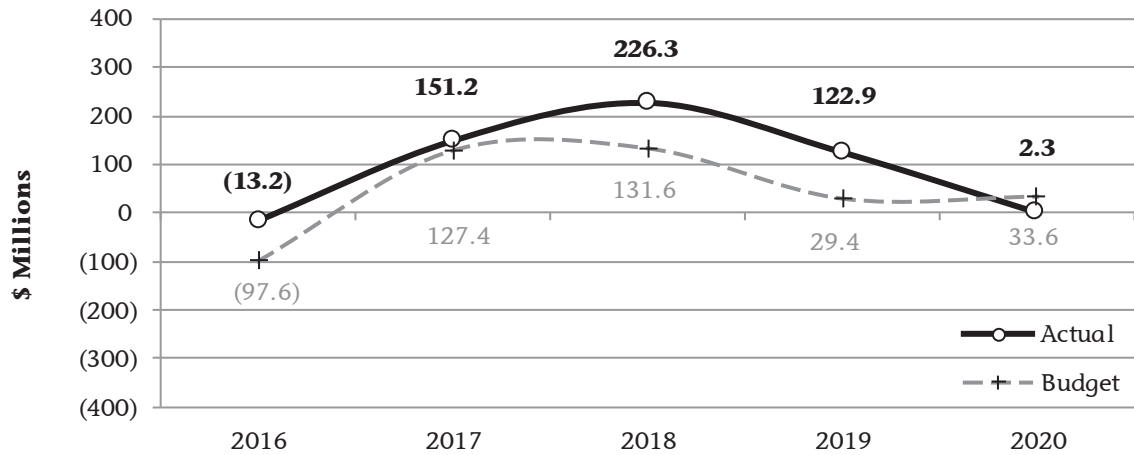


### Provincial Surplus (Deficit)

The provincial surplus (deficit) is the net financial result of the year’s operations. For the fiscal year ended March 31, 2020, total revenue was \$12.34 billion (2019 – \$11.87 billion) and total expenses were \$12.34 billion (2019 – \$11.75 billion). The resulting surplus of \$2.3 million was \$31.3 million lower than the budgeted surplus of \$33.6 million and \$120.6 million lower than the prior year’s restated surplus of \$122.9 million.

The Province has reported the following net financial results over the past five years:

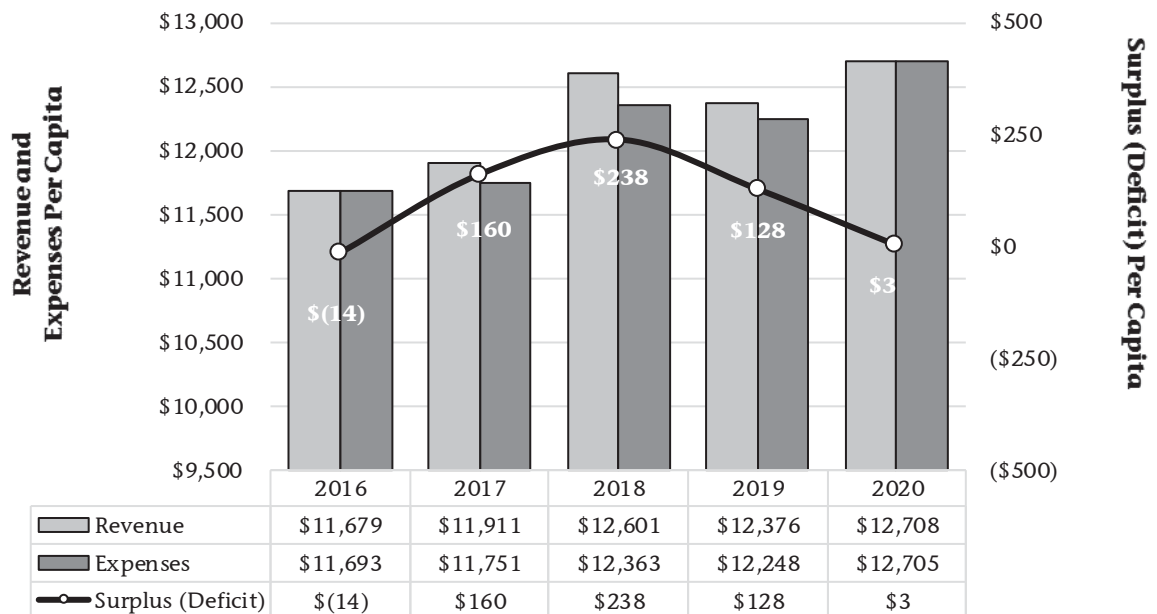
#### Provincial Surplus (Deficit) - 5 Year Trend



#### Revenue and Expenses per Capita

The provincial surplus decreased by \$125 per capita, from \$128 per capita in the last fiscal year to \$3 per capita in 2020. Per capita information for the past five years is shown below.

#### Revenue and Expenses per Capita - 5 Year Trend





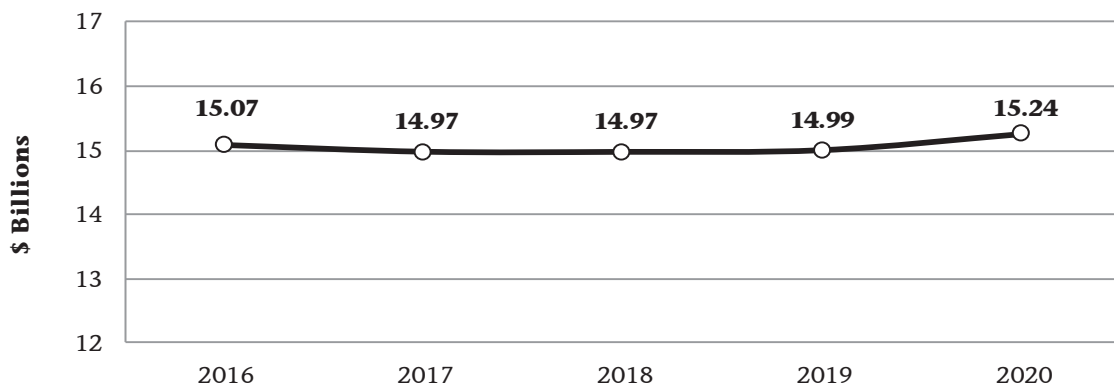
## Financial Highlights of the Consolidated Financial Statements

### Net Debt

Net debt results when a government's total liabilities exceed total financial assets. As a key measure of the Province's financial position, net debt indicates the amount that current and past generations have accumulated through the incurrence of annual deficits and net investments in non-financial assets. Net debt represents the liabilities to be funded by future revenues, including taxation. These amounts remain as obligations for future generations to fund through annual surpluses or to continue to carry as debt.

Net debt was \$15.24 billion at March 31, 2020, \$249.4 million higher than the prior year due to the \$2.3 million surplus, offset by \$222.7 million net acquisitions of tangible capital assets, \$9.5 million net acquisitions of supplies inventory, and \$19.5 million in additional prepaid expenses. This year, net debt includes \$260.1 million in accrued remediation costs for the Boat Harbour site, of which \$85.0 million is expected to be reimbursed as part of a \$100.0 million commitment from the federal government. However, the corresponding revenue will not be recorded until the remediation occurs. The Province has reported net debt in the past five years as follows:

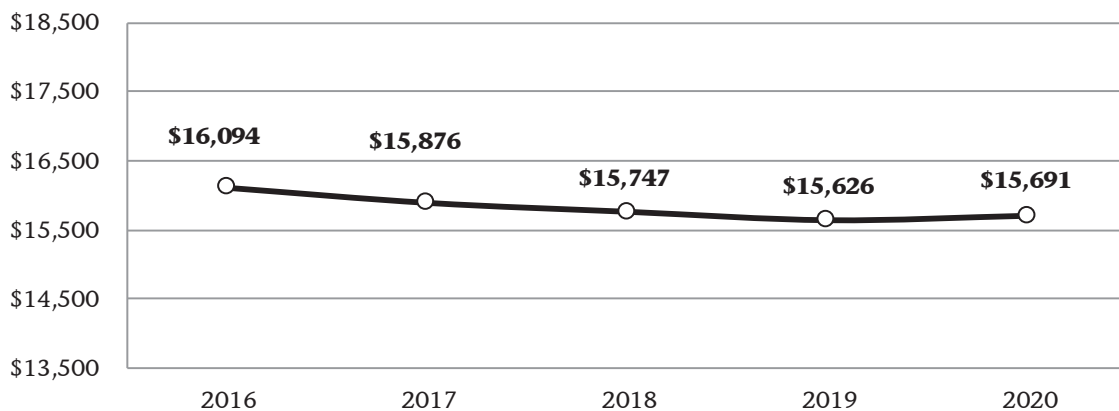
#### Net Debt - 5 Year Trend



### Net Debt per Capita

Net debt increased by \$65 on a per capita basis from \$15,626 in 2019 to \$15,691 in 2020. The increase in net debt per capita is attributable to the increase in the Province's net debt balance, partly offset by the growth in Nova Scotia's population.

#### Net Debt per Capita - 5 Year Trend

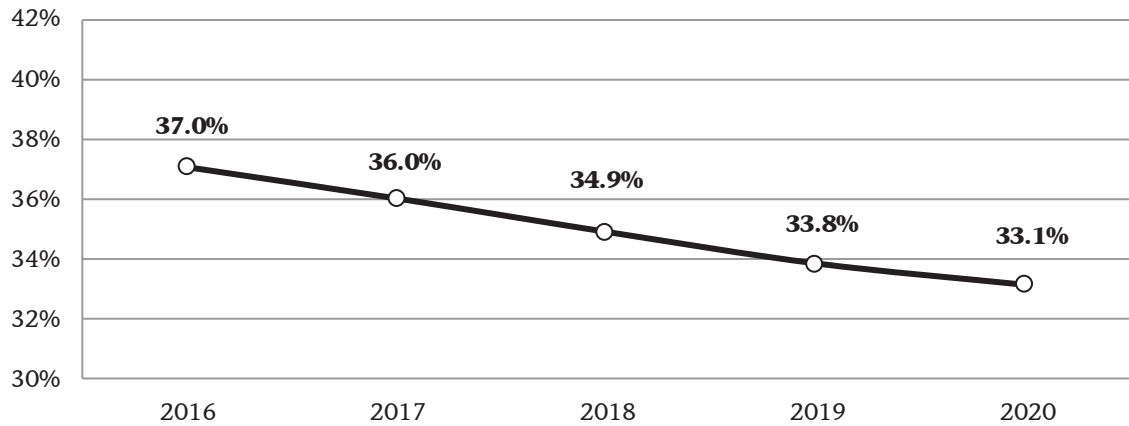




### Net Debt to Gross Domestic Product (GDP)

Net debt as a percentage of nominal GDP provides a measure of the level of future financial demands placed on the economy by the Province’s spending and taxation policies. A higher ratio means the net debt of the Province is more onerous on future generations. This ratio decreased 0.7 percentage points to 33.1 per cent in 2020. Over the past five years, the ratio of net debt to GDP has decreased 3.9 percentage points from 37.0 per cent in 2016.

#### Net Debt to GDP - 5 Year Trend

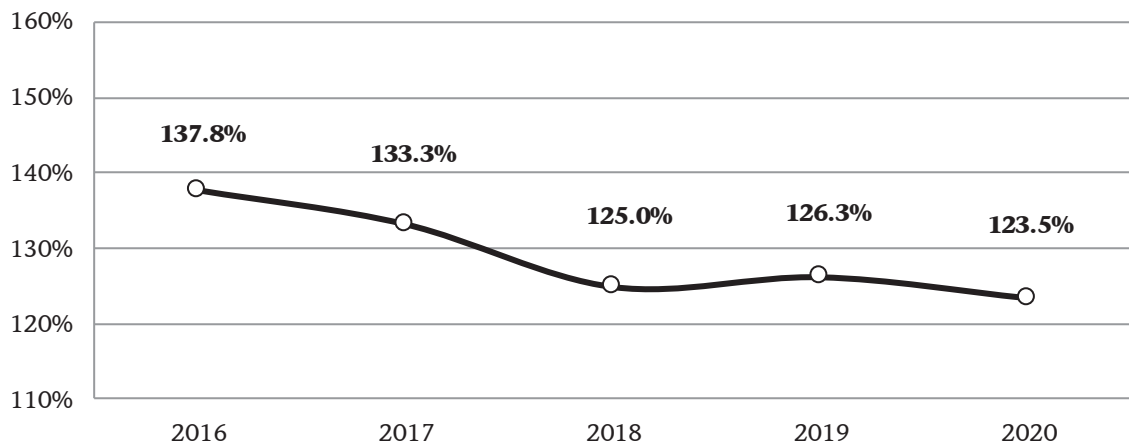


### Net Debt to Total Revenue

Net debt provides a measure of the future revenues required to pay for past deficits and investments in non-financial assets. An increasing ratio of net debt to total revenue indicates that more time is necessary to repay net debt.

Net debt as a percentage of total revenue decreased 2.8 percentage points from the previous year to 123.5 per cent. Over the past five years, this ratio has decreased 14.3 percentage points from 137.8 per cent in 2016.

#### Net Debt to Total Revenue - 5 Year Trend



## Financial Highlights of the Consolidated Financial Statements

### Revenue

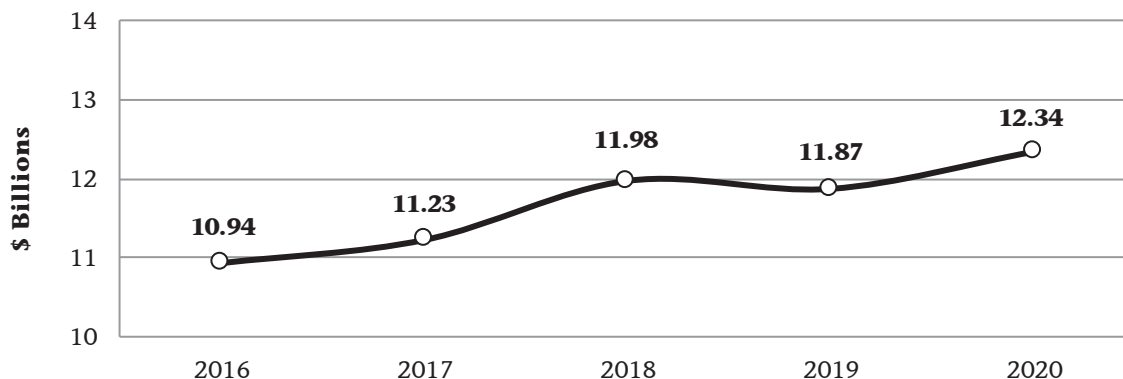
On a consolidated basis, total revenue for the year was \$454.1 million or 3.8 per cent higher than estimate and \$469.4 million or 4.0 per cent higher than the prior year. The increases from estimate were attributable to changes in tax revenue, recoveries, and federal transfer payments. Other revenues were earned from a variety of sources by the General Revenue Fund and the Province's governmental units (GUs). Additional details on General Revenue Fund revenue variances are provided starting on page 38 of this publication.

#### Revenue

(\$ thousands)

	Adjusted Estimate 2020	Actual 2020	Actual 2019	Actual vs Estimate	Actual vs Actual
<b>Provincial Sources</b>					
Tax Revenue					
Income Taxes	3,416,030	3,453,521	3,249,794	37,491	203,727
Sales Taxes	2,386,097	2,501,627	2,312,716	115,530	188,911
Other Tax Revenue	169,681	208,047	188,096	38,366	19,951
Other Provincial Revenue					
Petroleum Royalties	—	7,813	75,872	7,813	(68,059)
Recoveries	361,630	443,828	454,270	82,198	(10,442)
Revenue of GUs	478,328	531,510	521,853	53,182	9,657
Municipal Contributions to Regional Centres for Education	274,393	274,639	269,569	246	5,070
Miscellaneous	344,545	354,617	412,787	10,072	(58,170)
Net Income from GBEs	389,224	388,621	389,222	(603)	(601)
Investment Income					
Interest Revenue	109,832	114,812	117,131	4,980	(2,319)
Sinking Fund Earnings	95,920	93,670	106,519	(2,250)	(12,849)
	8,025,680	8,372,705	8,097,829	347,025	274,876
<b>Federal Sources</b>					
Equalization Payments	1,942,628	2,009,037	1,843,636	66,409	165,401
Other Federal Transfers	1,921,695	1,962,394	1,933,281	40,699	29,113
	3,864,323	3,971,431	3,776,917	107,108	194,514
<b>Total Revenue</b>	11,890,003	12,344,136	11,874,746	454,133	469,390

#### Total Revenue - 5 Year Trend

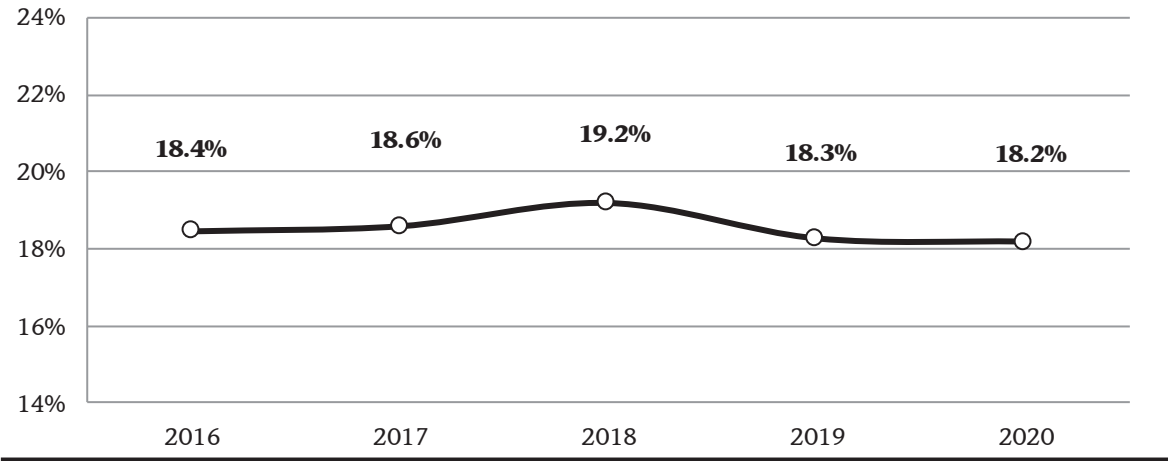




**Own Source Revenue to Gross Domestic Product**

Own source revenue as a percentage of nominal GDP measures the extent to which the Province derives income from the provincial economy, either through taxation, user fees, recoveries, or other provincial revenues. This ratio decreased by 0.1 percentage points from the previous year to 18.2 per cent. Over the past five years, this ratio has ranged from a high of 19.2 per cent in 2018 to a low of 18.2 per cent in 2020, which shows how the Province’s demands on the provincial economy have remained relatively consistent during this time.

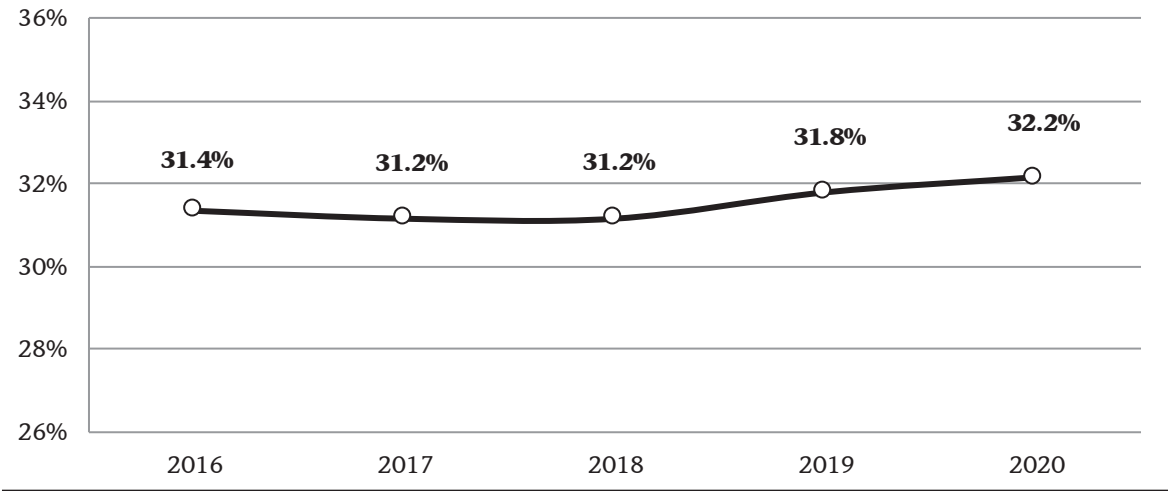
**Own Source Revenue to GDP - 5 Year Trend**



**Federal Transfers to Total Revenue**

Federal transfers as a percentage of total revenue measures the extent of funding from the federal government. Some of these transfers are dependent on policy decisions at the federal level and are generally outside the control of the provincial government. This ratio increased by 0.4 percentage points from the previous year to 32.2 per cent. The percentage of federal transfers to total revenue remained fairly steady for the Province over the past five years, increasing by 0.8 percentage points from 31.4 per cent in 2016 to 32.2 per cent in 2020.

**Federal Transfers to Total Revenue - 5 Year Trend**

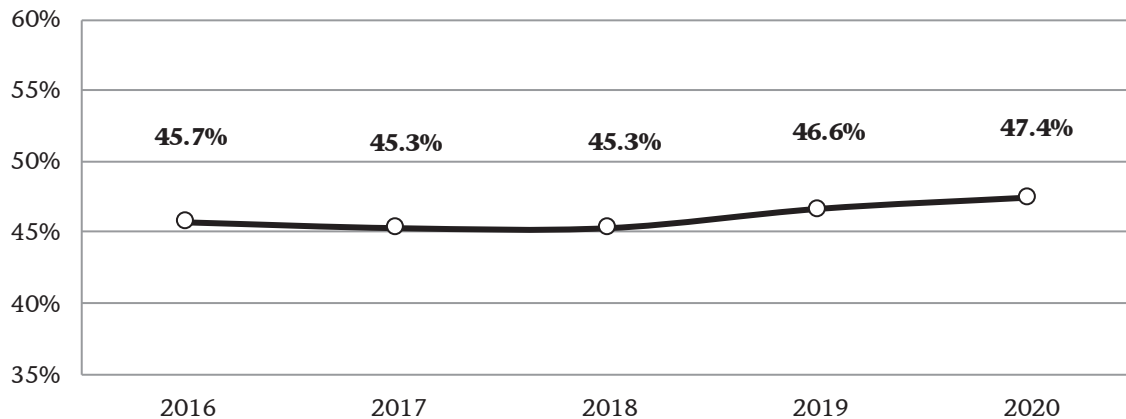


## Financial Highlights of the Consolidated Financial Statements

### Federal Transfers to Own Source Revenue

Federal transfers as a percentage of own source revenue measures the extent to which the Province raises revenue from within the province as compared to the amount that is received from the federal government. This ratio increased by 0.8 percentage points from the previous year to 47.4 per cent. Over the past five years, this ratio has fluctuated from a low of 45.3 per cent in 2017 and 2018 to a high of 47.4 per cent in 2020.

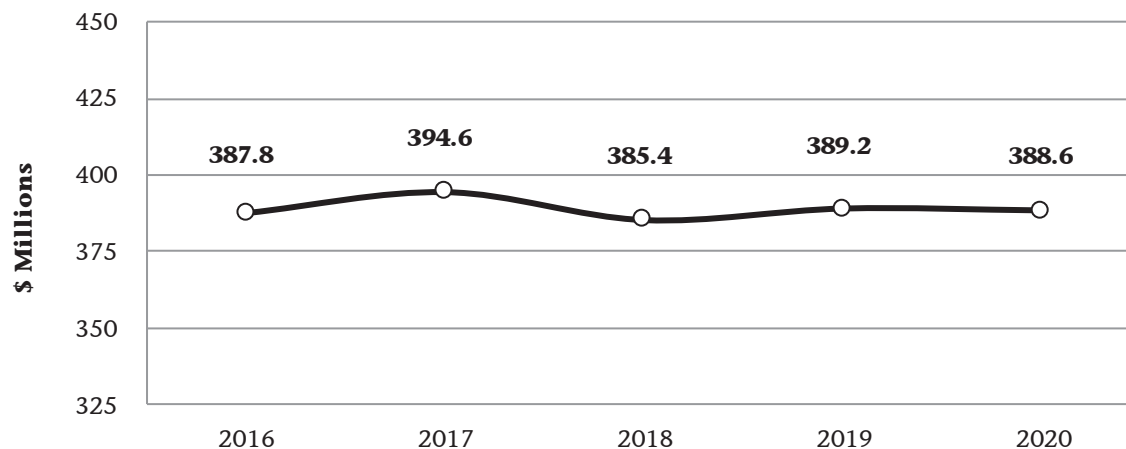
#### Federal Transfers to Own Source Revenue - 5 Year Trend



### Net Income from Government Business Enterprises (GBEs)

Net income from GBEs decreased by \$0.6 million or 0.2 per cent from estimate and from the previous year to \$388.6 million. Compared to the last fiscal year, net income from Nova Scotia Liquor Corporation increased by \$9.9 million or 4.2 per cent primarily due to higher beverage alcohol and cannabis sales. Net income (before Win Tax) from Nova Scotia Gaming Corporation decreased by \$8.5 million or 6.5 per cent largely due to the suspension of video lottery terminals and casinos in the province on March 15 to reduce the spread of COVID-19. Net income from Halifax-Dartmouth Bridge Commission decreased by \$1.9 million or 20.5 per cent mainly due to lower than anticipated traffic volumes, and net income from Highway 104 Western Alignment Corporation decreased by \$0.1 million or 0.5 per cent. Net income from GBEs over the past five years was as follows:

#### Net Income from GBEs - 5 Year Trend

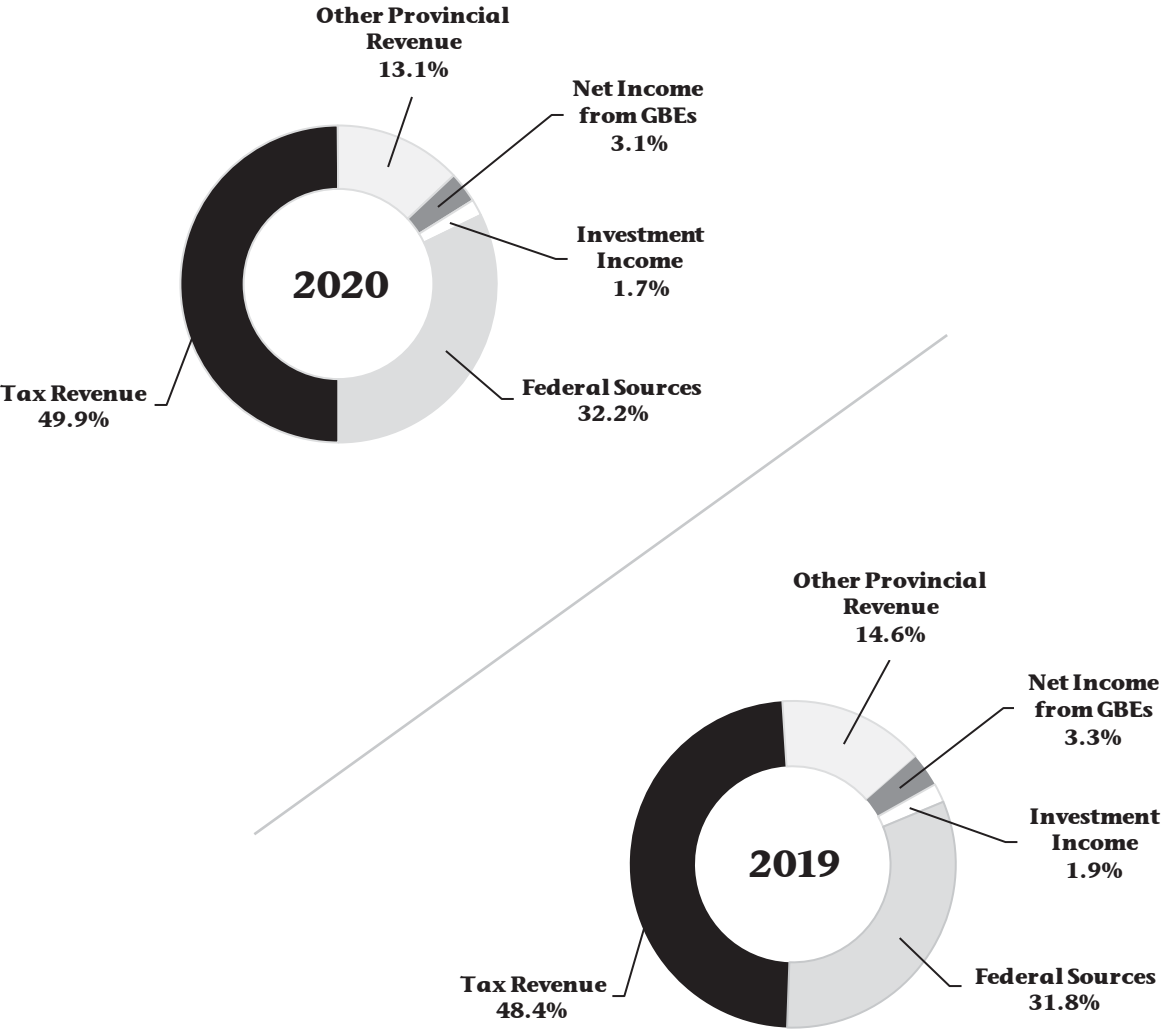




**Revenue by Source**

The Province’s revenue by major funding sources remained consistent with the prior year. The related breakdowns for fiscal years 2020 and 2019 were as follows:

**Revenue by Source**



## Financial Highlights of the Consolidated Financial Statements

### Expenses

The health and education sectors made up 54.6 per cent of total expenses, compared to 54.9 per cent in 2019. Total consolidated expenses were \$485.5 million or 4.1 per cent higher than estimate mainly due to increases of \$204.8 million in Health and Wellness for various health care services, physician services, long-term care infrastructure grants, pharmaceutical and special drug programs, and COVID-19 response efforts, \$98.4 million in Finance and Treasury Board for COVID-19 relief funding, \$87.1 million in Transportation and Infrastructure Renewal for additional site remediation costs, contributions to infrastructure projects, and increased snow and ice removal costs, \$46.9 million in Community Services, \$42.0 million in Municipal Affairs and Housing, \$35.8 million in Labour and Advanced Education and Assistance to Universities, and \$28.6 million in Education and Early Childhood Development, partially offset by net decreases of \$58.1 million in all other departments.

Total expenses were \$590.0 million or 5.0 per cent higher than the prior year primarily due to increases of \$236.4 million in Health and Wellness, \$101.2 million in Finance and Treasury Board, \$58.7 million in Labour and Advanced Education and Assistance to Universities, \$58.6 million in Community Services, \$52.0 million in Education and Early Childhood Development, \$46.3 million in Municipal Affairs and Housing, \$40.4 million in Transportation and Infrastructure Renewal, and net decreases of \$3.6 million in other departments.

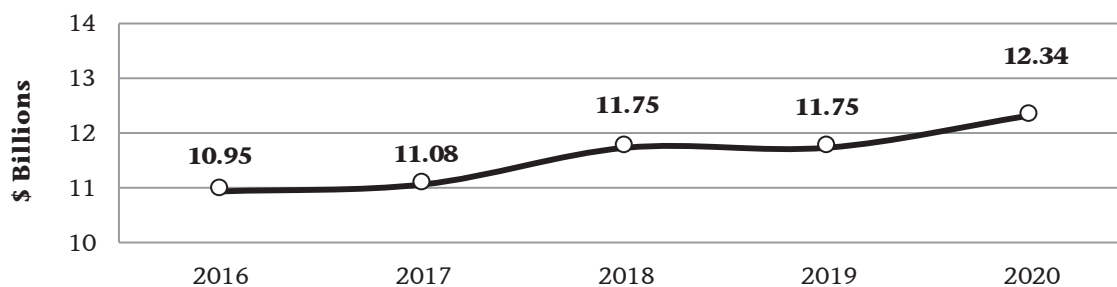
Additional details on General Revenue Fund expense variances are provided on page 44.

#### Expenses

(\$ thousands)

	Adjusted Estimate 2020	Actual 2020	Actual 2019	Actual vs Estimate	Actual vs Actual
			<i>(as restated)</i>		
Health and Wellness	4,726,314	4,931,141	4,694,706	204,827	236,435
Education and Early Childhood Development	1,782,279	1,810,882	1,758,918	28,603	51,964
Community Services	947,904	994,833	936,203	46,929	58,630
Labour and Advanced Education and Universities	881,018	916,778	858,126	35,760	58,652
Transportation and Infrastructure Renewal	504,264	591,408	551,051	87,144	40,357
Municipal Affairs and Housing	404,536	446,519	400,226	41,983	46,293
Pension Valuation Adjustment	51,837	50,439	54,143	(1,398)	(3,704)
Debt Servicing Costs	863,766	827,323	865,284	(36,443)	(37,961)
Other Expenses	1,694,462	1,772,526	1,633,214	78,064	139,312
<b>Total Expenses</b>	<b>11,856,380</b>	<b>12,341,849</b>	<b>11,751,871</b>	<b>485,469</b>	<b>589,978</b>

#### Total Expenses - 5 Year Trend

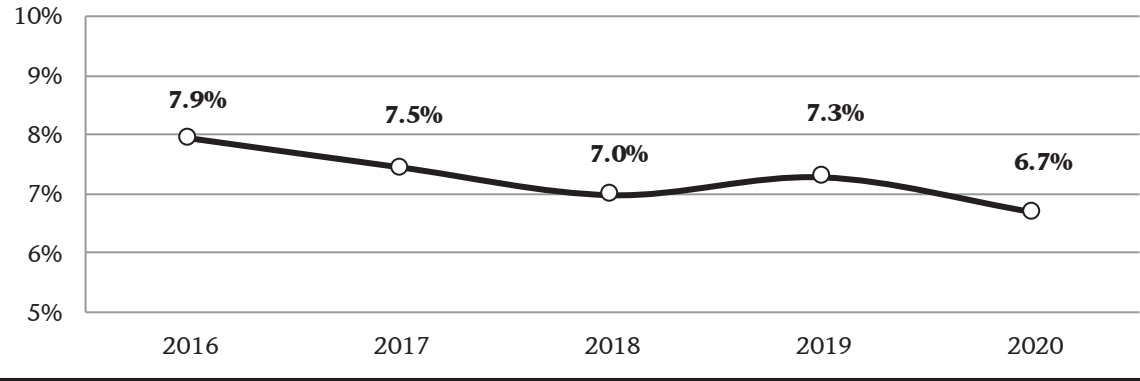




**Debt Servicing Costs to Total Revenue**

Debt servicing costs as a percentage of total revenue shows the proportion of every dollar of revenue that is needed to pay interest and thus is not available to provide program initiatives or tax reductions. A lower ratio means that the Province uses less revenues to meet the interest cost on total debt outstanding, which provides greater flexibility in meeting financial and service commitments in the current year. The ratio of debt servicing costs to total revenue decreased by 0.6 percentage points from the previous year to 6.7 per cent. Over the past five years, this ratio decreased by 1.2 percentage points, ranging from a high of 7.9 per cent in 2016 to a low of 6.7 per cent in 2020.

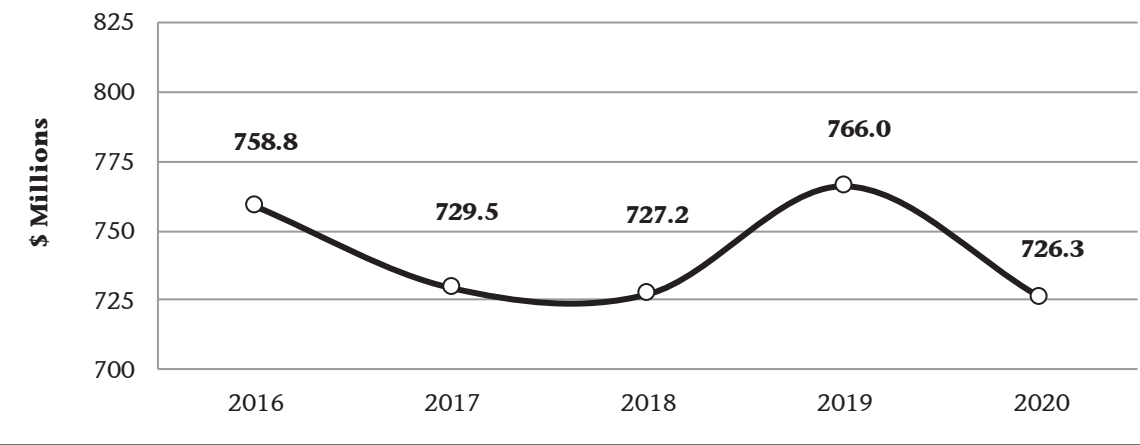
**Debt Servicing Costs to Total Revenue - 5 Year Trend**



**Interest on Unmatured Debt**

Interest on unmaturred debt is the cost associated with servicing past borrowing obligations, including capital leases. The Province is obligated to pay these borrowing costs and thus are not available for providing programs and services to Nova Scotians. Interest on unmaturred debt decreased by \$39.7 million to \$726.3 million in the current year. Over the past five years, interest on unmaturred debt ranged from a high of \$766.0 million in 2019 to a low of \$726.3 million in 2020.

**Interest on Unmatured Debt - 5 Year Trend**

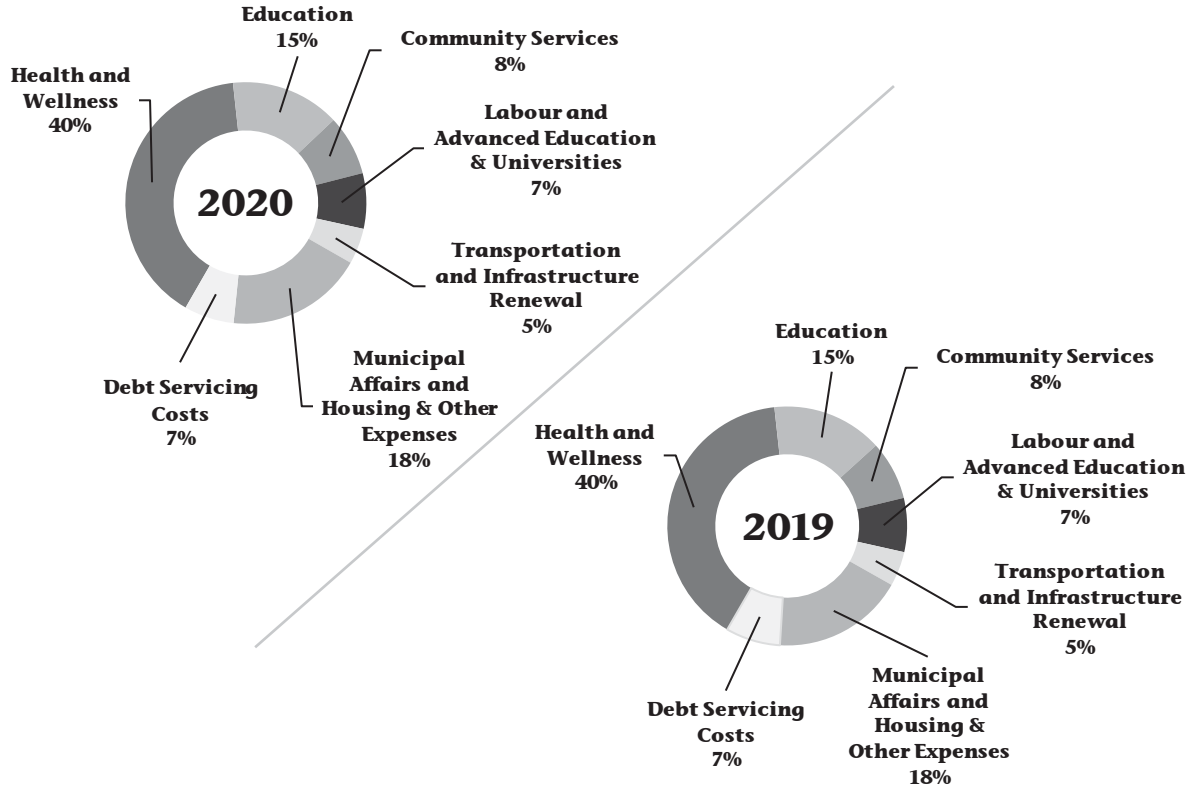




## Financial Highlights of the Consolidated Financial Statements

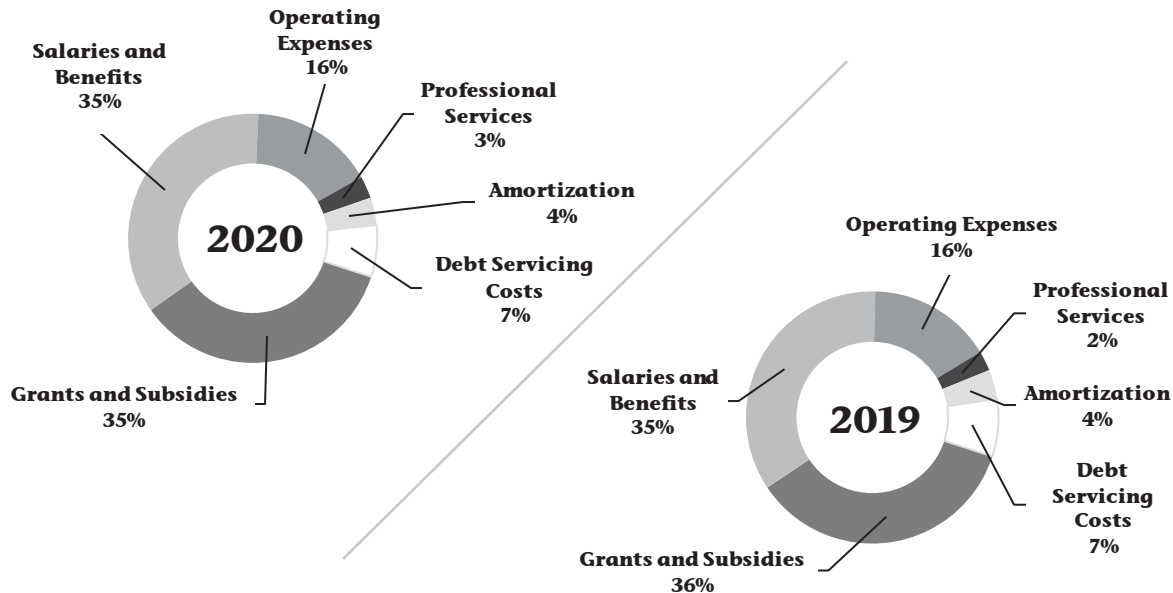
### Expenses by Function

The Province's expenses by major functions remained consistent compared to the prior year. The related breakdowns for fiscal years 2020 and 2019 were as follows:



### Expenses By Object

The Province's expenses by object remained consistent compared to the prior year. The related breakdowns for fiscal years 2020 and 2019 were as follows:





## Financial Assets

Financial assets consist of assets available to discharge existing liabilities or to finance future operations. Financial assets increased by \$127.8 million or 2.6 per cent from last year to \$5.0 billion at the end of 2020. Cash and short-term investments decreased by \$94.4 million as a result of the operating, investing, capital, and financing activities as explained on page 33. Accounts receivable were \$138.5 million higher than the prior year.

Loans receivable decreased by \$10.9 million mainly due to decreases of \$17.0 million in loans outstanding in Housing Nova Scotia, \$14.6 million in the Nova Scotia Jobs Fund, \$8.6 million in the loan portfolio of Nova Scotia Municipal Finance Corporation, \$6.4 million in Nova Scotia Business Inc., and \$3.1 million in other loan portfolios. These were offset by an increase of \$38.8 million in the Fisheries and Aquaculture loan portfolio.

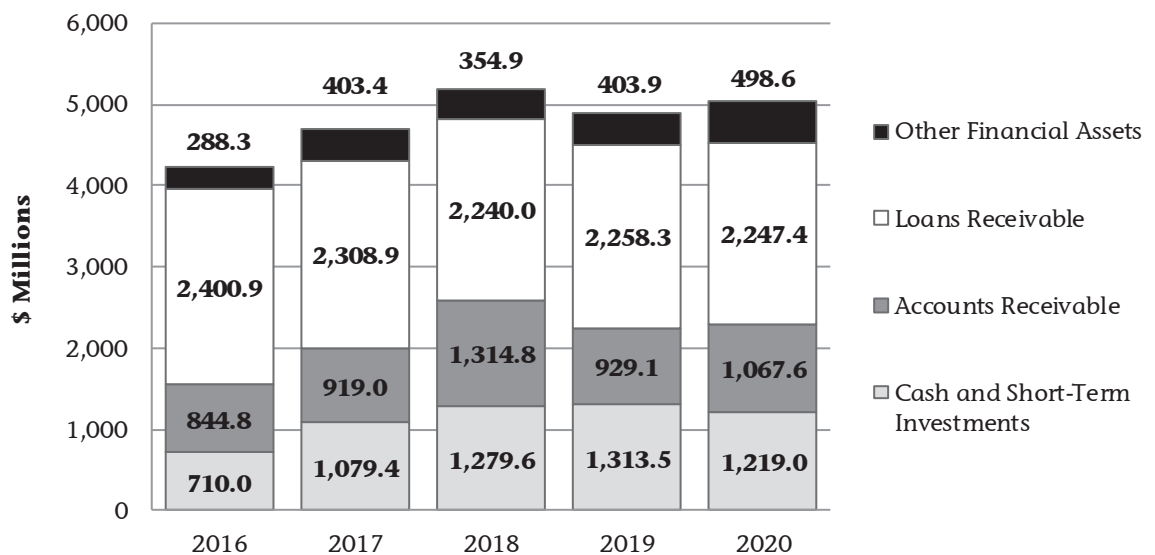
Other financial assets increased by \$94.6 million due to increases of \$62.7 million in investment in GBEs, mainly in Nova Scotia Liquor Corporation and Highway 104 Western Alignment Corporation, \$31.6 million in investments, mainly from Nova Scotia Community College and Resource Recovery Fund Board Inc., and \$0.3 million in other financial assets.

### Financial Assets

(\$ thousands)

	Actual 2020	% of Total	Actual 2019	% of Total	Variance Increase (Decrease)
Cash and Short-Term Investments	1,219,037	24.2%	1,313,486	26.8%	(94,449)
Accounts Receivable	1,067,581	21.2%	929,085	18.9%	138,496
Loans Receivable	2,247,429	44.7%	2,258,308	46.1%	(10,879)
Other Financial Assets	498,514	9.9%	403,877	8.2%	94,637
<b>Total Financial Assets</b>	<b>5,032,561</b>	<b>100.0%</b>	<b>4,904,756</b>	<b>100.0%</b>	<b>127,805</b>

### Financial Assets - 5 Year Trend



## Financial Highlights of the Consolidated Financial Statements

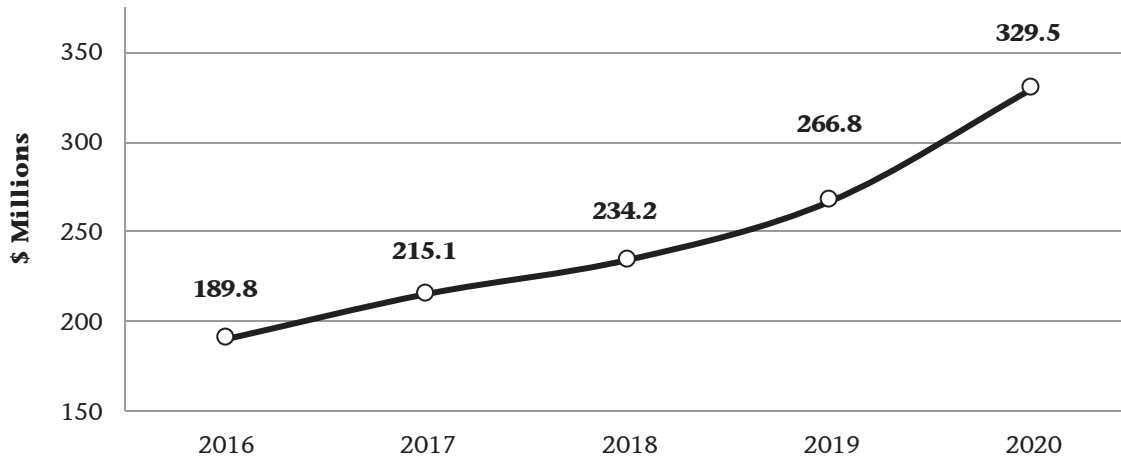
### ***Investment in Government Business Enterprises***

Other financial assets include the Province's financial position in four GBEs, which has continually improved over the past five years from a net investment of \$189.8 million at March 31, 2016 to \$329.5 million at March 31, 2020. The Province's investment in GBEs increased by \$62.7 million over the previous year.

The Province's investment in GBEs has increased by \$139.7 million over the last five years. Net equity of Highway 104 Western Alignment Corporation increased \$46.5 million, Nova Scotia Liquor Corporation increased \$41.6 million, Halifax-Dartmouth Bridge Commission increased \$40.1 million, and Nova Scotia Gaming Corporation increased \$11.5 million.

As publicly accountable enterprises, GBEs follow International Financial Reporting Standards (IFRS). More detailed information about the Province's GBEs is provided in Schedule 6 of the Public Accounts on page 111 of this publication.

#### **Investment in GBEs - 5 Year Trend**





## Liabilities

Liabilities, consisting of debts or other monetary obligations owing at year-end and to be settled in the future, increased by \$377.2 million from last year to \$20.27 billion. The most significant liability, unmatured debt, increased by \$162.3 million from the prior year mainly due to proceeds of \$1,654.2 million from debentures issued and \$837.5 million in net sinking fund withdrawals, partly offset by \$2,125.3 million in debt repayments, \$93.7 million in sinking fund earnings, and \$110.4 million in other net financing activities. Debt borrowings were used to finance the activities of Crown corporations, acquire tangible capital assets, and refinance maturing debt.

Pension, retirement and other obligations increased by \$76.7 million due to a decrease in the discount rate and changes to actuarial valuations as a result of updated member data. Other changes to liabilities included increases of \$197.6 million in bank advances and short-term borrowings, \$91.8 million in other liabilities, and \$26.8 million in liabilities for contaminated sites, partly offset by a decrease of \$178.0 million in accounts payable and accrued liabilities.

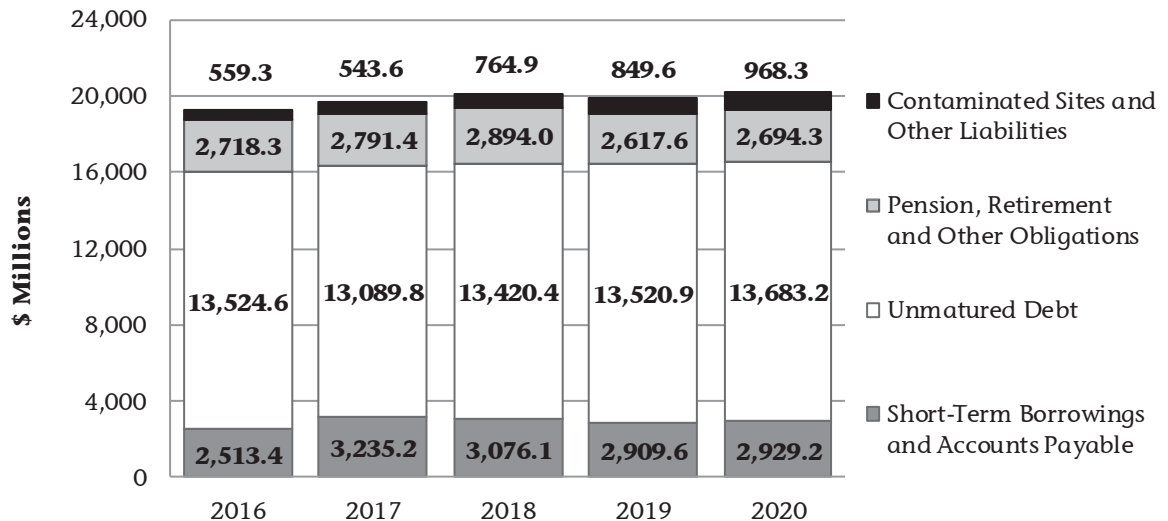
### Liabilities

(\$ thousands)

	Actual 2020	% of Total	Actual 2019	% of Total	Variance Increase (Decrease)
	(as restated)				
Bank Advances and Short-Term Borrowings	1,275,824	6.3%	1,078,239	5.4%	197,585
Accounts Payable and Accrued Liabilities	1,653,378	8.2%	1,831,391	9.2%	(178,013)
Liabilities for Contaminated Sites *	398,909	2.0%	372,115	1.9%	26,794
Unmatured Debt	13,683,163	67.4%	13,520,878	67.9%	162,285
Pension, Retirement and Other Obligations	2,694,329	13.3%	2,617,582	13.2%	76,747
Other Liabilities	569,355	2.8%	477,520	2.4%	91,835
<b>Total Liabilities</b>	<b>20,274,958</b>	<b>100.0%</b>	<b>19,897,725</b>	<b>100.0%</b>	<b>377,233</b>

\* - Federal commitments of up to \$106.8 million for the remediation of certain sites, including \$100.0 million for Boat Harbour, were not reflected as part of this liability. See Note 10 on page 94.

### Liabilities - 5 Year Trend



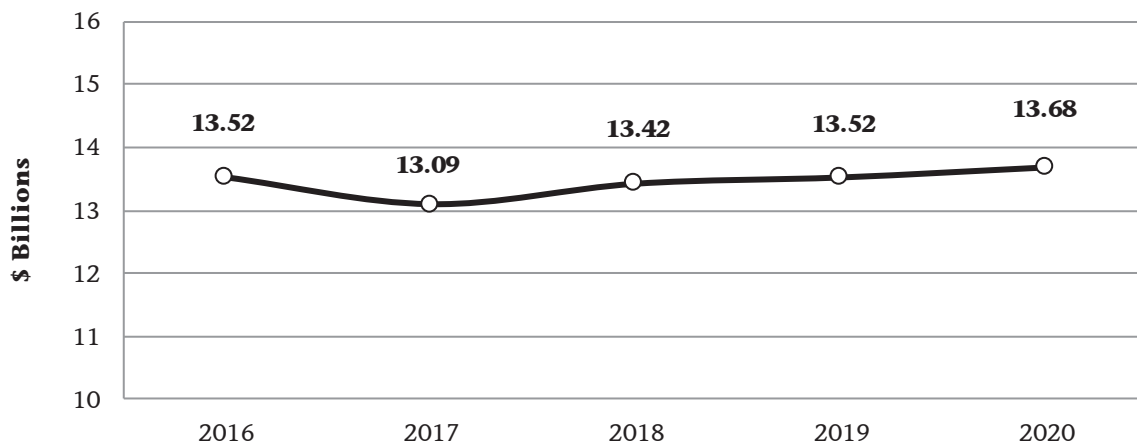
## Financial Highlights of the Consolidated Financial Statements

### Unmatured Debt

Unmatured debt, net of sinking funds and defeasance assets, increased by \$162.3 million to \$13.68 billion as at March 31, 2020, of which \$13.55 billion related to borrowings of the Department of Finance and Treasury Board, \$119.0 million of Housing Nova Scotia, \$6.7 million of Nova Scotia Municipal Finance Corporation, and \$0.5 million of Develop Nova Scotia.

Over the past five years, unmatured debt has increased \$158.6 million from \$13.52 billion in 2016 to \$13.68 billion in 2020 with a low of \$13.09 billion in 2017.

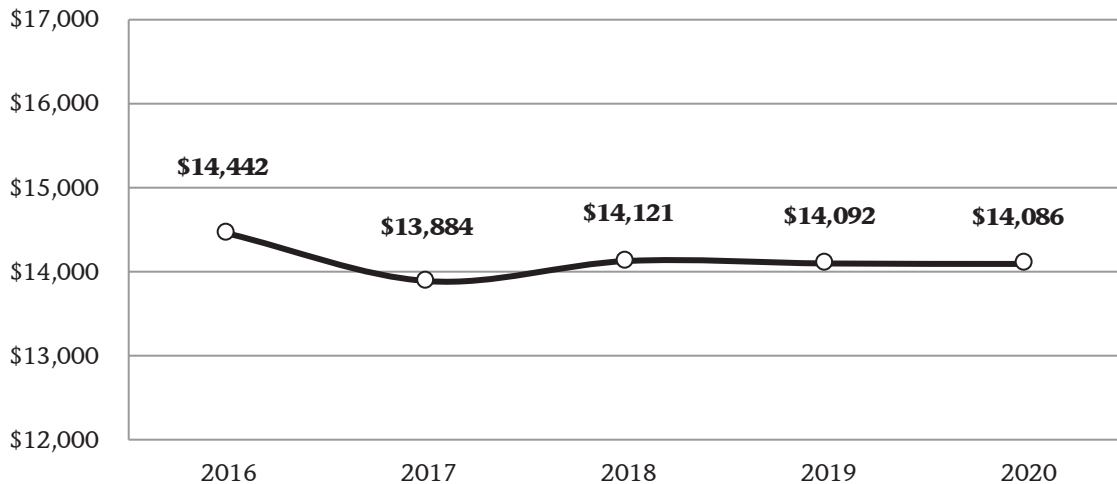
#### Unmatured Debt - 5 Year Trend



### Unmatured Debt per Capita

Unmatured debt decreased by \$6 per capita from \$14,092 in 2019 to \$14,086 in 2020. Over the past five years, unmatured debt per capita decreased by \$356 from \$14,442 in 2016 to \$14,086 in 2020 with a low of \$13,884 in 2017.

#### Unmatured Debt per Capita - 5 Year Trend





### Credit Ratings

The Province’s credit ratings were confirmed by all three major credit rating agencies during 2020 with no changes from the previous year. The Province’s credit ratings are “A (high)” with a stable outlook from Dominion Bond Rating Service (DBRS), “AA-” with a stable outlook from Standard and Poor’s (S&P), and “Aa2” with a stable outlook from Moody’s Investor Services Inc. (Moody’s). The following table summarizes the Province’s credit ratings relative to its provincial and federal peers. Note that (neg) refers to a negative outlook and (pos) refers to a positive outlook, indicating the rating agency may change the respective province’s credit rating over the next year.

#### Canadian Provincial Credit Ratings (as at July 28, 2020)

Province	Moody’s	S&P	DBRS
Nova Scotia	Aa2	AA-	A (high)
New Brunswick	Aa2	A+	A (high)
Newfoundland and Labrador	A1 (neg)	A (neg)	A (low) (neg)
Prince Edward Island	Aa2	A	A
Quebec	Aa2	AA-	AA (low)
Ontario	Aa3	A+	AA (low)
Manitoba	Aa2	A+	A (high)
Saskatchewan	Aaa	AA	AA (low)
Alberta	Aa2	A+ (neg)	AA (low) (neg)
British Columbia	Aaa	AAA (neg)	AA (high)
Canada	Aaa	AAA	AAA

### Capital Markets Issuance Initiatives

The Province borrows funds in the capital markets on an ongoing basis to refinance maturing debt, fund budgetary deficits, lend monies to Crown corporations, and acquire tangible capital assets. In broad terms, budgetary deficits act to increase the annual borrowing requirements, while surpluses serve to reduce the Province's borrowing needs. However, the relationship is not exact as there may be a number of cash flow timing differences.

The Province maintains the ability to borrow funds for future requirements should financial market conditions be favourable to do so, or may postpone borrowing in term debt markets if financial market conditions are unfavourable. The Province maintains discretionary sinking funds in the form of a pool of liquid assets to assist in the refinancing of maturing debt. Pre-borrowing for future years may add to the level of these funds, which can only be used to repay debt. The Province did not pre-borrow for future years in 2020.

In 2020, the Province borrowed \$1,500.0 million in par value of long-term debt through the General Revenue Fund as market conditions and opportunities continued to be favourable. These borrowings were completed by way of \$600.0 million in 30-year debentures in the domestic public market with a coupon rate of 3.15 per cent (the actual yield-to-maturity was 2.34 per cent as the bonds were issued above par value), \$600.0 million in 10-year debentures in the domestic public market with a coupon rate of 2.0 per cent, and \$300.0 million in Canadian Dollar Offered Rate (“CDOR”) five-year floating rate notes. The Department of Finance and Treasury Board made lower net capital advances to Crown corporations than anticipated, and Crown corporations, on a net basis, required \$15.9 million from the General Revenue Fund to make loans. The Province maintains access to a diversity of borrowing sources, both domestic and international. This access is a key factor in maintaining a broad demand for Nova Scotia debt issues and achieving lower borrowing costs.

### **Financial Risk Management**

In order to fully access global capital markets, the Province maintains the ability to borrow in currencies other than the Canadian dollar, including the US dollar global market by filing the necessary documentation with the Securities and Exchange Commission in the United States.

#### **Foreign Currency Risk**

There were no foreign currency borrowings during the 2020 fiscal year (2019 – \$nil). The Province has mitigated exposure to foreign currency debt through the use of derivatives and by the accumulation of US dollar-denominated sinking fund assets to offset outstanding US dollar issues. As at March 31, 2020, the Province's debt continued to have no net exposure to foreign currency fluctuations. This position did not change in comparison to the last year-end.

The Province's sinking funds held no assets in US dollars as at March 31, 2020 (2019 – \$nil), other than the Province's own US dollar-denominated bonds. These funds were therefore not subject to net foreign exchange fluctuations.

Canadian public sector accounting standards require that all financial amounts be presented in Canadian dollars in the financial statements. Conversion of unhedged foreign currency amounts outstanding is calculated annually at March 31. This conversion results in a foreign currency gain or loss from year-to-year as the currency exchange rates fluctuate. As described in Note 1(d) on page 82, the foreign exchange gains and losses on long-term financial items are amortized over the remaining life of the related monetary items. At year-end, total unamortized foreign exchange gains and losses were in a net gain position of \$10.1 million, which is included in Unamortized Foreign Exchange Translation Gains and Losses, Premiums and Discounts on the Province's Consolidated Statement of Financial Position on page 75 of this publication.

#### **Interest Rate Risk**

As a net debtor in financial markets, the Province is exposed to the risks posed by movements in interest rates. The Province is exposed to interest rate risk as maturing debenture issues are refinanced at current market rates. Some exposure to fluctuating short-term interest rates is maintained in the debt portfolio to lower expected debt servicing costs. The Province has policies in place that set exposure limits on interest rate risk. Control is maintained over this exposure through the active management by the Province of its gross debt and sinking fund asset portfolios.

The debt portfolio's exposure to floating interest rates decreased to 10.1 per cent for the fiscal year ended March 31, 2020, down from 15.8 per cent a year earlier. The Province is able to exercise control of this variable in the portfolio by maintaining access to both floating and fixed interest rate instruments in capital markets and through the use of derivatives. With 89.9 per cent of the total principal in fixed interest rate form (2019 – 84.2 per cent), a significant degree of stability in debt servicing costs is expected in coming years. As at March 31, 2020, the average term to maturity of the gross debt portfolio increased to 14.4 years (2019 – 13.2 years) due to the 30-year term debt issued during the fiscal year relative to the existing average term to maturity of the gross debt portfolio.

The effect of a 1.0 per cent increase or decrease in interest rates would result in an increase or decrease of \$19.8 million in debt servicing costs on floating debt instruments outstanding at the end of the fiscal year.



## Non-Financial Assets

Non-financial assets are a significant component of the Province’s financial position and are assets to be used for the provision of services in the future. Non-financial assets consist primarily of tangible capital assets but also include inventories of supplies and prepaid expenses.

Total non-financial assets increased by \$251.7 million to \$6.49 billion at the end of the fiscal year. Over the past five years, total non-financial assets increased from \$5.81 billion at the end of 2016 to \$6.49 billion at the end of 2020, largely in the form of net acquisitions of tangible capital assets.

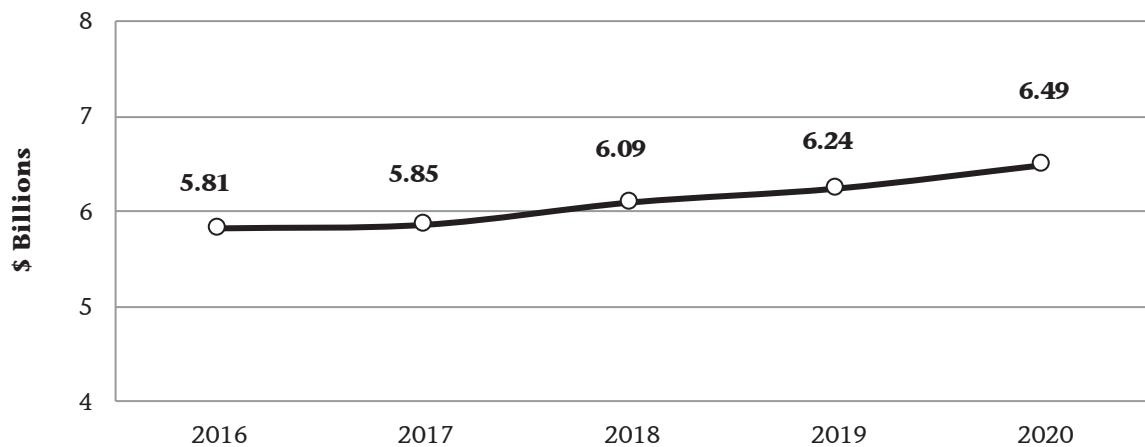
Further details on consolidated tangible capital assets can be found on the next two pages as well as in Schedule 7 of the Public Accounts on pages 117 and 118 of this publication. Additional details on tangible capital assets of the General Revenue Fund are provided on pages 50 and 51 of this publication.

### Non-Financial Assets

(\$ thousands)

	Actual 2020	% of Total	Actual 2019	% of Total	Variance Increase (Decrease)
Tangible Capital Assets	6,365,379	98.1%	6,142,658	98.5%	222,721
Inventories of Supplies	87,489	1.3%	77,994	1.2%	9,495
Prepaid Expenses	40,317	0.6%	20,818	0.3%	19,499
<b>Total Non-Financial Assets</b>	<b>6,493,185</b>	<b>100.0%</b>	<b>6,241,470</b>	<b>100.0%</b>	<b>251,715</b>

### Non-Financial Assets - 5 Year Trend





## Financial Highlights of the Consolidated Financial Statements

### Tangible Capital Assets

The net book value (acquisition cost less accumulated amortization) of tangible capital assets (TCA) makes up a substantial asset of the Province, totaling \$6.37 billion at the end of 2020, an increase of \$222.7 million from the end of the previous fiscal year. The Buildings and Land Improvements asset class includes all of the provincially owned buildings, schools, hospitals, including leased schools, correctional forensic facility, and the Halifax Convention Center.

The Province records the receipt of contributed tangible capital assets at fair market value on the date of contribution. Where an estimate of fair value cannot be made, the asset would be recognized at nominal value. There were \$46.5 thousand in contributed tangible capital assets received during the 2020 fiscal year (2019 – \$14.0 thousand).

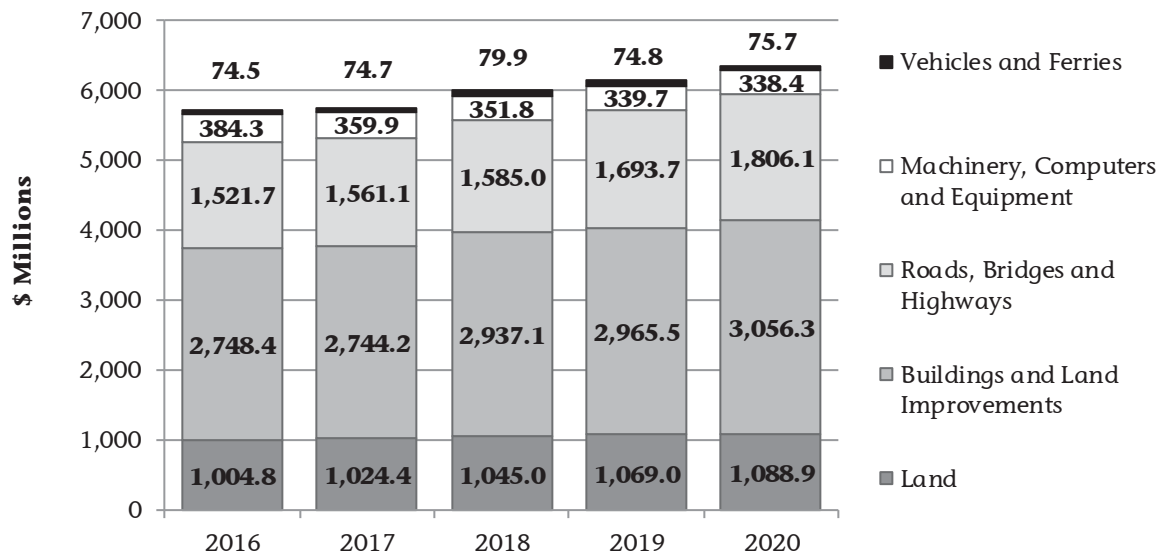
The table and chart below summarize the Province's TCA portfolio by major asset class and show the differences in each class compared to the prior year.

#### Tangible Capital Assets (Net Book Value)

(\$ thousands)

	Actual 2020	% of Total	Actual 2019	% of Total	Variance Increase (Decrease)
Land	1,088,936	17.1%	1,068,996	17.4%	19,940
Buildings and Land Improvements	3,056,282	48.0%	2,965,496	48.3%	90,786
Roads, Bridges and Highways	1,806,056	28.4%	1,693,732	27.6%	112,324
Machinery, Computers and Equipment	338,390	5.3%	339,685	5.5%	(1,295)
Vehicles and Ferries	75,715	1.2%	74,749	1.2%	966
<b>Total Tangible Capital Assets</b>	<b>6,365,379</b>	<b>100.0%</b>	<b>6,142,658</b>	<b>100.0%</b>	<b>222,721</b>

#### Tangible Capital Assets - 5 Year Trend



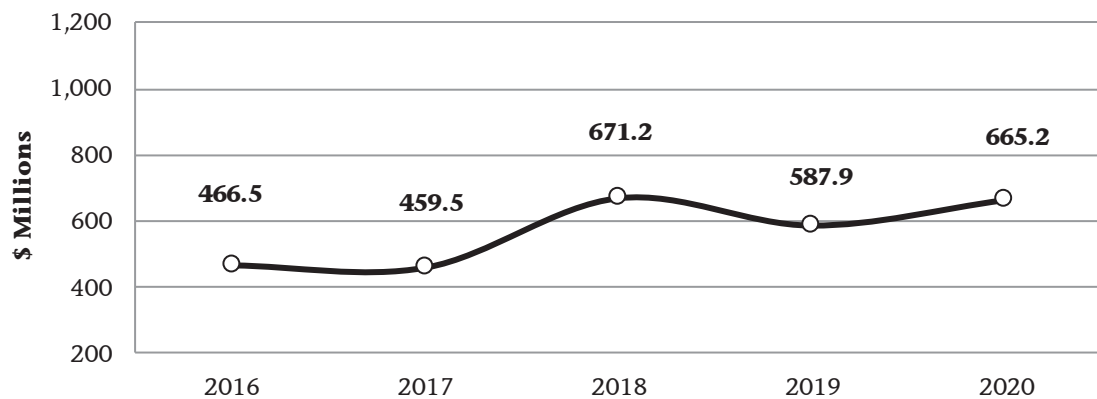


**Acquisition of Tangible Capital Assets (TCA)**

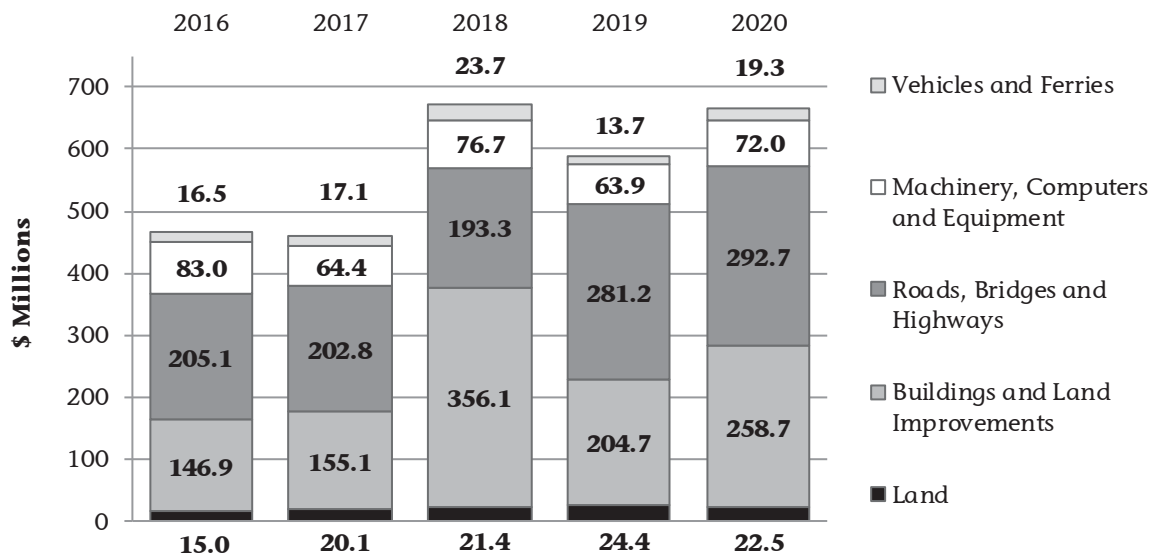
Acquisitions and transfers of TCA totaled \$665.2 million in 2020, which was \$26.1 million lower than estimate and \$77.3 million higher than the prior year mainly due to current year acquisition increases in buildings and land improvements of \$54.0 million and acquisition increases in roads, bridges and highways of \$11.5 million. Additions to buildings and land improvements totaled \$258.7 million (2019 – \$204.7 million), of which \$116.1 million related to the construction and improvement of buildings in the General Revenue Fund, \$127.8 million related to the Health Authorities, \$6.8 million related to social housing, and \$8.0 million related to net transfers and other additions made by other governmental units.

Land purchases totaled \$22.5 million (2019 – \$24.4 million) during the year, and additions to roads, bridges and highways totaled \$292.7 million (2019 – \$281.2 million). Additions to machinery, computers and equipment were \$72.0 million (2019 – \$63.9 million), of which \$26.4 million was attributable to the General Revenue Fund, \$40.8 million to the Health Authorities, and \$4.8 million to other governmental units. Over the past five years, TCA acquisitions ranged from a low of \$459.5 million in 2017 to a high of \$671.2 million in 2018.

**TCA Acquisitions at Gross Cost - 5 Year Trend**



**TCA Acquisitions by Asset Class - 5 Year Trend**

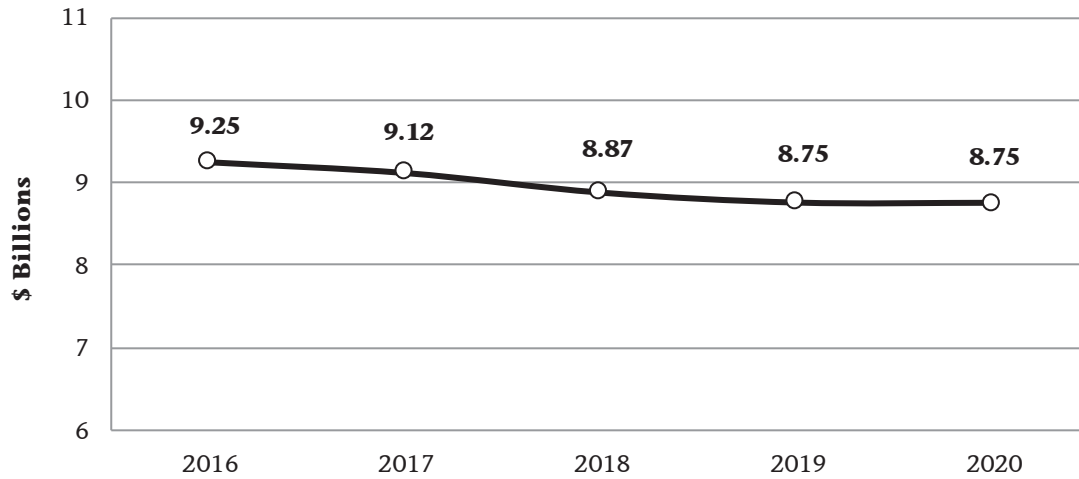


## Accumulated Deficits

Accumulated deficits represent the difference between the Province's liabilities and both financial and non-financial assets. Further, they are the sum of all surpluses and deficits incurred to date, calculated according to current accounting policies. Accumulated deficits are a secondary measure of the Province's financial position.

The accumulated deficits were \$8.75 billion at March 31, 2020, \$2.3 million lower than a year ago as a result of the provincial surplus. The Province has reported accumulated deficits in the past five years as follows:

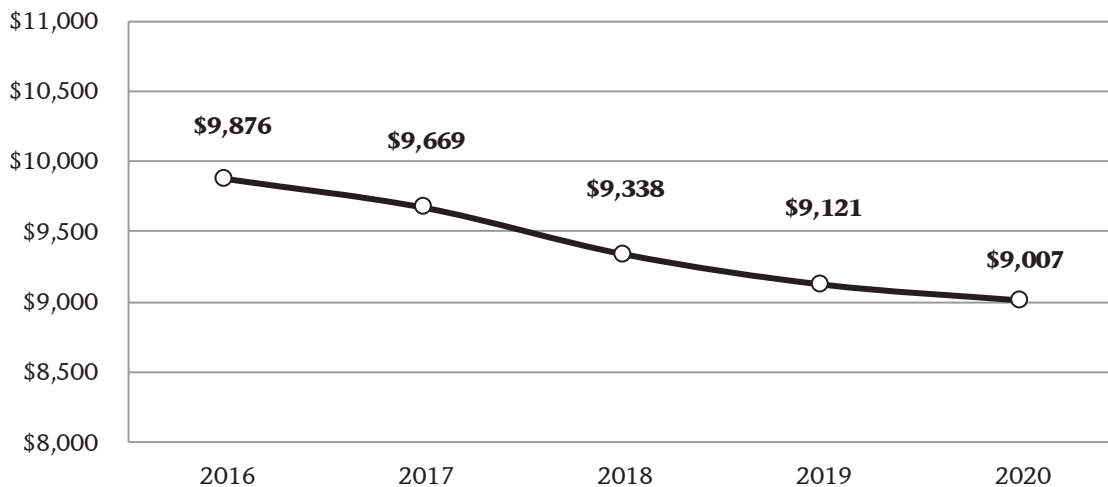
### Accumulated Deficits - 5 Year Trend



### Accumulated Deficits per Capita

Accumulated deficits decreased by \$114 on a per capita basis from \$9,121 in 2019 to \$9,007 in 2020. Since 2016, accumulated deficits per capita have decreased overall by \$869.

### Accumulated Deficits per Capita - 5 Year Trend

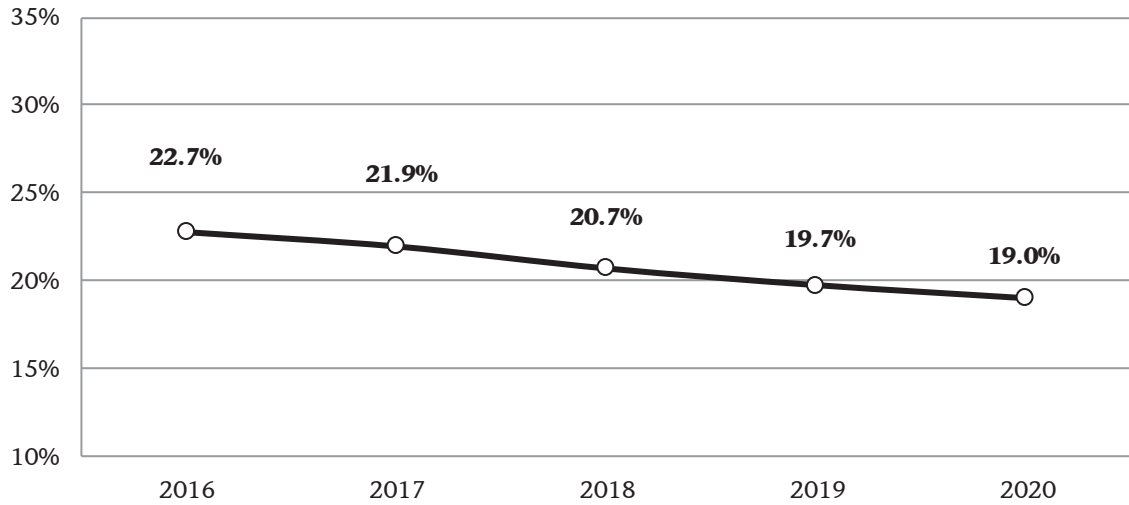




**Accumulated Deficits to Gross Domestic Product**

Accumulated deficits expressed as a percentage of nominal GDP decreased 0.7 percentage points from 19.7 per cent in 2019 to 19.0 per cent in 2020 mainly due to the modest provincial surplus and the slight growth in GDP from the prior year. Over the past five years, this ratio ranged from a high of 22.7 per cent in 2016 to a low of 19.0 per cent in 2020. The overall decrease in this ratio has been 3.7 percentage points since 2016.

**Accumulated Deficits to GDP - 5 Year Trend**



## Financial Highlights of the Consolidated Financial Statements

### Cash Flows

The Province's consolidated financial statements are reported on the accrual basis in accordance with Canadian public sector accounting standards, whereby the timing of transactions may vary from when actual cash is paid or received. The Consolidated Statement of Cash Flow (Statement 4) on page 78 of this publication summarizes the increases and decreases in the Province's cash flows in terms of the sources and uses of cash identified within the following activities: operating, investing, capital, and financing.

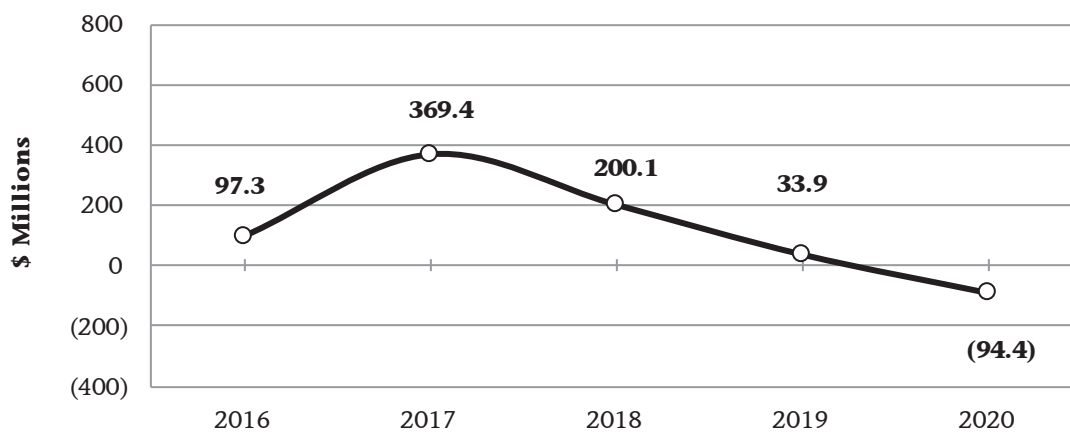
During 2020, the Province's cash position decreased by \$94.4 million. Cash outflows were used to repay debt obligations of \$2,125.3 million, purchase \$665.2 million in TCA, and finance \$416.2 million in loans and investments. Cash inflows of \$1,654.2 million were generated from the issuance of debentures, \$837.5 million from net sinking fund withdrawals, \$284.6 million from the collection of loans receivable, \$239.0 million from operating activities, and \$97.0 million from other net cash inflows.

#### Cash Flows by Activity

(\$ thousands)

	Actual 2020	Actual 2019	Variance Increase (Decrease)
Operating	238,963	469,717	(230,754)
Investing	(20,747)	(36,213)	15,466
Capital	(662,495)	(586,974)	(75,521)
Financing	349,830	187,399	162,431
<b>Net Inflows (Outflows)</b>	<b>(94,449)</b>	<b>33,929</b>	<b>(128,378)</b>

#### Net Cash Flows - 5 Year Trend



### Risk

The Province is subject to various forms of risk inherent in the nature of certain financial statement elements and financial markets. Exposure to risk from the use of accounting and other estimates in recording certain transactions is discussed in Note 1(e) of the consolidated financial statements on pages 83 and 84 of this publication. Financial risks, including foreign currency risk and interest rate risk, were discussed on page 27, as well as in Note 12 of the Public Accounts on pages 98 and 99.



## Presentation of Estimates

The annual budget, referred to as the Estimates, represents the financial plan of the Province of Nova Scotia in a format that facilitates departmental management of the revenue and expense transactions of the General Revenue Fund, as well as the debate and appropriations process thereon in the House of Assembly.

In order to present comparative Estimates on the Consolidated Statement of Operations and Accumulated Deficits, as well as in the preceding pages of variance analyses, the original Estimates have been adjusted on a line-by-line basis for consolidation purposes. The table on the subsequent page illustrates how the consolidation and accounting adjustments from the original Estimates are reallocated to gross up the related revenue and expense lines for presentation on the Consolidated Statement of Operations and Accumulated Deficits.

When consolidating the governmental units into these financial statements, the Province adjusts those entities' accounting policies to conform with its own so the amounts can be combined on a consistent basis. Also, significant inter-entity transactions are eliminated. For example, grant expenses recorded in departmental expenses are eliminated with the corresponding grant revenue in the related governmental unit. This transfer between the two related entities does not increase or decrease the net financial position of the Province on a consolidated basis. After eliminations, the remaining revenues and expenses represent transactions with external parties not controlled by the Province. Only transactions with these outside parties represent the increase and decrease in the Province's financial position.

A listing of the Province's governmental units can be found in Schedule 10 of the Public Accounts on pages 123 and 124 of this publication.

## Financial Highlights of the Consolidated Financial Statements

### Reconciliation of Estimates

#### Adjusted Estimates of the Consolidated Financial Statements

For the fiscal year ended March 31, 2020

(\$ thousands)

	Estimate 2020	Adjustments	Adjusted Estimate 2020
<b>Revenue</b>			
<b>Provincial Sources</b>			
Tax Revenue	5,971,808	—	5,971,808
Other Provincial Revenue	706,175	752,721	1,458,896
Net Income from Government Business Enterprises	389,224	—	389,224
Investment Income	190,263	15,489	205,752
	7,257,470	768,210	8,025,680
<b>Federal Sources</b>	3,752,999	111,324	3,864,323
<b>Total Revenue</b>	11,010,469	879,534	11,890,003
<b>Expenses</b>			
Departmental Expenses			
Agriculture	46,427	3,984	50,411
Business	152,014	6,287	158,301
Communities, Culture and Heritage	93,641	3,201	96,842
Community Services *	1,018,081	(70,177)	947,904
Education and Early Childhood Development	1,429,342	352,937	1,782,279
Energy and Mines	49,036	(376)	48,660
Environment	38,524	57,450	95,974
Finance and Treasury Board	23,683	—	23,683
Fisheries and Aquaculture	21,536	285	21,821
Health and Wellness	4,638,526	87,788	4,726,314
Justice	361,438	609	362,047
Labour and Advanced Education	396,209	57,027	453,236
Assistance to Universities	427,782	—	427,782
Lands and Forestry	76,750	3,773	80,523
Municipal Affairs and Housing *	213,222	191,314	404,536
Public Service *	220,275	(85,884)	134,391
Seniors	2,721	—	2,721
Service Nova Scotia and Internal Services *	193,834	89,467	283,301
Transportation and Infrastructure Renewal	497,280	6,984	504,264
Restructuring Costs	201,463	—	201,463
	10,101,784	704,669	10,806,453
Refundable Tax Credits	134,324	—	134,324
Pension Valuation Adjustment	51,837	—	51,837
Debt Servicing Costs	856,107	7,659	863,766
<b>Total Expenses</b>	11,144,052	712,328	11,856,380
	(133,583)	167,206	33,623
<b>Consolidation and Accounting Adjustments</b>			
General Revenue Fund Consolidation Adjustments	168,457	(168,457)	—
Special Purpose Funds	72	(72)	—
Other Organizations	(1,323)	1,323	—
<b>Total Adjustments</b>	167,206	(167,206)	—
<b>Provincial Surplus</b>	33,623	—	33,623

\* See page 44 for explanation of departmental restructurings





## Selected Highlights of the General Revenue Fund

### Selected Highlights of the General Revenue Fund

(\$ thousands)

	Estimate 2020	Actual 2020	Actual 2019
<b>General Revenue Fund *</b>			<i>(as restated)</i>
<b>Revenues</b>			
Ordinary Revenue	9,962,736	10,263,423	9,819,408
Ordinary Recoveries	658,509	728,328	681,768
Net Income from Government Business Enterprises	389,224	388,621	389,222
	11,010,469	11,380,372	10,890,398
<b>Expenses</b>			
Departmental Expenses	10,101,784	10,553,281	9,822,368
Refundable Tax Credits	134,324	64,391	124,529
Pension Valuation Adjustment	51,837	50,246	54,143
Debt Servicing Costs	856,107	818,160	855,595
	11,144,052	11,486,078	10,856,635
	(133,583)	(105,706)	33,763
<b>Consolidation and Accounting Adjustments</b>			
General Revenue Fund			
Consolidation Adjustments	168,457	107,171	77,140
Special Purpose Funds	72	2,238	663
Other Organizations	(1,323)	(1,416)	11,309
	167,206	107,993	89,112
<b>Provincial Surplus</b>	33,623	2,287	122,875

- \* The General Revenue Fund (GRF) is comprised of the Province's departments, public service units, special operating agencies, as well as the net income from government business enterprises. The GRF excludes the governmental units and special purpose funds owned or controlled by the Province, as well as the Province's share of government partnership arrangements.



## General Revenue Fund – Revenue

In total, revenue of the General Revenue Fund for the fiscal year ending March 31, 2020 was \$369.9 million or 3.4 per cent higher than estimate and \$490.0 million or 4.5 per cent higher than the prior year. The table below shows the current year estimate, current and prior year actual revenue, and current year variances compared to estimate and prior year. The analysis that follows this table includes explanations, by source, for the more significant variances.

Revenue (\$ thousands)	Estimate 2020	Actual 2020	Actual 2019	Actual vs Estimate Increase (Decrease)	Actual vs Actual Increase (Decrease)
<b>Provincial Sources</b>					
Tax Revenue					
Personal Income Tax	2,811,289	2,890,224	2,691,576	78,935	198,648
Corporate Income Tax	604,741	537,865	630,864	(66,876)	(92,999)
Harmonized Sales Tax	1,895,909	1,936,772	1,843,297	40,863	93,475
Tobacco Tax	205,432	183,035	205,766	(22,397)	(22,731)
Motive Fuel Tax	276,942	266,539	263,433	(10,403)	3,106
Cannabis Tax	7,814	7,341	3,371	(473)	3,970
Other Tax Revenue	169,681	200,621	180,308	30,940	20,313
Other Provincial Revenue					
Registry of Motor Vehicles	136,076	135,023	134,158	(1,053)	865
Petroleum Royalties	—	—	6,889	—	(6,889)
Offshore License Forfeitures	—	1,000	61,388	1,000	(60,388)
Other Provincial Sources	142,860	148,070	152,560	5,210	(4,490)
TCA Cost Shared Revenue	2,439	17,392	2,509	14,953	14,883
Prior Years' Adjustments	—	148,611	974	148,611	147,637
Other Fees and Charges	63,170	65,641	63,189	2,471	2,452
Ordinary Recoveries	361,630	386,466	395,319	24,836	(8,853)
Net Gain on Disposal of Crown Assets	—	754	261	754	493
Net Income from Government					
Business Enterprises	389,224	388,621	389,222	(603)	(601)
Investment Income					
Interest Revenue	94,343	106,208	107,655	11,865	(1,447)
Sinking Fund Earnings	95,920	93,670	106,519	(2,250)	(12,849)
<b>Total Provincial Sources</b>	<b>7,257,470</b>	<b>7,513,853</b>	<b>7,239,258</b>	<b>256,383</b>	<b>274,595</b>
<b>Federal Sources</b>					
Equalization Payments	1,942,628	2,009,037	1,843,636	66,409	165,401
Canada Health Transfer	1,039,410	1,043,370	998,752	3,960	44,618
Canada Social Transfer	375,514	376,945	366,558	1,431	10,387
Ordinary Recoveries	296,879	341,862	286,449	44,983	55,413
Offshore Accord	8,227	8,227	18,092	—	(9,865)
TCA Cost Shared Revenue	49,081	35,112	39,666	(13,969)	(4,554)
Crown Share	—	4,340	4,208	4,340	132
Other Federal Sources	41,260	48,128	92,446	6,868	(44,318)
Prior Years' Adjustments	—	(502)	1,333	(502)	(1,835)
<b>Total Federal Sources</b>	<b>3,752,999</b>	<b>3,866,519</b>	<b>3,651,140</b>	<b>113,520</b>	<b>215,379</b>
<b>Total Revenue</b>	<b>11,010,469</b>	<b>11,380,372</b>	<b>10,890,398</b>	<b>369,903</b>	<b>489,974</b>

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## General Revenue Fund – Revenue Variance Analysis

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### Personal Income Tax

Personal Income Tax (PIT) revenue was \$78.9 million or 2.8 per cent higher than estimate due primarily to higher than expected growth in incomes and projected yield rates. Nova Scotia's taxable income increased by \$582.0 million or 1.8 per cent in 2019 but declined marginally by \$6.8 million or 0.02 per cent in 2020. The yield rate increased by 0.14 percentage points or 1.6 per cent in 2019 and declined 0.02 percentage points or 0.2 per cent in 2020.

PIT revenue was \$198.6 million or 7.4 per cent higher than the prior year.

### Corporate Income Tax

Corporate Income Tax (CIT) revenue was \$66.9 million or 11.1 per cent lower than estimate. The Province's share of national taxable income decreased by 5.3 per cent in both 2019 and 2020 based on updates to the share's three-year average. Provincial taxable income declined by 2.4 per cent in 2019 and 33.2 per cent in 2020 mainly due to negative impacts of COVID-19 on the national corporate taxable income. The small business share of taxable income was higher than anticipated, up 1.8 per cent in 2019 and 2020, which reduced the portion of taxable income subject to the general tax rate by 1.0 per cent.

CIT revenue was \$93.0 million or 14.7 per cent lower than the prior year.

### Harmonized Sales Tax

Harmonized Sales Tax (HST) revenue was \$40.9 million or 2.2 per cent higher than estimate primarily due to increased taxable expenditures, partially offset by higher than estimated rebates. The HST tax base increased by 3.8 per cent in 2019 primarily due to higher levels of public sector body spending and residential housing investment expenditures. HST revenue for 2020 was based on a quarterly estimate of economic activity for consumer expenditures and residential construction. The increase in the base slowed to 0.1 per cent in 2020 mainly due to the impacts of COVID-19.

HST revenue was \$93.5 million or 5.1 per cent higher than the prior year.

### Tobacco Tax

Tobacco Tax revenue was \$22.4 million or 10.9 per cent lower than estimate primarily due to a decline of 10.9 per cent in the consumption of cigarettes, which was partially due to an increase of 2.9 per cent in the prices of tobacco products.

Tobacco Tax revenue was \$22.7 million or 11.0 per cent lower than the prior year.

### Motive Fuel Tax

Motive Fuel Tax revenue was \$10.4 million or 3.8 per cent lower than estimate. Consumption of gasoline was 5.4 per cent lower, while diesel oil consumption was relatively unchanged. For the fiscal year, the average prices for gasoline and diesel oil increased by 7.3 per cent and 11.3 per cent from estimate, respectively.

Motive Fuel Tax revenue was \$3.1 million or 1.2 per cent higher than the prior year.



**Cannabis Tax**

Cannabis Tax revenue was \$0.5 million or 6.1 per cent lower than estimate due to lower than projected sales of cannabis products.

Cannabis Tax revenue was \$4.0 million or 117.8 per cent higher than the prior year.

**Petroleum Royalties**

No revenue from petroleum royalties was estimated or earned in 2020. Production has ceased for both the Sable Offshore Energy Project (SOEP) and Deep Panuke.

Revenue from petroleum royalties was \$6.9 million or 100.0 per cent lower than the prior year.

**Prior Years’ Adjustments — Provincial Sources**

Prior Years’ Adjustments (PYAs) from provincial sources were \$148.6 million reflecting updates to the Province’s economic forecast and administrative information from the federal government used to forecast tax yields of PIT and CIT, revisions to HST forecasts for open years, and revenue forecast updates to offshore petroleum royalties and other tax revenue.

Since specific revenues are calculated using model-based estimates, PYAs are not budgeted. As actual or more current information becomes available for prior years, PYAs are recorded in the current year. PYAs from provincial sources were attributable to \$107.9 million for HST, \$87.7 million for PIT, \$7.8 million for offshore petroleum royalties, and \$7.5 million for Preferred Share Dividend, which were slightly offset by PYAs of -\$62.2 million for CIT and -\$0.1 million for Large Corporations Tax.

The PYAs in 2020 reflect the normal function of adjusting prior year revenues once actual administrative data is received for open taxation years. The primary factor contributing to the PYA for royalties was a revised forecast based on recent audits of the interest holders’ financial statements of past years.

The current year revenues and corresponding PYAs are reported on Schedule 1 of the Public Accounts on page 102 as follows:

(\$ thousands)	2020			2019		
	Current	PYA	Total	Current	PYA	Total
Personal Income Tax	2,890,224	87,672	2,977,896	2,691,576	(141,639)	2,549,937
Corporate Income Tax	537,865	(62,240)	475,625	630,864	68,993	699,857
Harmonized Sales Tax	1,936,772	107,940	2,044,712	1,843,297	(3,151)	1,840,146
Petroleum Royalties	—	7,813	7,813	6,889	68,983	75,872
Preferred Share Dividend *	—	7,475	7,475	—	7,826	7,826
Large Corporations Tax *	—	(49)	(49)	—	(38)	(38)
		<u>148,611</u>			<u>974</u>	

\* Included in Other Tax Revenue on Schedule 1 of the Consolidated Financial Statements

### **Offshore License Forfeitures**

Revenue from offshore license forfeitures was \$1.0 million. Forfeiture is not unusual given the unpredictable nature of the offshore industry. The Province records forfeiture revenue when a notice of forfeiture is given. Offshore license forfeitures are not budgeted because the amount and timing cannot be reasonably predicted.

Revenue from offshore license forfeitures was \$60.4 million or 98.4 per cent lower than the prior year.

### **TCA Cost Shared Revenue – Provincial Sources**

TCA Cost Shared Revenue from provincial sources was \$15.0 million or 613.1 per cent higher than estimate primarily due to a \$13.8 million contribution of certain real property from Housing Nova Scotia as a result of the restructuring between the Department of Community Services and the Department of Municipal Affairs and Housing. This contribution does not have an impact upon consolidation.

TCA Cost Shared Revenue from provincial sources was \$14.9 million or 593.2 per cent higher than the prior year primarily due to the \$13.8 million contribution of real property from Housing Nova Scotia.

### **Ordinary Recoveries – Provincial Sources**

Ordinary Recoveries from provincial sources were \$24.8 million or 6.9 per cent higher than estimate primarily due to \$12.3 million in prior year adjustments, \$6.0 million in the Department of Health and Wellness mainly for increased automobile levies charged to insurance companies and increased recoveries from other provinces for non-residents receiving health care services in Nova Scotia, \$3.8 million in the Department of Education and Early Childhood Development for unspent reserve funds at the end of the lease of Horton High School and NSTU health and dental premiums, and \$3.6 million in the Department of Service Nova Scotia and Internal Services mainly for health-related equipment. These increases were partially offset by net decreases in other various department items.

Ordinary Recoveries from provincial sources were \$8.9 million or 2.2 per cent lower than the prior year.

### **Interest Revenue**

Interest Revenue was \$11.9 million or 12.6 per cent higher than estimate primarily due to increases of \$8.4 million in short-term interest as a result of larger cash balances held by the General Revenue Fund during the fiscal year, \$3.2 million in revenue earned by the housing loan program, and \$1.2 million in net increases of the other loan portfolios.

Interest Revenue was \$1.4 million or 1.3 per cent lower than the prior year.

### **Sinking Fund Earnings**

Sinking Fund Earnings were \$2.3 million or 2.3 per cent lower than estimate.

Sinking Fund Earnings were \$12.8 million or 12.1 per cent lower than the prior year primarily due to a decrease in the level of investment holdings. Total sinking fund investments decreased by \$743.9 million as debentures with mandatory sinking funds matured during the year.



**Equalization Payments**

Equalization payments were \$66.4 million or 3.4 per cent higher than estimate. Equalization is based upon the Province’s election to receive payments calculated according to the Expert Panel approach, which is a one-estimate, one-payment approach. The Province receives a cumulative best-of guarantee (CBOG) payment pursuant to the clarification reached with the federal government in October 2007. The CBOG payment was a negative \$6.2 million and is accounted for as an Equalization payment. The claw back was \$66.4 million or 91.5 per cent lower than estimate based upon the federal government’s final estimate.

Equalization payments were \$165.4 million or 9.0 per cent higher than the prior year.

**Canada Health Transfer**

Canada Health Transfer (CHT) revenue was \$4.0 million or 0.4 per cent higher than estimate. This was based on revised federal estimates of the Province’s share of national population released by the federal government in the fall of 2019.

CHT revenue was \$44.6 million or 4.5 per cent higher than the prior year.

**Canada Social Transfer**

Canada Social Transfer (CST) revenue was \$1.4 million or 0.4 per cent higher than estimate. This was based on revised federal estimates of the Province’s share of national population released by the federal government in the fall of 2019.

CST revenue was \$10.4 million or 2.8 per cent higher than the prior year.

**Prior Years’ Adjustments — Federal Sources**

Prior Years’ Adjustments (PYAs) from federal sources were -\$0.5 million reflecting revisions to federal population estimates of open years for the CHT and CST payments.

PYAs are not budgeted. As actual or more current information becomes available for prior years, PYAs are recorded in the current year. The federal PYA revenues included -\$0.4 million for CHT due to revised estimates for 2019 and -\$0.1 million for CST due to revisions for 2019. The related current year federal revenues and PYAs are reported on Schedule 1 of the Public Accounts on page 102 as follows:

(\$ thousands)	2020			2019		
	Current	PYA	Total	Current	PYA	Total
Canada Health Transfer	1,043,370	(367)	1,043,003	998,752	973	999,725
Canada Social Transfer	376,945	(135)	376,810	366,558	360	366,918
		(502)			1,333	

### **Ordinary Recoveries — Federal Sources**

Ordinary Recoveries from federal sources were \$45.0 million or 15.2 per cent higher than estimate. This primarily relates to the Department of Municipal Affairs and Housing's increase in recoveries of \$45.4 million mainly due to \$57.4 million for Federal Gas Tax Fund payments to municipalities, largely a result of an additional one-time payment. This increase was partially offset by decreases of \$6.5 million in the Investing in Canada Infrastructure Program and \$5.2 million in the New Build Canada Fund Small Community Fund due to project delays.

Ordinary Recoveries from federal sources were \$55.4 million or 19.3 per cent higher than the prior year primarily due to higher recoveries of \$55.0 million in the Department of Municipal Affairs and Housing for Federal Gas Tax Fund payments to municipalities, largely a result of an additional one-time payment, and \$10.3 million in the Department of Energy and Mines for increases in the Low Carbon Economy Fund and Investing in Canada Infrastructure Program. These increases were partially offset by a \$5.6 million decrease in the Department of Municipal Affairs and Housing for the New Build Canada Small Community Fund due to project delays and \$4.3 million in net decreases in other various department items.

### **Offshore Accord**

Offshore Accord Payments are also based upon a one-estimate, one-payment approach, and as a result, the final payment is equal to the estimate.

Offshore Accord Payments were \$9.9 million or 54.5 per cent lower than the prior year.

### **TCA Cost Shared Revenue — Federal Sources**

TCA Cost Shared Revenue from federal sources was \$14.0 million or 28.5 per cent lower than estimate mainly due to delays in various highway projects and a ferry replacement.

TCA Cost Shared Revenue from federal sources was \$4.6 million or 11.5 per cent lower than the prior year.

### **Crown Share**

Crown Share Adjustment Payments were \$4.3 million higher than estimate due to prior year adjustments to gross revenues as a result of the transportation costs arbitration settlement. No Crown Share Adjustment Payments were estimated in 2020.

Crown Share Adjustment Payments were \$0.1 million or 3.1 per cent higher than the prior year.

### **Other Federal Sources**

Revenue from other federal sources was \$6.9 million or 16.6 per cent higher than estimate primarily due to the Province's share of federal COVID-19 funding that was not budgeted, partially offset by lower than expected Targeted Health Funding.

Revenue from other federal sources was \$44.3 million or 47.9 per cent lower than the prior year primarily due to the one-time payment of \$77.1 million recorded last year for joining the national securities regulator. This was partially offset by increases in Targeted Health Funding as well as the Province's share of federal COVID-19 funding.



## General Revenue Fund – Departmental Expenses

Overall, departmental expenses of the General Revenue Fund for the fiscal year ended March 31, 2020 were \$451.5 million or 4.5 per cent higher than estimate and \$730.9 million or 7.4 per cent higher than the prior year. The table below shows the current year estimate, current and prior year actual expenses, and current year variances compared to estimate and prior year. The analysis that follows this table includes explanations, by department, for the more significant variances.

### Departmental Expenses

(\$ thousands)

	Estimate 2020	Actual 2020	Actual 2019	Actual vs Estimate Increase (Decrease)	Actual vs Actual Increase (Decrease)
Agriculture	46,427	52,224	59,216	5,797	(6,992)
Business	152,014	204,375	149,364	52,361	55,011
Communities, Culture and Heritage	93,641	103,793	91,800	10,152	11,993
Community Services	947,904	999,085	936,840	51,181	62,245
Education and Early Childhood					
Development	1,429,342	1,440,647	1,407,070	11,305	33,577
Energy and Mines	49,036	34,222	46,556	(14,814)	(12,334)
Environment	38,524	41,019	38,013	2,495	3,006
Finance and Treasury Board	23,683	122,093	22,967	98,410	99,126
Fisheries and Aquaculture	21,536	21,508	20,862	(28)	646
Health and Wellness	4,638,526	4,682,593	4,413,913	44,067	268,680
Justice	361,438	366,064	355,289	4,626	10,775
Labour and Advanced Education	396,209	401,842	368,641	5,633	33,201
Assistance to Universities	427,782	448,042	430,206	20,260	17,836
Lands and Forestry	76,750	79,661	125,425	2,911	(45,764)
Municipal Affairs and Housing	283,399	356,960	267,444	73,561	89,516
Public Service	131,162	130,729	126,052	(433)	4,677
Seniors	2,721	2,741	2,591	20	150
Service Nova Scotia and Internal Services	282,947	299,295	285,724	16,348	13,571
Transportation and Infrastructure Renewal	497,280	595,726	551,864	98,446	43,862
Restructuring Costs	201,463	170,662	122,531	(30,801)	48,131
<b>Total Departmental Expenses</b>	<b>10,101,784</b>	<b>10,553,281</b>	<b>9,822,368</b>	<b>451,497</b>	<b>730,913</b>

On May 30, 2019 under Orders in Council #2019-149 and #2019-150, the former Office of Service Nova Scotia and Department of Internal Services were merged to form the Department of Service Nova Scotia and Internal Services, and all affairs and matters relating to housing were transferred from the Department of Community Services to the Department of Municipal Affairs, which was renamed the Department of Municipal Affairs and Housing. The budgets and prior year actuals have been reclassified to incorporate these departmental changes for comparative purposes.

Request for final additional appropriations for year-end adjustments must be submitted to the Governor in Council no later than 15 days after the date of the tabling of these Public Accounts. These amounts are summarized by appropriation on pages 52 and 53.

The table above provides the expenses by department prior to consolidation for comparison to the budget and prior fiscal year, on the same basis as the Estimates, as approved by the Legislature in the annual Appropriations Act.



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## **Departmental Expenses Compared To Estimate**

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### **Agriculture**

Department of Agriculture expenses were \$5.8 million or 12.5 per cent higher than estimate primarily due to an increase of \$6.6 million in the Farm Loan Board and Fish Loan Board bad debt expenses, which relates mostly to a continued downturn in the mink industry.

### **Business**

Department of Business expenses were \$52.4 million or 34.4 per cent higher than estimate primarily due to a \$50.0 million contribution to the Forestry Innovation Transition Trust, \$10.0 million contribution for additional air route access at the Halifax International Airport Authority (HIAA), and \$3.9 million for Develop Nova Scotia to support their new mandate and changes in grant amounts for capital projects due to new construction timelines.

These increases were partially offset by decreases of \$7.9 million for Nova Scotia Business Inc.'s payroll rebates and operating grant, \$2.4 million in temporary salary and operational savings throughout the department, \$2.2 million for the Capital Investment Incentive, and \$1.2 million for the Nova Scotia Jobs Fund.

### **Communities, Culture and Heritage**

Department of Communities, Culture and Heritage expenses were \$10.2 million or 10.8 per cent higher than estimate primarily due to funding of \$7.8 million for various community infrastructure projects and \$1.5 million in support of community transportation for Cape Breton Regional Municipality (CBRM).

### **Community Services**

Department of Community Services expenses were \$51.2 million or 5.4 per cent higher than estimate primarily due to increases of \$21.8 million in the Child, Youth and Family Support Program for additional placements of children with complex needs, \$15.6 million in Disability Support Programming due to growth in programs supporting clients in their homes, additional customized and complex placements, funding to service providers to enable long service award payouts, and one-time capital contributions to several Adult Service Centres, \$8.0 million in Service Delivery due to increased demand for supports for children in care, and \$5.0 million in Employment Support and Income Assistance due to increased caseloads and one-time emergency payments related to COVID-19.

### **Education and Early Childhood Development**

Department of Education and Early Childhood Development expenses were \$11.3 million or 0.8 per cent higher than estimate primarily due to \$5.5 million related to operational support grants provided to the childcare sector during COVID-19, \$2.3 million to the Regional Centres for Education (RCEs) and Conseil scolaire acadien provincial (CSAP) due to increased enrolment, \$2.0 million in amortization, \$1.8 million in property and building costs, and \$1.6 million related to contractual operating increases for P3 schools.

These increases were partially offset by reductions of \$1.0 million in pre-primary funding primarily due to lower than expected utilization and \$1.0 million in the Early Years subsidy.



### **Energy and Mines**

Department of Energy and Mines expenses were \$14.8 million or 30.2 per cent lower than estimate primarily due to \$10.5 million underspent in the Investing in Canada Infrastructure Program and \$3.7 million underspent in the Low Carbon Economy Fund, with corresponding partial decreases in recoveries for both programs.

### **Finance and Treasury Board**

Department of Finance and Treasury Board expenses were \$98.4 million or 415.5 per cent higher than estimate primarily due to a \$100.0 million grant for COVID-19 relief funding administered by Dalhousie University.

### **Health and Wellness**

Department of Health and Wellness expenses were \$44.1 million or 1.0 per cent higher than estimate primarily due to \$46.4 million in additional funding to the Health Authorities, \$33.4 million in Physician Services for the new Physician Master Agreement, \$19.3 million in Long-Term Care for one-time infrastructure grants, \$16.0 million in Pharmaceutical Services for increases in Seniors and Family Pharmacare and Special Drug Programs, \$9.3 million in Insured Services for new cancer treatments, \$9.3 million for COVID-19 response efforts, and \$2.2 million in various other programs.

These increases were partially offset by savings of \$71.3 million due to cash flow changes for major capital projects, \$10.8 million in utilization savings for Canadian Blood Services, and \$9.7 million underspends in Home Care Services.

### **Assistance to Universities**

Assistance to Universities expenses were \$20.3 million or 4.7 per cent higher than estimate primarily due to \$20.0 million in funding provided for deferred maintenance initiatives.

### **Municipal Affairs and Housing**

Department of Municipal Affairs and Housing expenses were \$73.6 million or 26.0 per cent higher than estimate primarily due to \$57.7 million in one-time payments to municipalities fully recoverable from the Federal Gas Tax Fund, \$22.9 million in Housing Nova Scotia grants, and \$6.3 million for the National Disaster Mitigation Program.

These increases were partially offset by \$8.9 million in delays to certain Investing in Canada Infrastructure Green and Rural projects and \$4.1 million in delays to New Build Canada Small Community Fund projects.

### **Public Service**

In total, Public Service expenses were \$0.4 million or 0.3 per cent lower than estimate. The significant variances totaling \$2.9 million higher than estimate, offset by other savings, were as follows:

#### *Elections Nova Scotia*

Elections Nova Scotia expenses were \$1.2 million or 34.1 per cent higher than estimate primarily due to \$1.0 million for by-elections in 6 districts and \$0.3 million in office relocation costs.

## **Public Service (con't)**

### *Government Contributions to Benefit Plans*

Government Contributions to Benefit Plans expenses were \$1.4 million or 17.8 per cent higher than estimate primarily due to employees using less vacation allotments during the fiscal year.

### *Legislative Services*

Legislative Services expenses were \$1.5 million or 6.3 per cent lower than estimate primarily due to vacancy savings and lower than anticipated operating costs.

### *Public Prosecution Service*

Public Prosecution Service expenses were \$1.8 million or 7.5 per cent higher than estimate due to higher than anticipated expenditures for various operating and salary costs.

## **Service Nova Scotia and Internal Services**

Department of Service Nova Scotia and Internal Services expenses were \$16.3 million or 5.8 per cent higher than estimate primarily due to increases of \$6.8 million for the Modernization and Sustainment of SAP project for the health sector, \$4.0 million for software licensing, \$3.5 million in recoverable expenses for health-related equipment, and \$2.2 million in insurance claims.

## **Transportation and Infrastructure Renewal**

Department of Transportation and Infrastructure Renewal expenses were \$98.4 million or 19.8 per cent higher than estimate primarily due to \$39.7 million in additional accruals for the Boat Harbour remediation project, \$10.8 million for the provincial contribution towards the Windsor Street Exchange project, \$10.0 million to CBRM for wastewater and Glace Bay infrastructure projects, \$10.0 million to Northern Pulp to assist with site cleanup, \$9.1 million for increased snow removal costs, \$8.2 million for the Nova Scotia to Maine Ferry including one-time costs of \$5.8 million for relocation to Bar Harbour, \$4.1 million for the Highway 104 project including Early Works and Design and Bid fees, \$2.9 million for increased highway maintenance costs due to Hurricane Dorian, \$2.0 million for provincial ferry maintenance, and \$1.8 million for removal costs related to the crane that fell in Halifax during Hurricane Dorian.

## **Restructuring Costs**

Restructuring expenses were \$30.8 million or 15.3 per cent lower than estimate primarily due to lower than anticipated requirements for corporate initiatives.



## Departmental Expenses Compared To Prior Year

### Business

Department of Business expenses were \$55.0 million or 36.8 per cent higher than the prior year primarily due to a \$50.0 million contribution to the Forestry Innovation Transition Trust, \$10.0 million for additional air route access at HIAA, \$4.6 million to Nova Scotia Business Inc. for the Innovation Rebate Program and new initiatives, and \$4.0 million to Invest Nova Scotia for approved projects.

These increases were partially offset by decreases of \$4.9 million to the Nova Scotia Jobs Fund, \$4.4 million for Develop Nova Scotia due to changes in capital project spending, \$2.9 million from the wind-down of Trade Centre Limited that was completed in 2019, and \$2.4 million for Nova Scotia Business Inc.'s payroll rebates and contributions to the Film and TV Production Incentive Fund.

### Community Services

Department of Community Services expenses were \$62.2 million or 6.6 per cent higher than the prior year. Disability Support Programming was \$32.2 million higher primarily due to a \$17.5 million increase for utilization, new small option homes, and service provider wage increases, \$8.4 million in funding to service providers to enable long service award payouts, and \$6.1 million for one-time capital contributions to several Adult Service Centres. The Child, Youth and Family Support Program was \$15.1 million higher than prior year primarily due to a higher than anticipated number of children with complex needs and related costs. The Employment Support and Income Assistance program was \$8.3 million higher than prior year primarily due to implementation of the Standard Household Rate and increased Pharmacare costs, partially offset by the transfer of the Seniors Property Tax rebate program to Service Nova Scotia and Internal Services. Service Delivery was \$5.7 million higher than prior year primarily due to increased demand for supports for children in care.

### Education and Early Childhood Development

Department of Education and Early Childhood Development expenses were \$33.6 million or 2.4 per cent higher than the prior year primarily due to \$15.0 million for the Commission on Inclusive Education, \$12.0 million in net operational funding to the RCEs and CSAP, \$10.0 million for additional pre-primary classrooms, \$5.5 million related to operational support grants provided to the childcare sector during COVID-19, and \$2.0 million for NSTU medical and dental premiums.

These increases were partially offset by reductions of \$4.7 million in various Action Plan initiatives, \$4.5 million in teacher salary accruals, and \$3.3 million in the Early Learning and Child Care bi-lateral funding agreement due to certain expenditure deferrals.

### Energy and Mines

Department of Energy and Mines expenses were \$12.3 million or 26.5 per cent lower than the prior year primarily due to \$14.2 million in added 2019 spending for the Home Warming and Affordable Renters programs, partially offset by \$1.5 million in 2020 for partial recoverable spending related to the Investing in Canada Infrastructure Program.

### Finance and Treasury Board

Department of Finance and Treasury Board expenses were \$99.1 million or 431.6 per cent higher than the prior year primarily due to a \$100.0 million grant for COVID-19 relief funding administered by Dalhousie University.

### **Health and Wellness**

Department of Health and Wellness expenses were \$268.7 million or 6.1 per cent higher than the prior year primarily due to \$116.7 million in additional funding to the Health Authorities for various health care services, \$47.8 million for various capital projects, \$41.9 million in increased physician services related to the new Physician Master Agreement, \$23.6 million in Long-Term Care for one-time capital grants, \$14.2 million in Pharmaceutical Services due to Seniors and Family Pharmacare and Special Drug Programs, \$13.0 million in increased funding to home support agencies, \$9.3 million in COVID-19 pressures, and \$6.2 million in Insured Services primarily due to new cancer treatments.

These increases were partially offset by a \$9.3 million reduction in funding to Canadian Blood Services due to decreased utilization in 2020.

### **Labour and Advanced Education**

Labour and Advanced Education expenses were \$33.2 million or 9.0 per cent higher than the prior year primarily due to a \$15.5 million favourable adjustment in 2019 related to a one-time loan provision change for student assistance, \$7.5 million wage adjustment mainly for Nova Scotia Community College (NSCC), \$4.6 million increased expenses related to the fully recoverable Federal Labour Market and Workforce Development Agreements, \$1.9 million in increased Apprenticeship and Adult Education program grants and Technical Safety and Skills and Learning operating expenses, \$1.7 million related to the relocation of the NSCC Marconi Campus, and \$1.5 million increase to support the Forestry Initiative.

### **Lands and Forestry**

Department of Lands and Forestry expenses were \$45.8 million or 36.5 per cent lower than the prior year primarily due to the \$48.0 million accrual for remediation costs of abandoned mine sites that were recorded in 2019.

### **Municipal Affairs and Housing**

Department of Municipal Affairs and Housing expenses were \$89.5 million or 33.5 per cent higher than the prior year primarily due to \$55.2 million in one-time payments fully recoverable from the Federal Gas Tax Fund to municipalities and \$35.5 million in additional Housing Nova Scotia programming.

### **Transportation and Infrastructure Renewal**

Department of Transportation and Infrastructure Renewal expenses were \$43.9 million or 7.9 per cent higher than the prior year primarily due to a \$10.8 million provincial contribution for the Windsor Street Exchange project, \$10.0 million to CBRM for wastewater and Glace Bay infrastructure projects, \$10.0 million to Northern Pulp to assist with site cleanup, \$8.0 million to Nova Scotia Lands Inc. (NSLI) for the Health Care Infrastructure division, \$7.0 million in amortization, \$4.3 million in additional Boat Harbour remediation accruals, \$4.1 million for the Highway 104 project including Early Works and Design and Bid fees, \$2.9 million for increased highway maintenance costs due to Hurricane Dorian, \$2.3 million in additional snow and ice removal costs, \$2.0 million for the Nova Scotia to Maine Ferry service, and \$1.8 million due to the cost of removing the crane that fell in Halifax during Hurricane Dorian.

These increases are partially offset by the \$14.6 million that was recorded last year for the estimated remediation costs of the Harrietsfield site and a \$5.0 million one-time grant to HIAA in 2019 for the cargo terminal.



## General Revenue Fund – Tangible Capital Assets

### Gross Capital Purchases

The Province's policy is to capitalize the gross cost of tangible capital assets (TCA). Capital contributions received from external sources are recognized as revenue in the year the asset is purchased or constructed. Under the Province's TCA policy, a percentage of the original cost of an asset is charged to expenses in each year of the useful life of the asset. This charge, called amortization, does not commence until the asset is available for use.

Departments are required to budget for TCA purchases and the resulting amortization from the acquisition of these assets. The costs of the gross capital purchases are appropriated as the Capital Purchase Requirements in the annual Estimates, and the departmental details are noted below. Gross capital purchases also include tangible capital assets that are received by contribution from external parties. These assets are recorded at their fair market value on the date of contribution. There were \$46.5 thousand in contributed tangible capital assets received during the 2020 fiscal year (2019 – \$14.0 thousand), which were included in the Department of Lands and Forestry.

Spending on gross capital purchases was \$4.0 million or 0.9 per cent higher than estimate primarily due to increased spending of \$31.7 million on building projects, \$13.4 million on highways and structures, and \$4.8 million for land purchases. This was largely offset by the reduction in the contingency of \$48.0 million.

### Gross Capital Purchases

(\$ thousands)

	Estimate 2020	Actual 2020	Variance Increase (Decrease)
Agriculture	3,425	873	(2,552)
Communities, Culture and Heritage	—	1,013	1,013
Community Services	985	1,101	116
Education and Early Childhood Development	69,035	107,155	38,120
Environment	814	430	(384)
Health and Wellness	4,814	5,039	225
Justice	2,892	2,479	(413)
Labour and Advanced Education	—	6,591	6,591
Lands and Forestry	5,000	3,528	(1,472)
Municipal Affairs and Housing	505	146	(359)
Public Service	1,000	976	(24)
Service Nova Scotia and Internal Services	8,307	9,839	1,532
Transportation and Infrastructure Renewal			
Highways and Bridges	300,000	316,018	16,018
Buildings and Infrastructure	24,822	18,379	(6,443)
Cash Flow Contingency	47,958	—	(47,958)
<b>Total Gross Capital Purchases</b>	<b>469,557</b>	<b>473,567</b>	<b>4,010</b>

## Selected Highlights of the General Revenue Fund

### **Amortization**

The schedule below reflects the current year's estimate and actual amortization charged to operations of the General Revenue Fund for tangible capital assets acquired in 2020 and prior years. Annual amortization expense is calculated on a declining balance basis for most assets of the General Revenue Fund. Capital leases are amortized on a straight-line basis over the length of each lease.

### **Amortization**

*(\$ thousands)*

	<b>Estimate 2020</b>	<b>Actual 2020</b>	<b>Variance Increase (Decrease)</b>
Agriculture	974	973	(1)
Business	6,768	6,768	—
Communities, Culture and Heritage	2,109	1,848	(261)
Community Services	136	773	637
Education and Early Childhood Development	74,995	77,004	2,009
Environment	611	394	(217)
Fisheries and Aquaculture	157	155	(2)
Health and Wellness	8,027	8,853	826
Justice	3,652	3,180	(472)
Labour and Advanced Education	5,596	5,711	115
Lands and Forestry	4,065	4,108	43
Municipal Affairs and Housing	926	335	(591)
Service Nova Scotia and Internal Services	15,792	13,765	(2,027)
Transportation and Infrastructure Renewal	211,329	209,860	(1,469)
<b>Total Amortization</b>	<b>335,137</b>	<b>333,727</b>	<b>(1,410)</b>



**Additional Appropriations by Resolution**  
**Relative to the Appropriations Act, 2019**  
**For the fiscal year ended March 31, 2020**  
(\$ thousands)

Res #	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Final Additional Appropriation Required
<b>Departmental Expenses</b>						
1	Agriculture	46,427	5,870	52,224	(73)	—
2	Business	152,014	62,379	204,375	(10,018)	—
3	Communities, Culture and Heritage	93,641	10,159	103,793	(7)	—
4	Community Services	947,904	44,286	999,085	6,895	6,895
5	Education and Early Childhood Development	1,429,342	1,898	1,440,647	9,407	9,407
6	Energy and Mines	49,036	—	34,222	(14,814)	—
7	Environment	38,524	2,075	41,019	420	421
8	Finance and Treasury Board	23,683	—	122,093	98,410	98,411
10	Fisheries and Aquaculture	21,536	—	21,508	(28)	—
11	Health and Wellness	4,638,526	76,890	4,682,593	(32,823)	—
13	Justice	361,438	1,400	366,064	3,226	3,227
14	Labour and Advanced Education	396,209	5,885	401,842	(252)	—
15	Assistance to Universities	427,782	20,290	448,042	(30)	—
16	Lands and Forestry	76,750	2,440	79,661	471	471
17	Municipal Affairs and Housing	283,399	63,980	356,960	9,581	9,581
<b>Public Service</b>						
18	Aboriginal Affairs	4,406	—	4,376	(30)	—
19	Communications Nova Scotia	7,771	—	6,963	(808)	—
20	Elections Nova Scotia	3,517	1,088	4,715	110	110
21	Executive Council	7,174	—	6,594	(580)	—
32	Freedom of Information and Protection of Privacy Review Office	715	—	738	23	23
22	Government Contributions to Benefit Plans	7,779	—	9,166	1,387	1,388
23	Human Rights Commission	2,615	—	2,614	(1)	—
24	Intergovernmental Affairs	4,193	—	4,129	(64)	—
25	Legislative Services	23,825	—	22,329	(1,496)	—
26	Nova Scotia Home for Colored Children Restorative Inquiry	1,067	—	422	(645)	—
27	Nova Scotia Police Complaints Commissioner	357	—	320	(37)	—
28	Nova Scotia Securities Commission	2,676	—	2,400	(276)	—
29	Nova Scotia Utility and Review Board	2,090	—	2,090	—	—
30	Office of Immigration	10,217	—	9,764	(453)	—
31	Office of the Auditor General	4,283	—	4,060	(223)	—
33	Office of the Ombudsman	1,814	—	1,904	90	91
34	Public Prosecution Service	24,593	1,289	26,440	558	558
35	Public Service Commission	19,777	—	19,755	(22)	—
36	Regulatory Affairs and Service Effectiveness	2,293	—	1,950	(343)	—
38	Seniors	2,721	—	2,741	20	21
12/37	Service Nova Scotia and Internal Services	282,947	15,995	299,295	353	353
39	Transportation and Infrastructure Renewal	497,280	30,516	595,726	67,930	67,930
40	Restructuring Costs	201,463	36,700	170,662	(67,501)	—
<b>Total Departmental Expenses</b>		<b>10,101,784</b>	<b>383,140</b>	<b>10,553,281</b>	<b>68,357</b>	<b>198,887</b>



**Selected Highlights of the General Revenue Fund**

**Additional Appropriations by Resolution** *(continued)*  
**Relative to the Appropriations Act, 2019**  
**For the fiscal year ended March 31, 2020**  
*(\$ thousands)*

Res #	Appropriation Area	Original Estimate	Additional Approved	Actual	Variance	Final Additional Appropriation Required
<b>Other Appropriations</b>						
9	Debt Servicing Costs	856,107	—	818,160	(37,947)	—
41	Refundable Tax Credits	134,324	—	64,391	(69,933)	—
42	Pension Valuation Adjustment	51,837	28,288	50,246	(29,879)	—
	<b>Total Other Appropriations</b>	<b>1,042,268</b>	<b>28,288</b>	<b>932,797</b>	<b>(137,759)</b>	<b>—</b>
<b>Statutory Capital</b>						
43	Capital Purchase Requirements	469,557	29,384	473,567	(25,374)	—
44	Sinking Fund Installments and Serial Retirements	46,868	—	44,102	(2,766)	—
	<b>Total Statutory Capital</b>	<b>516,425</b>	<b>29,384</b>	<b>517,669</b>	<b>(28,140)</b>	<b>—</b>
	<b>Total Additional Appropriations</b>		<b>440,812</b>			<b>198,887</b>

Note: Section 28(4) of the *Finance Act* requires that any final additional appropriation required for year-end adjustments be made to Governor in Council no later than 15 days after the date of the tabling of the Public Accounts.



**Additional Appropriations by Resolution** *(continued)*  
**Relative to the Appropriations Act, 2019**  
**For the fiscal year ended March 31, 2020**  
*(\$ thousands)*

**Additional Appropriations Approved During 2020**

Additional appropriations, as indicated on the previous page, were approved during the year. The details of these additional requests were as follows:

	<b>Order in Council</b>	<b>Amount</b>
Business	2019-249	9,453
Community Services	2019-249	20,699
Health and Wellness	2019-249	47,950
Justice	2019-249	1,400
Labour and Advanced Education	2019-249	2,398
Municipal Affairs and Housing	2019-249	56,501
Elections Nova Scotia	2019-249	1,088
Public Prosecution Service	2019-249	1,289
Pension Valuation Adjustment	2019-249	3,909
Capital Purchase Requirements	2019-249	24,994
Communities, Culture and Heritage	2019-358	1,735
Community Services	2019-358	13,809
Education and Early Childhood Development	2019-358	1,898
Health and Wellness	2019-358	28,940
Municipal Affairs and Housing	2019-358	5,426
Service Nova Scotia and Internal Services	2019-358	15,995
Transportation and Infrastructure Renewal	2019-358	4,903
Restructuring Costs	2019-358	36,700
Pension Valuation Adjustment	2019-358	24,379
Capital Purchase Requirements	2019-358	4,390
Agriculture	2020-061	5,870
Business	2020-061	52,926
Communities, Culture and Heritage	2020-061	8,424
Community Services	2020-061	9,778
Environment	2020-061	2,075
Labour and Advanced Education	2020-061	3,487
Assistance to Universities	2020-061	20,290
Lands and Forestry	2020-061	2,440
Municipal Affairs and Housing	2020-061	2,053
Transportation and Infrastructure Renewal	2020-061	25,613
<b>Total Additional Appropriations Approved</b>		<b>440,812</b>

## Selected Highlights of the General Revenue Fund

### General Revenue Fund – Debt Servicing Costs

Gross debt servicing costs of the General Revenue Fund were \$818.2 million in 2020, which was \$37.9 million or 4.4 per cent lower than estimate and \$37.4 million or 4.4 per cent lower than the prior year. The reduction in debt servicing costs from estimate was mainly due to a decrease of \$34.7 million in interest on long-term debt from the refinancing of high-coupon debt that matured during the year with lower-coupon debt and a decrease of \$6.2 million in interest on pension, retirement and other obligations mainly as a result of a reduction in the discount rate. General interest was slightly higher than estimate by \$3.0 million due to a larger average balance of short-term borrowings held during the year.

#### Debt Servicing Costs

(\$ thousands)

	Estimate 2020	Actual 2020	Actual 2019	Actual vs Estimate Increase (Decrease)
			<i>(as restated)</i>	
Interest on Long-Term Debt	722,881	688,143	721,706	(34,738)
General Interest	17,947	20,955	20,461	3,008
Interest on Pension, Retirement and Other Obligations	115,279	109,062	113,428	(6,217)
<b>Debt Servicing Costs – Gross</b>	<b>856,107</b>	<b>818,160</b>	<b>855,595</b>	<b>(37,947)</b>
Less: Sinking Fund Earnings	95,920	93,670	106,519	(2,250)
<b>Debt Servicing Costs – Net</b>	<b>760,187</b>	<b>724,490</b>	<b>749,076</b>	<b>(35,697)</b>

#### Debenture Debt

The General Revenue Fund's net debenture debt (outstanding debentures less Sinking Fund and Public Debt Management Fund assets) was \$13.40 billion in Canadian dollar equivalents at March 31, 2020 (2019 – \$13.20 billion).

The Province provides sinking fund installments for certain term debt issues. Annual sinking fund installments generally range from 1.0 to 3.0 per cent of the original issue but may vary slightly from year to year based on actual and anticipated rates of return on sinking fund assets. Installments are designed to fully fund the debt over the life of the debenture. Sinking Fund and Public Debt Management Fund assets are used solely for debt retirement.

#### Outstanding Debentures – (CDN\$ Equivalents)

(\$ thousands)

	Actual 2020	Actual 2019
Debentures Payable in Canadian Dollars		
Canada Pension Plan Investment Fund	978,328	1,052,250
Other Issues	14,442,129	14,911,933
Less: Sinking Funds and Public Debt Management Funds	(2,024,099)	(2,767,950)
<b>Net Debenture Debt</b>	<b>13,396,358</b>	<b>13,196,233</b>



## General Revenue Fund – Annual Borrowing Plan

Section 35 of the *Finance Act* provides for Governor in Council approval of an annual borrowing plan submitted by the Minister of Finance and Treasury Board. In 2020, the Minister was granted approval for a \$1.75 billion borrowing plan. The requested authority was larger than the borrowing program stated in the 2020 Estimates in the event that circumstances arose requiring the Province to borrow monies in excess of projected requirements, or financial markets were favourable and the Province deemed it prudent to pre-borrow for future years.

The Province established a new 10-year benchmark issue and floating interest rate note issues on a CDOR resetting basis, borrowing a total of \$1.50 billion in par value in 2020.

## Economic Highlights

In advance of receiving statements of actual tax revenues collected, the Department of Finance and Treasury Board relies on economic forecasts and their relationships with historical administrative tax data to estimate tax revenues for each fiscal year.

Nominal Gross Domestic Product (GDP) is the broadest measure of the potential tax base, and subcomponents of nominal GDP provide indications of growth in specific tax bases including household income, consumer expenditures, and residential construction.

The economic outlook prepared as part of the 2020-21 Estimates was tabled February 25, 2020 and used data and information up to November 7, 2019. The 2019-20 Public Accounts economic outlook is based on a forecast with data up to May 22, 2020 as well as Q1 2020 indicators released through June 19, 2020 related to household consumption and residential investment bases for HST revenues. Data in the discussion below may have been released beyond these dates and will be incorporated into future economic outlooks.

### Nova Scotia Economic Outlook: 2019 and 2020

(Per cent change, except where noted)

	2020-21 Estimates		2019-20 Public Accounts	
	2019	2020	2019	2020
Real GDP (\$ 2012 chained)	1.9%	0.4%	2.0%	-6.0%
Nominal GDP	3.8%	2.4%	3.9%	-5.5%
Compensation of Employees	3.9%	2.2%	5.5%	-4.9%
Household Income	3.3%	2.6%	4.3%	1.1%
Household Final Consumption	3.3%	2.8%	3.5%	-7.5%
Retail Sales	2.6%	2.1%	<sup>A</sup> 2.7%	-8.2%
Consumer Price Index	1.6%	2.0%	<sup>A</sup> 1.6%	0.9%
Investment in Residential Structures	12.9%	2.3%	10.4%	-18.1%
Non-Res, Machinery, Intellectual Property	2.2%	5.8%	0.0%	-0.8%
Net Operating Surplus: Corporations	3.6%	3.2%	3.3%	-21.3%
Net Mixed Income: Unincorporated	2.7%	1.8%	2.6%	-2.1%
Exports of Goods and Services	5.0%	2.1%	5.2%	-13.1%
Exports of Goods to Other Countries	6.0%	-1.7%	6.4%	-12.7%
Imports of Goods and Services	4.4%	3.2%	4.1%	-8.6%
Population at July 1 ( <i>thousands</i> )	<sup>A</sup> 971.4	980.4	<sup>A</sup> 971.4	975.0
Labour Force ( <i>thousands</i> )	502.0	506.5	<sup>A</sup> 502.3	493.8
Employment ( <i>thousands</i> )	465.5	465.6	<sup>A</sup> 466.1	439.5
Unemployment Rate ( <i>annual average</i> )	7.3%	8.1%	<sup>A</sup> 7.2%	11.0%

<sup>A</sup> ~ Actual

### External Conditions

In 2019, the global economy was slowing with ongoing trade conflicts weakening business investment and manufacturing. Several central banks moved to ease monetary policy, and unemployment rates were near historic lows in many locations. The International Monetary



Fund (IMF) World Economic Outlook published in June 2020 estimates global GDP growth was 2.9 per cent in 2019 compared to 3.6 per cent in 2018. Advanced economy real GDP grew by 1.7 per cent in 2019. Growth slowed in the United States (US), Euro Area, Canada, and China.

The global economic outlook changed dramatically as the COVID-19 pandemic intensified. Supply and demand shocks resulting from COVID-19 have put the global economy into severe recession as the strict social distancing measures put in place caused businesses to close down resulting in declines in employment, income, and consumer spending. The disruptions to the world economy towards the end of Q1 2020 were significant enough to generate negative growth for the quarter in the US (-5.0 per cent), Canada (-8.2 per cent), Euro Area (-13.6 per cent), China (-6.8 per cent, year-over-year), and Japan (-2.2 per cent). To limit the slowdown in economic activity, governments rapidly deployed large fiscal and monetary easing measures. The IMF projects global real GDP to decline 4.9 per cent in 2020.

The US economy expanded by 2.3 per cent in 2019 supported by gains in consumer spending and stronger labour markets. Consumer spending, which has been important to US economic growth over the last couple years, expanded 2.6 per cent in 2019. One of the weak spots for the US economy was the non-residential investment, which declined by 4.0 per cent in 2019. Ongoing trade tensions with China, higher tariff rates, and uncertainty around additional tariffs restrained US non-residential investment. With US inflation running below the 2.0 per cent target rate for most of 2019 and slowing GDP growth, the Federal Reserve cut the federal funds rate by 75 basis points in 2019.

Social distancing measures introduced to contain the COVID-19 pandemic caused a sharp decline in US economic activity. To manage these negative impacts, the Federal Reserve immediately cut interest rates by a total of 150 basis points to its current range of 0 to 25 basis points. In addition, Congress approved \$2.9 trillion in coronavirus relief, accounting for about 14.0 per cent of the US GDP. The IMF estimates that the US economy will contract by 8.0 per cent in 2020.

The Euro Area economy grew 1.3 per cent in 2019, weakened by poor business confidence and softening external demand. Household spending, wage gains, and tight labour markets helped to prop up growth. The uncertainty around Brexit, sovereign debts, and global trade tensions limited economic growth in the Euro Area. The measures put in place to contain the impact of COVID-19 are expected to have a significant impact on the European economy. Recent economic indicators point to the deepest economic recession in the history of the European Union (EU). Real GDP in the Euro Area is expected to decline 10.2 per cent in 2020.

United Kingdom (UK) real GDP increased 1.5 per cent in 2019. In January 2020, the UK formally separated from the EU. In 2019, UK consumer spending was up 1.0 per cent while investment grew 0.7 per cent. Negotiations regarding their future relationship with the EU as well as the COVID-19 pandemic and associated support measures will impact the UK economy in 2020. The IMF estimates that the UK real GDP will decline by 10.2 per cent in 2020.

Economic growth in China has been slowing. The Chinese economy was transitioning from investment-led growth to consumption-led growth. Constrained by the slowdown in investment and trade as well as efforts to contain financial system vulnerabilities, China's real GDP growth slowed to 6.1 per cent in 2019. Resilient services industries contributed to

## Economic Highlights

employment growth and higher consumer spending. China is several weeks ahead of many other countries in progression of the virus. However, the slowdown in global demand is expected to bring a second downturn for the Chinese economy with real GDP growth slowing to 1.0 per cent in 2020.

Limited by long-term demographic and structural issues, Japan's economy grew 0.7 per cent in 2019. Consumer spending was further constrained by the national sales tax increase in late 2019. Japan's policy measures to support the economy from the COVID-19 shock focused on increasing the scale of Quantitative Easing as interest rates were already negative. The IMF expects that Japan's real GDP will decline by 5.8 per cent in 2020.

After operating close to potential for most of 2017 and 2018, Canada's economic growth slowed to 1.6 per cent in 2019 amid global uncertainty and trade tensions. Canada's labour markets remained strong with employment increasing 2.1 per cent and the unemployment rate falling to 5.7 per cent. Weak consumer spending has been holding back Canada's economic growth. While higher employment and income levels provided some support, most consumers increased their savings. As a result, nominal consumer spending increased 3.3 per cent in 2019. Global trade tensions and uncertainties have also impacted trade flows in Canada in 2019. Export growth slowed to 2.2 per cent while imports increased 1.5 per cent.

Like most of the world, Canada's 2020 economic growth is expected to be negative due to COVID-19. The combined impacts of the pandemic and falling oil prices dramatically reduced employment and investment. To limit the negative impacts of COVID-19 on the economy, Canada's federal government is implementing more than \$200 billion in direct supports and \$85 billion in tax and custom duty deferrals. The Bank of Canada also lowered its benchmark interest rate to 0.25 per cent and expanded bond purchasing. Canadian real GDP is projected to decline 6.2 per cent in 2020.

### **Nova Scotia Economic Performance and Outlook**

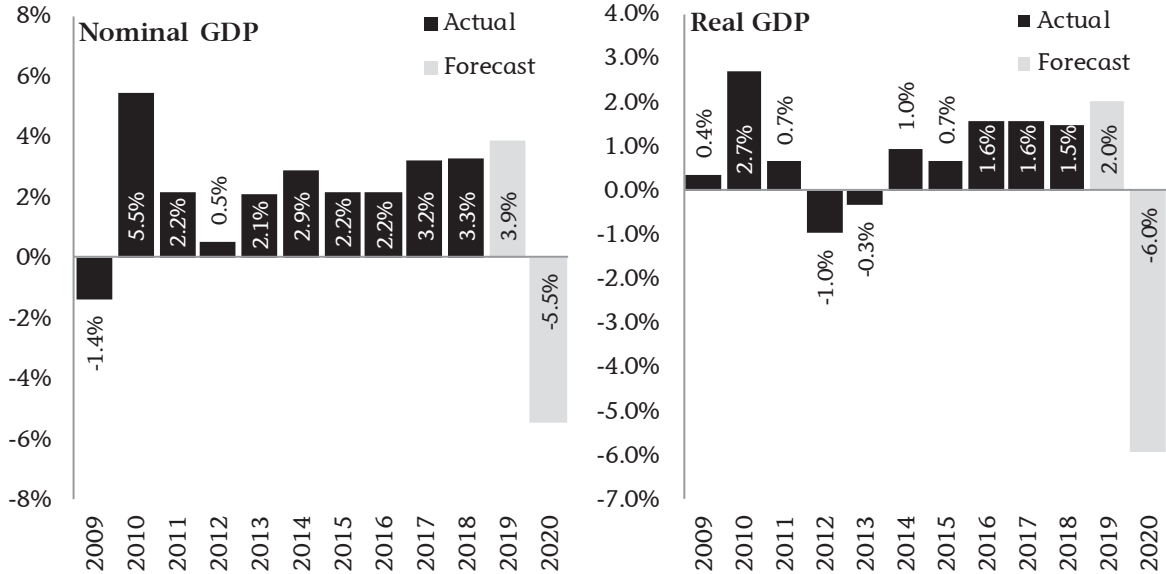
Nova Scotia's real GDP growth is estimated at 2.1 per cent in 2019 (preliminary measured by industry at basic prices). This is higher than the annual average pace of 1.5 per cent over the previous three years. Preliminary real GDP of Nova Scotia's goods-producing industries grew 3.0 per cent as increased activity in manufacturing and construction offset the declines in mining and oil and gas extraction. Nova Scotia's service-producing industries real GDP grew 1.9 per cent in 2019. Service industry growth was faster in 2019 than 2018 for wholesale, retail, transportation, finance and insurance, real estate, arts and entertainment, educational services, health care and social assistance, and accommodation and food services.

Measured in market prices, real GDP is estimated to have grown 2.0 per cent in 2019 while nominal GDP expanded 3.9 per cent. The COVID-19 pandemic and global recession will be the most severe shock to the Nova Scotia economy in decades. While the COVID-19 situation started to impact the Nova Scotia economy directly and through trade in Q1 2020, it is expected that the most severe impacts will be in Q2 2020 and beyond. Travel rules, social distancing measures, falling consumer demand, mandated business closures, and additional safety costs have been particularly hard on local services such as accommodation, food services, personal care (e.g. hair salons), day cares, and retail stores. The economic downturn is expected to be concentrated in the first half of the year. Reopening businesses as well as growth among trading partners will support a partial rebound for most industries in the second half of 2020. Over the whole year, real GDP is projected to decline by 6.0 per cent while nominal GDP is projected to fall by 5.5 per cent.



**Nova Scotia Economic Outlook**

(Gross Domestic Product Growth, at market prices)

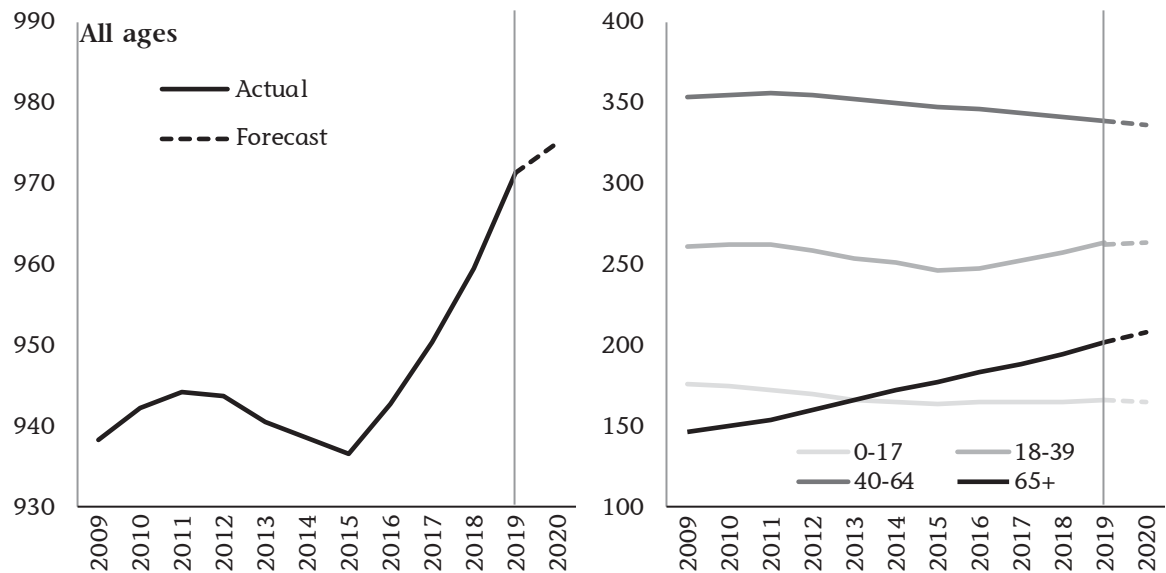


Source: Statistics Canada, table 36-10-0222-01; Nova Scotia Department of Finance and Treasury Board projections

Nova Scotia’s population continued to expand through 2019 and reached an all time high of 978,274 as of April 1, 2020. Population growth has been supported by immigration and net interprovincial migration though an aging population slows natural population increases. Due to travel restrictions during COVID-19, immigration, interprovincial migration, and net change in non-permanent residents are expected to slow for a period of time.

**Nova Scotia Population**

('000s, July 1)



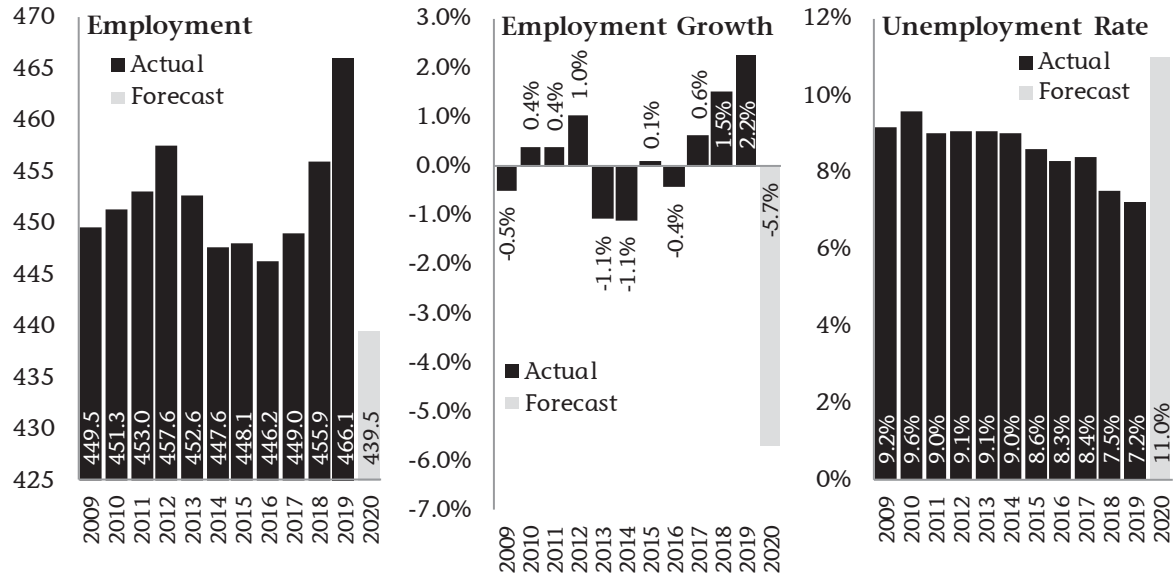
Source: Statistics Canada, table 17-10-0005-01; Nova Scotia Department of Finance and Treasury Board projections



## Economic Highlights

### Nova Scotia Labour Markets

(Employment in '000s, Employment Growth, Unemployment Rate)

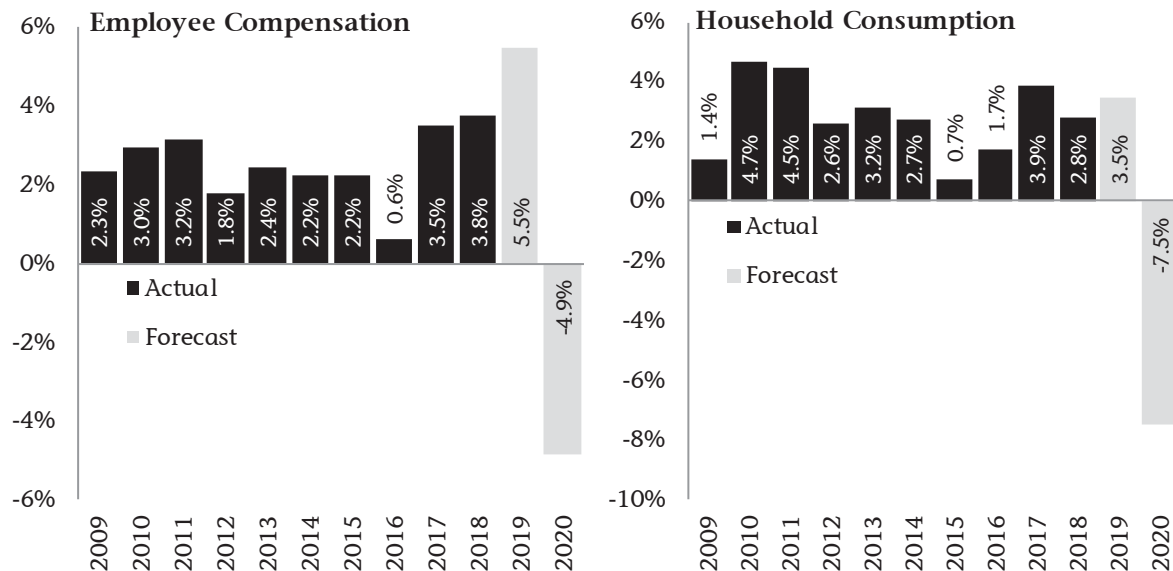


Source: Statistics Canada, table 14-10-0327-01; Nova Scotia Department of Finance and Treasury Board projections

Nova Scotia's increased population growth was accompanied by stronger labour demand. Both labour force and employment expanded in 2019. Employment growth reached 2.2 per cent in 2019, the fastest pace since 2004. Nova Scotia's unemployment rate declined to 7.2 per cent in 2019, the lowest rate since the early 1970s. The Labour Force Survey reported large employment declines in March and April, followed by partial recovery over the next three months. Nova Scotia employment is expected to be 5.7 per cent lower in 2020 with an elevated unemployment rate, averaging 11.0 per cent.

### Nova Scotia Employee Compensation and Household Consumption

(Growth rate, nominal)



Source: Statistics Canada, tables 36-10-0221-01, 36-10-0222-01; Nova Scotia Department of Finance and Treasury Board projections



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Employee compensation increased 5.5 per cent in 2019 and continued growing in Q1 2020. Employee compensation is projected to decline by 4.9 per cent in 2020. Increased government transfer payments to households is expected to offset much of the lost employee compensation, keeping household income growth positive at 1.1 per cent in 2020.

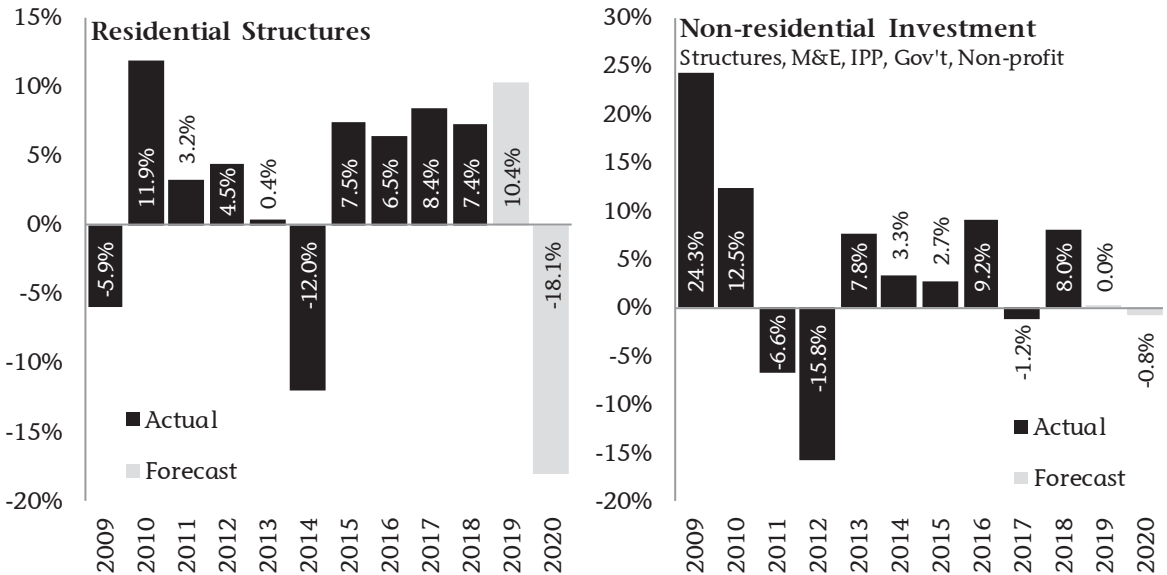
The Nova Scotia Consumer Price Index slowed to 1.6 per cent in 2019 following 2.2 per cent growth in 2018. Inflation moved lower beginning in March 2020 because of lower oil prices and is expected to average 0.9 per cent in 2020.

Rising employment and wages in 2019 helped lift household consumption by 3.5 per cent. Household consumption in Q1 2020 is projected to have declined 1.4 per cent with the COVID-19 disruptions to retail, restaurants, and personal service at the end of the quarter. Household consumption is projected to decline by 7.5 per cent in 2020.

Increased population has supported Nova Scotia’s housing market in recent years. Residential investment is estimated to have grown by 10.4 per cent in 2019 as housing starts maintained levels near their historical high. Residential construction declined 4.0 per cent in Q1 2020 and is expected to fall by 18.1 per cent over the whole year. Investment in non-residential assets was flat in 2019 and is expected to fall 0.8 per cent in 2020.

**Nova Scotia Construction and Investment**

(Growth rate, nominal)



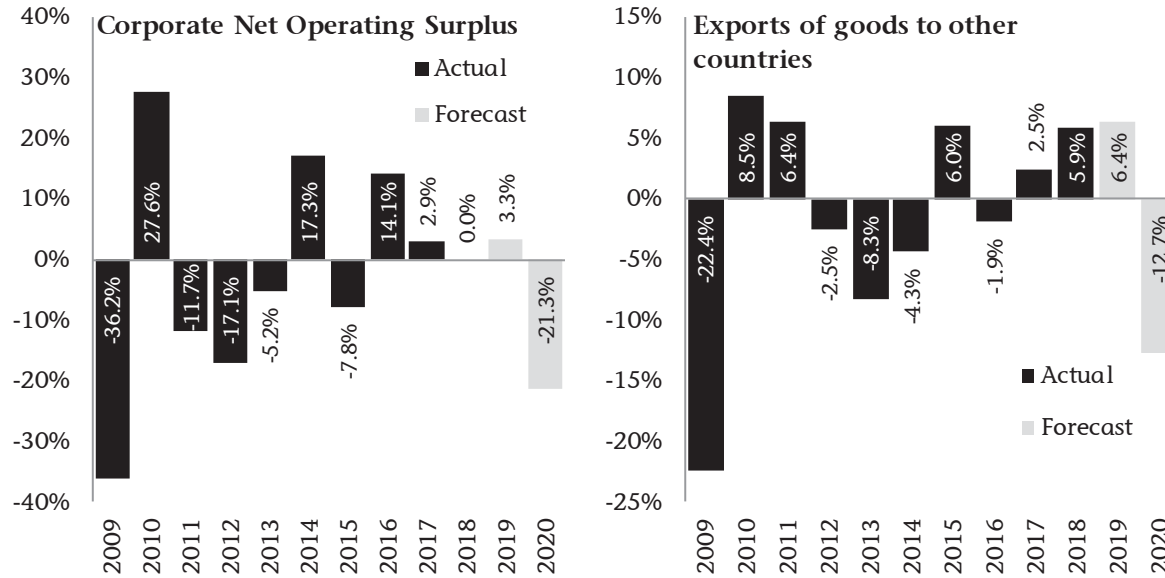
Source: Statistics Canada, table 36-10-0222-01; Nova Scotia Department of Finance and Treasury Board projections

Nova Scotia’s exports continued to rise in 2019 with shipments increasing to the US (+4.1 per cent) and China (+25.6 per cent). However, shipments to other countries declined 1.8 per cent. Exports of seafood products, frozen fruit, tires, and machinery posted gains in 2019, offsetting lower exports in forest products. Nova Scotia exports were disrupted early in 2020 with lower shipments in seafood and wood pulp. The COVID-19 pandemic has caused significant declines in global demand for merchandise exports and tourism services. Exports of goods and services are projected to decline 13.1 per cent in 2020, including a 12.7 per cent drop in international goods exports.

## Economic Highlights

### Nova Scotia Profits and Exports

(Growth rate, nominal)



Source: Statistics Canada, tables 36-10-0221-01, 36-10-0222-01; Nova Scotia Department of Finance and Treasury Board projections

### Risks and Adjustments

Although these economic indicators for 2019 and 2020 form the basis for the final revenues presented in the 2019-20 Public Accounts, many of them are still projections. Further economic and administrative data will be released relating to 2019, and economic performance in the second half of 2020 remains a source of uncertainty. New data may result in adjusted revenues in respect to the taxation years reported in this document and will be reflected in subsequent fiscal years as prior years' adjustments. As a result, differences may arise between the tax revenues for PIT, CIT, and HST reported in these Public Accounts and actual revenues for each taxation year.



## Public Accounts Volume 1 – Consolidated Financial Statements

### Nova Scotia Key Economic Indicators

(\$ millions current, unless otherwise indicated)

	ACTUAL FORECAST					
	2015	2016	2017	2018	2019	2020
Nominal Gross Domestic Product (GDP) at Market Prices	40,701	41,599	42,930	44,354	46,072	43,546
% Change	2.2%	2.2%	3.2%	3.3%	3.9%	-5.5%
Real GDP at Market Prices (\$ millions, chained 2012)	38,429	39,038	39,651	40,249	41,069	38,624
% Change	0.7%	1.6%	1.6%	1.5%	2.0%	-6.0%
Compensation of Employees	21,782	21,911	22,681	23,537	24,826	23,616
% Change	2.2%	0.6%	3.5%	3.8%	5.5%	-4.9%
Household Income	39,932	40,223	41,821	43,131	44,985	45,477
% Change	3.2%	0.7%	4.0%	3.1%	4.3%	1.1%
Household Final Consumption Expenditure	28,882	29,373	30,517	31,372	32,458	30,016
% Change	0.7%	1.7%	3.9%	2.8%	3.5%	-7.5%
Retail Sales	14,046	14,710	15,861	15,904	16,328	14,992
% Change	0.2%	4.7%	7.8%	0.3%	2.7%	-8.2%
Consumer Price Index (all items, Index 2002 = 100)	129.3	130.9	132.4	135.3	137.5	138.7
% Change	0.4%	1.2%	1.1%	2.2%	1.6%	0.9%
Investment in Residential Structures	2,577	2,744	2,975	3,195	3,527	2,889
% Change	7.5%	6.5%	8.4%	7.4%	10.4%	-18.1%
Non-Residential Investment *	5,457	5,958	5,886	6,358	6,358	6,305
% Change	2.7%	9.2%	-1.2%	8.0%	0.0%	-0.8%
Net Operating Surplus: Corporations	2,342	2,673	2,750	2,750	2,841	2,237
% Change	-7.8%	14.1%	2.9%	0.0%	3.3%	-21.3%
Net Mixed Income: Unincorporated	4,415	4,570	4,855	5,006	5,137	5,026
% Change	3.0%	3.5%	6.2%	3.1%	2.6%	-2.1%
Exports of Goods and Services	14,987	14,989	15,846	16,607	17,468	15,178
% Change	3.9%	0.0%	5.7%	4.8%	5.2%	-13.1%
Exports of Goods to Other Countries	5,322	5,223	5,354	5,669	6,030	5,264
% Change	6.0%	-1.9%	2.5%	5.9%	6.4%	-12.7%
Imports of Goods and Services	25,829	26,297	27,671	29,166	30,350	27,738
% Change	2.0%	1.8%	5.2%	5.4%	4.1%	-8.6%
Population (all ages, thousands at July 1)	936.5	942.8	950.4	959.5	971.4	975.0
% Change	-0.2%	0.7%	0.8%	1.0%	1.2%	0.4%
Population (ages 18-64, thousands at July 1)	595.3	595.0	596.7	599.6	603.8	601.1
% Change	-1.0%	-0.1%	0.3%	0.5%	0.7%	-0.4%
Labour Force (thousands)	490.2	486.6	490.1	493.1	502.3	493.8
% Change	-0.3%	-0.7%	0.7%	0.6%	1.9%	-1.7%
Participation Rate (per cent)	62.4%	61.7%	61.8%	61.7%	62.2%	60.5%
Change	-0.4%	-0.7%	0.1%	-0.1%	0.5%	-1.7%
Employment (thousands)	448.1	446.2	449.0	455.9	466.1	439.5
% Change	0.1%	-0.4%	0.6%	1.5%	2.2%	-5.7%
Employment Rate (per cent)	57.0%	56.6%	56.7%	57.1%	57.7%	53.8%
Change	-0.2%	-0.4%	0.1%	0.4%	0.6%	-3.9%
Unemployment Rate (per cent)	8.6%	8.3%	8.4%	7.5%	7.2%	11.0%
Change	-0.4%	-0.3%	0.1%	-0.9%	-0.3%	3.8%

\* Non-Residential Investment includes investments in non-residential structures, machinery and equipment, intellectual property products, and government and non-profit sectors

Unless otherwise indicated, the analysis included in the Economic Highlights section is based on the calendar year, not the fiscal year.



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# **CONSOLIDATED FINANCIAL STATEMENTS**

**for the fiscal year ended March 31, 2020**

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## **Statement of Responsibility for the Consolidated Financial Statements of the Province of Nova Scotia**

Responsibility for the integrity, objectivity, and fair presentation of the consolidated financial statements of the Province of Nova Scotia rests with the government. These financial statements are prepared on behalf of the Minister and Deputy Minister of Finance and Treasury Board by the Controller in accordance with Canadian public sector accounting standards.

The consolidated financial statements include a Consolidated Statement of Financial Position, Consolidated Statement of Operations and Accumulated Deficits, Consolidated Statement of Changes in Net Debt, Consolidated Statement of Cash Flow, and notes to the consolidated financial statements. They present fairly, in all material respects, the financial position and the results of operations for the year ended March 31, 2020. The government is responsible for maintaining a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded, and financial records are properly maintained.

Under the mandate in Section 19 of the *Auditor General Act*, the Auditor General of Nova Scotia provides an independent opinion on the consolidated financial statements prepared by the government.



Geoffrey Gatien, CPA, CA  
Associate Deputy Minister and Controller







5161 George Street  
Royal Centre, Suite 400  
Halifax, Nova Scotia  
B3J 1M7

# Auditor General of Nova Scotia

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia:

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

I have audited the consolidated financial statements of the Province of Nova Scotia, which comprise the consolidated statement of financial position as at March 31, 2020, and the consolidated statement of operations and accumulated deficits, consolidated statement of changes in net debt, and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province of Nova Scotia as at March 31, 2020, and its consolidated results of operations, consolidated changes in its net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### *Basis for Opinion*

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of my report. I am independent of the Province of Nova Scotia in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated financial statements of the Province of Nova Scotia for the current year. In applying my professional judgement to determine key audit matters, I considered those matters that are complex, have a high degree of uncertainty, or are important to the public because of their significance.

The key audit matters were addressed in the context of my audit of the consolidated financial statements of the Province of Nova Scotia as a whole, and in forming my opinion thereon. I do not provide a separate opinion on these matters. Key audit matters are as follows:



Key audit matter	How we addressed this matter
<p><b><i>Major tax revenues (PIT, CIT, HST)</i></b></p> <p>Major tax revenues include personal income taxes (PIT), corporate income taxes (CIT), and harmonized sales tax (HST) and were determined to be a key audit matter because:</p> <ul style="list-style-type: none"> <li>• Major tax revenues are material and are based on management’s best estimates using statistical models and assumptions; and</li> <li>• Significant uncertainty is present in these estimates, as they involve forecasting the future and this uncertainty has increased due to the unprecedented impact of COVID-19 on the Province.</li> </ul> <p>Major tax revenues are disclosed in:</p> <ul style="list-style-type: none"> <li>• Schedule 1, Revenue; and</li> <li>• Note 1, Financial Reporting and Accounting Policies.</li> </ul>	<p>We concluded that major tax revenues are fairly stated, in all material respects, and are disclosed appropriately in accordance with Canadian public sector accounting standards.</p> <p>The matter was addressed by:</p> <ul style="list-style-type: none"> <li>➤ Obtaining an understanding of the systems, processes, and controls over major tax revenues.</li> <li>➤ Testing the underlying data used in the various tax revenue estimation models and reviewing evidence to support the key assumptions.</li> </ul>

Key audit matter	How we addressed this matter
<p><b><i>Pension, retirement and other obligations</i></b></p> <p>Pension, retirement, and other obligations are a key audit matter because:</p> <ul style="list-style-type: none"> <li>• The valuation of the Province’s liability is material and requires the use of an expert; and</li> <li>• To determine the liability, the Province uses detailed actuarial assumptions that are subject to change in the future.</li> </ul> <p>Pension, retirement, and other obligations are disclosed in:</p> <ul style="list-style-type: none"> <li>• Note 1, Financial Reporting and Accounting Policies; and</li> <li>• Note 5, Pension, Retirement and Other Obligations.</li> </ul>	<p>We concluded that pension, retirement, and other obligations are fairly stated, in all material respects, and are disclosed appropriately in accordance with Canadian public sector accounting standards.</p> <p>The matter was addressed by:</p> <ul style="list-style-type: none"> <li>➤ Obtaining an understanding of the systems, processes, and controls used to value the liability.</li> <li>➤ Relying on the work of the Province’s consulting actuary and engaging the services of our own independent actuary.</li> <li>➤ Testing the underlying data used in the valuation of the Province’s liability and reviewing evidence to support the key assumptions.</li> </ul>
<p><b><i>Liabilities for contaminated sites</i></b></p> <p>Liabilities for contaminated sites are a key audit matter because:</p> <ul style="list-style-type: none"> <li>• The liabilities are material and are estimates of the future costs required to complete the necessary clean-up of the Province’s contaminated sites.</li> <li>• As additional environmental investigations are completed, it may be possible the Province will need to revalue the liabilities in the future.</li> </ul> <p>Liabilities for contaminated sites are disclosed in:</p> <ul style="list-style-type: none"> <li>• Note 1, Financial Reporting and Accounting Policies; and</li> <li>• Note 10, Contaminated Sites.</li> </ul>	<p>We concluded that liabilities for contaminated sites are fairly stated, in all material respects, and are disclosed appropriately in accordance with Canadian public sector accounting standards.</p> <p>This matter was addressed by:</p> <ul style="list-style-type: none"> <li>➤ Obtaining an understanding of the systems, processes, and controls relating to identifying and evaluating contaminated sites.</li> <li>➤ Testing the reasonability of clean-up costs for a sample of contaminated sites.</li> <li>➤ Engaging the services of an independent engineering firm to review the Province’s estimated costs to clean up Boat Harbour.</li> </ul>

## *Other Information*

The Government of Nova Scotia is responsible for the other information. The other information comprises the information in Volume 1 of the Public Accounts of Nova Scotia, but does not include the consolidated financial statements and my auditor's report thereon, which I obtained prior to the date of this auditor's report, and the Form 18-K Securities and Exchange Commission filing, which is expected to be made available to us after that date.

My opinion on the consolidated financial statements does not cover the other information and I do not and will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

When I read the Form 18-K Securities and Exchange Commission filing, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Province of Nova Scotia's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern assumption. The going concern basis of accounting has been used in the preparation of the consolidated financial statements, as the Province of Nova Scotia continues to operate as a going concern.

Those charged with governance are responsible for overseeing the Province of Nova Scotia's financial reporting process.

## *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 my 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 Province of Nova Scotia'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 Province's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Province of Nova Scotia to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Province of Nova Scotia to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision, and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Terry M. Spicer, CPA, CMA  
Acting Auditor General of Nova Scotia

Halifax, Nova Scotia  
August 13, 2020



## Consolidated Financial Statements

### Statement 1

#### Province of Nova Scotia Consolidated Statement of Financial Position As at March 31, 2020

(\$ thousands)

	2020	2019 <i>(as restated)</i>
<b>Financial Assets</b>		
Cash and Short-Term Investments	1,219,037	1,313,486
Accounts Receivable	1,067,581	929,085
Inventories for Resale	2,862	2,503
Loans Receivable (Schedule 3)	2,247,429	2,258,308
Investments (Schedule 3)	166,187	134,561
Investment in Government Business Enterprises (Schedule 6)	329,465	266,813
	<u>5,032,561</u>	<u>4,904,756</u>
<b>Liabilities</b>		
Bank Advances and Short-Term Borrowings	1,275,824	1,078,239
Accounts Payable and Accrued Liabilities	1,653,378	1,831,391
Deferred Revenue (Note 4)	247,998	220,897
Accrued Interest	191,814	219,799
Pension, Retirement and Other Obligations (Note 5)	2,694,329	2,617,582
Liabilities for Contaminated Sites (Note 10)	398,909	372,115
Unmatured Debt (Schedules 4 and 5)	13,683,163	13,520,878
Unamortized Foreign Exchange Translation Gains and Losses, Premiums and Discounts	129,543	36,824
	<u>20,274,958</u>	<u>19,897,725</u>
<b>Net Debt</b>	<u>(15,242,397)</u>	<u>(14,992,969)</u>
<b>Non-Financial Assets</b>		
Tangible Capital Assets (Schedule 7)	6,365,379	6,142,658
Inventories of Supplies	87,489	77,994
Prepaid Expenses	40,317	20,818
	<u>6,493,185</u>	<u>6,241,470</u>
<b>Accumulated Deficits</b>	<u>(8,749,212)</u>	<u>(8,751,499)</u>
Accounting Changes (Note 2)		
Restricted Assets (Note 3)		
Contingencies and Contractual Obligations/Rights (Note 11)		
Trust Funds Under Administration (Note 13)		
Impact of COVID-19 Pandemic (Note 15)		

The accompanying notes and schedules are an integral part of these Consolidated Financial Statements



Statement 2

**Province of Nova Scotia**  
**Consolidated Statement of Operations and Accumulated Deficits**  
**For the fiscal year ended March 31, 2020**  
(\$ thousands)

	<b>Adjusted Estimate 2020</b>	<b>Actual 2020</b>	<b>Actual 2019</b>
			<i>(as restated)</i>
<b>Revenue (Schedule 1)</b>			
<b>Provincial Sources</b>			
Tax Revenue	5,971,808	6,163,195	5,750,606
Other Provincial Revenue	1,458,896	1,612,407	1,734,351
Net Income from Government			
Business Enterprises (Schedule 6)	389,224	388,621	389,222
Investment Income	205,752	208,482	223,650
	<b>8,025,680</b>	<b>8,372,705</b>	<b>8,097,829</b>
<b>Federal Sources</b>	3,864,323	3,971,431	3,776,917
<b>Total Revenue</b>	<b>11,890,003</b>	<b>12,344,136</b>	<b>11,874,746</b>
<b>Expenses (Schedule 2)</b>			
Agriculture	50,411	58,042	63,342
Business	158,301	211,390	150,252
Communities, Culture and Heritage	96,842	105,578	93,725
Community Services	947,904	994,833	936,203
Education and Early Childhood Development	1,782,279	1,810,882	1,758,918
Energy and Mines	48,660	34,242	46,525
Environment	95,974	99,032	95,238
Finance and Treasury Board	23,683	122,093	20,921
Fisheries and Aquaculture	21,821	21,797	16,248
Health and Wellness	4,726,314	4,931,141	4,694,706
Justice	362,047	365,870	353,292
Labour and Advanced Education	453,236	468,989	427,950
Assistance to Universities	427,782	447,789	430,176
Lands and Forestry	80,523	83,473	129,594
Municipal Affairs and Housing	404,536	446,519	400,226
Public Service	134,391	138,130	132,811
Seniors	2,721	2,716	2,591
Service Nova Scotia and Internal Services	283,301	295,110	281,615
Transportation and Infrastructure Renewal	504,264	591,408	551,051
Restructuring Costs	201,463	170,662	122,531
Pension Valuation Adjustment (Note 5)	51,837	50,439	54,143
Refundable Tax Credits	134,324	64,391	124,529
Debt Servicing Costs (Note 7)	863,766	827,323	865,284
<b>Total Expenses (Note 8)</b>	<b>11,856,380</b>	<b>12,341,849</b>	<b>11,751,871</b>
<b>Provincial Surplus</b>	<b>33,623</b>	<b>2,287</b>	<b>122,875</b>
<b>Accumulated Deficits, Beginning of Year</b>			
As Previously Reported		(8,769,746)	(8,889,699)
Accounting Changes (Note 2)		18,247	15,325
As Restated		<b>(8,751,499)</b>	<b>(8,874,374)</b>
<b>Accumulated Deficits, End of Year</b>		<b>(8,749,212)</b>	<b>(8,751,499)</b>



**Province of Nova Scotia**  
**Consolidated Statement of Changes in Net Debt**  
**For the fiscal year ended March 31, 2020**

(\$ thousands)

	<b>Adjusted Estimate 2020</b>	<b>Actual 2020</b>	<b>Actual 2019</b>
			<i>(as restated)</i>
<b>Net Debt, Beginning of Year</b>			
As Previously Reported	(15,011,216)	(15,011,216)	(14,981,415)
Accounting Changes (Note 2)	—	18,247	15,325
As Restated	<u>(15,011,216)</u>	<u>(14,992,969)</u>	<u>(14,966,090)</u>
<b>Changes in the Year</b>			
Provincial Surplus	33,623	2,287	122,875
Acquisitions and Transfers of Tangible Capital Assets	(691,300)	(665,241)	(587,860)
Amortization of Tangible Capital Assets	451,137	440,228	442,219
Disposals of Tangible Capital Assets	—	2,292	1,756
Acquisitions of Inventories of Supplies	—	(9,495)	(3,023)
Acquisitions of Prepaid Expenses	—	(19,499)	(2,846)
<b>Total Changes in the Year</b>	<u>(206,540)</u>	<u>(249,428)</u>	<u>(26,879)</u>
<b>Net Debt, End of Year</b>	<u>(15,217,756)</u>	<u>(15,242,397)</u>	<u>(14,992,969)</u>



NOVA SCOTIA

Statement 4

**Province of Nova Scotia**  
**Consolidated Statement of Cash Flow**  
**For the fiscal year ended March 31, 2020**  
(\$ thousands)

	<b>2020</b>	<b>2019</b> <i>(as restated)</i>
<b>Operating Transactions</b>		
Provincial Surplus	2,287	122,875
Sinking Fund and Public Debt Management Fund Earnings	(93,670)	(106,519)
Amortization of Premiums and Discounts on Unmatured Debt	(1,156)	826
Net Income from Government Business Enterprises (Schedule 6)	(388,621)	(389,222)
Profit Distributions from Government Business Enterprises	325,969	356,580
Amortization of Tangible Capital Assets (Schedule 7)	440,228	442,219
Loss (Gain) on Disposal of Tangible Capital Assets	(454)	870
Net Change in Other Items (Note 9)	(45,620)	42,088
	<b>238,963</b>	<b>469,717</b>
<b>Investing Transactions</b>		
Repayment of Loans Receivable	284,589	308,902
Advances and Investments	(416,228)	(420,301)
Write-offs	110,892	75,186
	<b>(20,747)</b>	<b>(36,213)</b>
<b>Capital Transactions</b>		
Acquisition of Tangible Capital Assets	(665,241)	(587,860)
Proceeds from Disposal of Tangible Capital Assets	2,746	886
	<b>(662,495)</b>	<b>(586,974)</b>
<b>Financing Transactions</b>		
Debentures Issued	1,654,167	1,305,413
Amortization of Foreign Exchange Gains and Other Items	(16,547)	(11,933)
Net Sinking Fund Withdrawals	837,519	173,952
Repayment of Debentures and Other Long-Term Obligations	(2,125,309)	(1,280,033)
	<b>349,830</b>	<b>187,399</b>
<b>Cash Inflows (Outflows)</b>		
	<b>(94,449)</b>	<b>33,929</b>
Cash Position, Beginning of Year	1,313,486	1,279,557
Cash Position, End of Year	<b>1,219,037</b>	<b>1,313,486</b>
Cash Position Represented by:		
Cash and Short-Term Investments	<b>1,219,037</b>	<b>1,313,486</b>

**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
**As at March 31, 2020**

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**1. Financial Reporting and Accounting Policies**

The Province's consolidated financial statements are prepared in accordance with Canadian public sector accounting standards using the following significant accounting policies:

**(a) Government Reporting Entity**

The government reporting entity (GRE) is comprised of government components within the General Revenue Fund, other governmental units (GUs), government business enterprises (GBEs), and the Province's share of government partnership arrangements (GPAs). GUs and GBEs represent the entities that are controlled by the government. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend legislation or agreements. GPAs represent entities for which decision making and significant risks and benefits are shared with other parties outside of the GRE.

Trust funds that are administered by the Province but not controlled are excluded from the GRE and disclosed in Note 13.

**(b) Principles of Consolidation**

A GBE is a self-sustaining organization that has the financial and operating authority to sell goods and services to individuals and non-government organizations as its principal activity and source of revenue. GBEs are accounted for on the modified equity basis. Their accounting principles are not adjusted to conform with those of the Province. The total net assets of all GBEs are reported as Investment in Government Business Enterprises on the Consolidated Statement of Financial Position. The total net income from all GBEs is reported as a separate item on the Consolidated Statement of Operations and Accumulated Deficits.

A GPA is a contractual arrangement between the government and a party or parties outside the GRE. The partners have significant clearly defined common goals, make a financial investment in the partnership, share control of decision making, and share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership. The Province's interest in partnerships is accounted for using the modified equity method, as GPAs do not meet the threshold of materiality and cost-benefit to use the proportionate consolidation method.

A government component is not a separate entity but is an integral part of government, such as a department, agency, or public service unit within the General Revenue Fund, or a special purpose fund. A GU is a government organization that is not a GBE, GPA, or government component. GUs include certain boards, commissions, service organizations, and government not-for-profit entities. The accounts of government components and GUs are consolidated on a line-by-line basis after adjusting the accounting policies to be consistent with those described in Note 1(d). Significant inter-organization balances and transactions are eliminated.

A complete listing of the organizations within the Province's GRE is provided in Schedule 10.



**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
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**1. Financial Reporting and Accounting Policies (continued)**

**(c) Presentation of Estimates**

Each year, the Province prepares an annual budget, referred to as the Estimates, which represents the financial plan of the Province presented by the government to the House of Assembly for the fiscal year commencing April 1. The Estimates, forming the basis of the *Appropriations Act*, are prepared primarily for the management and oversight of the General Revenue Fund based upon the government's policies, programs, and priorities. Impacts of consolidation are summarized in the Estimates and included on a net basis as Consolidation and Accounting Adjustments.

For consolidation purposes, the Estimates were adjusted on a line-by-line basis to gross up the associated revenues and expenses of the Province's governmental units in order to be comparative with these consolidated financial statements.

**(d) Significant Accounting Policies**

**Revenues**

Revenues are recorded on the accrual basis in the fiscal year that the events giving rise to the revenues occurred. Revenues from personal and corporate income taxes and harmonized sales taxes are recorded in the year in which the taxable event occurs based upon estimates using statistical models after considering certain non-refundable tax credits and other adjustments from the federal government. As actual or more current economic data and information from the federal government becomes available for prior years, adjustments to tax revenues are recorded in the current year. Non-refundable personal and corporate income tax credits are tax concessions (relief of taxes owing), which are recorded as reductions to the corresponding tax revenues. Refundable personal and corporate income tax credits are transfers made through the tax system (financial benefits other than relief of taxes owing), which are recorded as expenses, not as reductions to tax revenues. Petroleum royalties are recorded based upon estimates using economic models and may be adjusted in the current year based on updated forecasts, as well as estimated abandonment costs for the future decommissioning or restoration of offshore field assets.

Government transfers received for operating purposes are recognized as revenue in the period during which the transfer is authorized and all eligibility criteria (if any) are met, except when and to the extent that the transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers meeting the definition of a liability are recorded as deferred revenue and are recognized as revenue as the stipulations are satisfied.

Government transfers received for capital purposes and contributed assets are recognized as revenue in the period that the tangible capital asset is acquired. Capital transfers that have been received in advance of project completion are recorded as deferred revenue and are recognized as revenue as the related eligible expenditures are incurred.

**Expenses**

Expenses are recorded on the accrual basis in the fiscal year that the events giving rise to the expenses occurred and are reported in more detail in Note 8, Expenses by Object. Grants and other government transfers are recognized as expenses in the period at the earlier of: 1) the transfer being authorized and all eligibility criteria are met by the recipients, and 2) time of the payment.

**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
**As at March 31, 2020**

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**1. Financial Reporting and Accounting Policies (continued)**

Provisions are made for probable losses on certain loans, investments, loan guarantees, accounts receivable, advances, forgivable loans, and for contingent liabilities when it is likely that a liability exists and the amount can be reasonably determined. These provisions are updated as estimates are revised, at least annually.

**Financial Assets**

Cash and Short-Term Investments are recorded at cost, which approximate market value, and include R-1 (low, middle, high) rated federal and provincial government bills or promissory notes, bankers' acceptances, term deposits, and commercial paper. Terms of investments are generally 1 to 90 days. The weighted average interest rate of short-term investments was 1.16 per cent at year-end.

Accounts Receivable are recorded at the principal amount less valuation allowances.

Inventories for Resale are held for sale in the ordinary course of operations and are recorded at the lower of cost and net realizable value.

Loans Receivable and Investments are recorded at cost less adjustments for concessionary assistance and any prolonged impairment in value. Concessionary assistance consists of subsidies provided by the Province and is recognized as an expense at the date of issuance of the loan or date of the investment. Loans usually bear interest at approximate market rates and normally have fixed repayment schedules. Any write-down of a loan or investment to reflect a loss in value is not reversed if there is a subsequent increase in value. Any write-offs must be approved by the Governor in Council.

**Liabilities**

Bank Advances and Short-Term Borrowings have initial maturities of one year or less and are recorded at cost, which approximates market value. At year-end, short-term Canadian dollar borrowings had a weighted average interest rate of 1.25 per cent.

Liabilities for Contaminated Sites are recognized when an existing environmental standard is exceeded, the Province is directly responsible or accepts responsibility, the Province expects to remediate and give up future economic benefits, and a reasonable estimate of the amounts can be made. Contaminated sites are a result of any chemical, organic, radioactive material, or live organism being introduced directly or via the air into soil, water, or sediment that exceeds an environmental standard. These liabilities include the costs directly attributable to remediation activities, including costs related to post-remediation operation, maintenance, and monitoring, that are an integral part of the remediation strategy. They are measured based on the best estimate of the expenditures required to complete the remediation, net of any expected recoveries. The carrying amounts of liabilities for contaminated sites are reviewed at each financial reporting date and updated as additional information is available. Any revisions to the amounts previously recognized is accounted for in the period in which the revisions are made.

Deferred Revenue is recorded when funds received are restricted by external parties for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized as revenue as the stipulations are met, funds are used for their intended purpose, or related eligible capital expenditures are incurred.

Unmatured Debt is comprised of debentures and various loans in Canadian and foreign currencies, as well as capital leases. Debt is recorded at par, net of sinking funds, which include the Public Debt Management Funds.



**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
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**1. Financial Reporting and Accounting Policies (continued)**

Hedge accounting is used when financial instruments form a hedging relationship, which is highly effective, and is considered to be consistent with the Province's financial risk management goals. To have reasonable assurance of the effectiveness of a hedging relationship, the Province must expect the relationship to be effective in achieving offsetting changes in the fair value or cash flows of the hedged item and the hedging item.

Hedge effectiveness requires a high correlation of changes in fair values or cash flows. To ensure effectiveness, the Province employs non-speculative derivatives that match the critical terms of the underlying hedged item. Hedging relationships include synthetic instruments, which involve relationships between two or more assets or liabilities with matching terms for the purpose of emulating the net cash flows or other characteristics of a single asset or liability. Synthetic instrument accounting is used to account for the assets and liabilities in a synthetic instrument relationship as though they were the item being emulated.

Sinking Fund and Public Debt Management Fund investments are recorded at cost, netted against unmatured debt, and consist primarily of debentures of the Province of Nova Scotia, other provincial governments, and the Government of Canada. Premiums and discounts on sinking funds are deferred and amortized over the life of the investment. Amortization and realized gains and losses for premiums and discounts relating to sinking fund balances and installments are recorded as part of sinking fund earnings.

Unamortized Foreign Exchange Translation Gains and Losses result when debentures payable in foreign currencies and sinking funds invested in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at March 31 and upon entering into derivative contracts. Unrealized foreign exchange gains and losses on the translation of foreign currency are deferred and amortized on a straight-line basis over the remaining term of the related monetary item.

Premiums and Discounts, as well as underwriting commissions relating to the issuance of debentures, are deferred and amortized over the term of the related debt. Amortization and realized foreign exchange gains and losses, premiums and discounts relating to debt balances, serial retirements, sinking fund balances, and installments are charged to debt servicing costs except as noted above.

Pension, Retirement and Other Obligations include various employee future benefit plans, including accumulated sick leave benefits, where responsibility for the provision of benefits rests with the Province. Liabilities for these plans are calculated using the projected benefit actuarial method using accounting assumptions that reflect the Province's best estimates of performance over the long term. The projected benefit actuarial method attributes the estimated cost of benefits to the periods of employee service. The net liability represents accrued employee benefits less the market related value of plan assets (if applicable) and the balance of unamortized experience gains and losses. The market related values are determined in a rational and systematic manner so as to recognize asset market value gains and losses over a five-year period.

Contingent Liabilities, including provisions for losses on loan guarantees, are potential obligations that may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the

**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
**As at March 31, 2020**

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**1. Financial Reporting and Accounting Policies (continued)**

consolidated financial statements. In cases where an accrual is made, but exposure exists beyond the amount accrued, this excess exposure would also be disclosed, unless the impact is immaterial or the disclosure would have an adverse effect on the outcome of the contingency.

**Net Debt**

Net Debt is measured as the difference between the Province's liabilities and financial assets, which represents the accumulation of all past annual surpluses/deficits and cumulative net acquisitions of non-financial assets.

**Non-Financial Assets**

Tangible Capital Assets have useful lives extending beyond the accounting period, are held for use in the production and supply of goods and services, and are not intended for sale in the ordinary course of operations. They are recorded at gross historical cost (or estimated cost when the actual cost is unknown) and include all costs directly attributable to the acquisition, construction, development, installation, and betterment of the tangible capital asset, except interest. Tangible capital assets include land, buildings, major equipment and software, vehicles, ferries, roads, highways, and bridges.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Province's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as amortization expense.

Contributed tangible capital assets received are recorded at their fair market value on the date of contribution, except in circumstances where the value cannot be reasonably determined, in which case they are recognized at nominal value. Tangible capital assets do not include intangibles or assets acquired by right, such as forests, water, and mineral resources, or works of art and historical treasures. Tangible capital assets are amortized to expense over the useful lives of the assets. The amortization methods and rates applied by the other governmental units are not adjusted to the methods and rates used by the General Revenue Fund.

Inventories of Supplies are held for consumption or use by the Province in the course of its operations and are recorded at the lower of cost and current replacement cost.

Prepaid Expenses are cash disbursements for goods or services, other than tangible capital assets and inventories of supplies, that will provide economic benefits in one or more future periods. The prepaid amount is recognized as an expense in the year the good or service is used or consumed.

**Accumulated Deficits**

Accumulated Deficits are measured as the difference between the Province's Net Debt and non-financial assets. This represents the cumulative balance of net surpluses and deficits arising from the operations of the Province.

**(e) Measurement Uncertainty**

Measurement uncertainty exists in determining certain amounts at which items are recorded or disclosed in these consolidated financial statements. Many items are measured using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. Uncertainty exists whenever estimates are used because actual results may differ materially from the Province's estimates.



NOVA SCOTIA

**Province of Nova Scotia  
Notes to the Consolidated Financial Statements  
As at March 31, 2020**

**1. Financial Reporting and Accounting Policies (continued)**

Measurement uncertainty that is material exists in the estimation of tax revenues, pension, retirement and other obligations, liabilities for contaminated sites, and the value of tangible capital assets.

Personal Income Tax (PIT) revenue of \$3.0 billion (2019 – \$2.5 billion), Corporate Income Tax (CIT) revenue of \$475.6 million (2019 – \$699.9 million), and Harmonized Sales Tax (HST) revenue of \$2.0 billion (2019 – \$1.8 billion), see Schedule 1, may be subject to subsequent revisions based on changes to key tax revenue inputs. Changes to tax revenue inputs can be based on new or revised information available in the future, possible differences between the estimated and actual economic growth, and other assumptions used in statistical modelling to accrue these revenues. When these changes are to revenue estimates of prior years, they are classified as prior years’ adjustments (PYAs), see Note 6. Revisions to tax revenue inputs can result in significant estimate changes and variance in actual experience. Some of the key variable inputs related to tax revenues include, but are not limited to, the following:

<b>Personal Income Tax</b>	<b>Corporate Income Tax</b>	<b>Harmonized Sales Tax</b>
<ul style="list-style-type: none"> <li>• Personal taxable income levels</li> <li>• Provincial taxable income yield</li> <li>• Tax credits uptake</li> </ul>	<ul style="list-style-type: none"> <li>• National corporate taxable income levels as provided by Finance Canada</li> <li>• Nova Scotia’s share of national taxable income</li> <li>• Tax credits uptake</li> </ul>	<ul style="list-style-type: none"> <li>• Personal consumer expenditure levels</li> <li>• Provincial GDP</li> <li>• Spending by exempt industries</li> <li>• Rebate levels</li> <li>• Residential housing investment</li> </ul>

The liabilities for pension, retirement and other obligations of \$2.7 billion (2019 – \$2.6 billion), see Note 5, are subject to uncertainty because actual results may differ significantly from the Province’s various long-term assumptions about plan members, return on investment of pension fund assets, health care cost trend rates for retiree benefits, the Province’s long-term cost of borrowing, and other economic conditions. Uncertainty exists in the liabilities for contaminated sites of \$398.9 million (2019 – \$372.1 million), see Note 10, because the actual nature and extent of the remediation activities, methods, and site contamination may differ significantly from the Province’s anticipated remediation plans. The net book value of tangible capital assets of \$6.4 billion (2019 – \$6.1 billion), see Schedule 7, is subject to uncertainty because of differences between estimated useful lives of the assets and their actual useful lives. Other areas requiring the use of management estimates include allowances for doubtful accounts and the valuation of loans receivable and investments.

**(f) Future Changes in Accounting Standards**

- PSAB has issued the following new accounting standards effective April 1, 2022:
- *PS 1201 Financial Statement Presentation* replaces PS 1200 with general reporting principles for disclosure of information and is effective in the period PS 2601 and PS 3450 are adopted
  - *PS 2601 Foreign Currency Translation* replaces PS 2600 with revised accounting and reporting principles for transactions that are denominated in a foreign currency
  - *PS 3041 Portfolio Investments* replaces PS 3040 with revised accounting and reporting principles for portfolio investments and is effective in the period PS 2601 and PS 3450 are adopted
  - *PS 3280 Asset Retirement Obligations* defines and provides guidance for accounting and reporting retirement obligations associated with tangible capital assets and includes the withdrawal of *PS 3270 Solid Waste Landfill Closure and Post-Closure Liability*



**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
**As at March 31, 2020**

**1. Financial Reporting and Accounting Policies (continued)**

– *PS 3450 Financial Instruments* defines and provides guidance for accounting and reporting all types of financial instruments including derivatives

PSAB has also issued *PS 3400 Revenue*, effective April 1, 2023, to provide guidance on how to account for and report on revenue from exchange and non-exchange transactions.

These new accounting standards have not been applied in preparing these consolidated financial statements. The Province is currently assessing the impact of these new standards, and the extent of the impact of their adoption on the consolidated financial statements has not yet been fully determined.

**2. Accounting Changes**

Accounting changes were made during the year that have the following impacts:

(\$ thousands)	2020		2019		
	Accumulated Net Debt April 1, 2019	Deficits April 1, 2019	Provincial Surplus	Net Debt April 1, 2018	Accumulated Deficits April 1, 2018
Correction to Judges' Retirement Plan Obligation	18,247	18,247	2,922	15,325	15,325

*Correction to Judges' Retirement Obligation – Decrease to Pension, Retirement and Other Obligations*

During the year, the Province determined that the obligation for the Judges' Supplementary Retirement Plan was overstated in prior years. This error was identified by our actuaries in the preparation of a new valuation. For certain judges, the previous valuation did not take into account the value of the pension benefits they earned under the Public Service Superannuation Plan, which resulted in an overstatement of the obligation. The Province recorded this adjustment retroactively. As a result, the opening accumulated deficits and net debt in 2019 decreased by \$18.2 million, debt servicing costs decreased by \$0.5 million, pension valuation adjustment decreased by \$2.4 million, and the provincial surplus increased by \$2.9 million.

**3. Restricted Assets**

As at March 31, 2020, assets of \$94.8 million (2019 – \$90.2 million) were designated for restricted purposes by parties external to the Province. Restricted cash and short-term investments totaled \$23.9 million (2019 – \$19.5 million), comprised of: \$14.3 million for Nova Scotia Health Authority (NSHA) Centre for Clinical Research (2019 – \$11.0 million), \$4.4 million for gas market development as part of the Nova Scotia Market Development Initiative Fund (2019 – \$4.4 million), \$2.3 million for endowment and scholarship funds (2019 – \$1.8 million), and \$2.9 million for various other purposes (2019 – \$2.3 million).

Restricted investments totaled \$70.9 million (2019 – \$70.7 million), comprised of: \$49.3 million for NSHA Centre for Clinical Research and other NSHA purposes (2019 – \$48.2 million), \$21.6 million for endowment funds (2019 – \$19.6 million), and \$nil for various other purposes (2019 – \$2.9 million).

Externally restricted inflows not spent by year-end create a liability that will be settled by using the restricted assets for their intended purposes. The restricted assets described in this note are segregated from other assets and will be used as prescribed in a future period.



NOVA SCOTIA

**Province of Nova Scotia  
Notes to the Consolidated Financial Statements  
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**4. Deferred Revenue**

(\$ thousands)

	2020	2019
Canada-Nova Scotia Emergency Treatment Fund	2,183	—
Canada-Nova Scotia Home and Community Care and Mental Health and Addictions Services Funding Agreement	4,549	9,000
Cape Breton-Victoria Regional Centre for Education	2,288	2,526
Conseil scolaire acadien provincial	2,487	3,139
Develop Nova Scotia	2,698	2,657
Federal Gas Tax Fund	2,896	1,753
Halifax Regional Centre for Education	5,400	5,234
Housing Nova Scotia – Social Housing Agreement and Other Federal Funding	53,013	35,837
Izaak Walton Killam Health Centre – Capital and Research Funds	28,185	27,358
Nova Scotia Community College	26,701	26,192
Nova Scotia Health Authority – Capital and Research Funds	70,107	65,490
Perennia Food & Agriculture Incorporated	4,781	70
Public Archives of Nova Scotia	2,422	2,442
Resource Recovery Fund Board Inc. – Unearned Revenue from Container Deposits, Paint Levies, and Tire Deposits	21,893	20,889
Seniors Pharmacare	8,205	7,407
Other Externally Restricted Funds	10,190	10,903
<b>Total Deferred Revenue</b>	<b>247,998</b>	<b>220,897</b>

**5. Pension, Retirement and Other Obligations**

The Province offers its employees a variety of pension and other retirement, post-employment, compensated absences (accumulated sick leave), and special termination benefits. Most plans are unfunded and are economically dependent on the Province. Except as otherwise noted, the cost of benefits are recognized in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when an event that obligates the Province to pay benefits occurs.

**(a) Description of Obligations**

**Pension Benefit Plans**

The Province participates in multiple funded pension plans. The Nova Scotia Public Service Superannuation Plan (PSSP) and the Nova Scotia Teachers' Pension Plan (TPP) are defined benefit plans with plan assets primarily composed of Canadian and foreign equities, government and corporate bonds, debentures, secured mortgages, and real estate. The plans are jointly funded with contributions from employees being matched by the Province. Benefits paid upon retirement are based on an employee's length of service, rate of pay, and inflation adjustments.

Since April 1, 2013, the PSSP operates under a joint governance structure whereby the Minister of Finance and Treasury Board transferred responsibility of the PSSP to the Public Service Superannuation Plan Trustee Inc. (PSSPTI), the new trustee of the PSSP. PSSPTI is a body corporate comprised of 13 board members – six represent the Province as the employer, six represent the employees, and an independent chairperson. Due to this change, the Province no longer has any residual liability for the PSSP and therefore does not record PSSP assets or

**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
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**5. Pension, Retirement and Other Obligations (continued)**

liabilities in these consolidated financial statements. The Province's pension expense for the PSSP is limited to the employer contributions paid to the PSSP, which are equal to the employee contributions. The contribution rate is set by PSSPTI pursuant to the legislated funding policy and is set for a five-year cycle.

As at March 31, 2020, the PSSP was 91.4 per cent funded. Based on the PSSP's funded health, indexing of 0.85 per cent per year was previously approved for the period of January 1, 2016 to December 31, 2020 and no changes to member and employer plan contributions were made. The most recent funded health review for the five-year cycle starting January 1, 2021 and ending December 31, 2025 was completed in 2019-20. As at December 31, 2019, the funded ratio was 98.5%, below 100%; therefore, no indexing will be paid during the following five-year cycle, and no changes to member and employer plan contributions were made. The Province's contributions to the PSSP in 2020 were \$88.7 million (2019 – \$84.5 million).

On April 1, 2006, the Minister of Finance and Treasury Board transferred responsibility for the governance of the TPP to the Teachers' Pension Plan Trustee Inc. (TPPTI). TPPTI is a body corporate comprised of nine board members – four nominated by the Nova Scotia Teachers' Union (NSTU), four nominated by the Province, and one Chair agreed to by both parties. As a result, the Province and NSTU membership agreed to share all surpluses and deficits of the plan equally. The Province accounts for one-half of all components of the accrued benefit liability associated with this plan in these consolidated financial statements. In addition, the Province recognizes one-half of the components associated with the net benefit plan expense associated with this plan. As at March 31, 2020, the total accrued benefit liability associated with this plan was \$804.0 million (2019 – \$737.7 million).

As at December 31, 2019, the TPP was 78.2 per cent funded. The *TPP Regulations* stipulate that when the most recent actuarial valuation shows an actuarial deficit of more than 10.0 per cent, no indexing shall be provided to those pensioners under the variable indexing provision (those who retired on or after August 1, 2006, and those who retired prior to August 1, 2006 but elected to participate in the variable indexing provision). In accordance with Regulation 27C(1), the Province contributed an additional \$23.3 million to the TPP in 2020 (2019 – \$15.8 million) based on the present value of the forgone indexing as determined by the TPP's actuary. The Province's total contributions to the TPP in 2020 were \$129.6 million (2019 – \$119.2 million).

During the year, the weighted average actual rate of return on TPP plan assets was -2.5 per cent (2019 – 5.4 per cent). The total market value of plan assets at March 31, 2020 was \$4.9 billion (2019 – \$5.2 billion). The liability recorded in 2020 for the TPP was based on the most recent actuarial valuation performed at December 31, 2018, extrapolated to March 31, 2020.

Another one of the Province's significant funded pension plans is the Nova Scotia Health Employees' Pension Plan (NSHEPP), a multiemployer defined benefit pension plan, funded by employer and employee contributions. As at December 31, 2019, the NSHEPP was 138.3 per cent funded. As the Province does not sponsor this plan, the annual net benefit plan expense is the amount of required contributions provided for employees' services rendered during the year. The accrued benefit asset (liability) of this plan is not recognized in these consolidated financial statements. The most recent actuarial valuation was performed on July 1, 2017 and extrapolated to December 31, 2019, which indicated a funding surplus of \$2.1 billion (2019 – \$2.1 billion). The Province's contributions to this plan in 2020 were \$109.7 million (2019 – \$106.0 million).



**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
**As at March 31, 2020**

**5. Pension, Retirement and Other Obligations (continued)**

The Province is also responsible for the Pension Plan for the Non-Teaching Employees of the Nova Scotia Education Entities, which provides pension benefits to the non-teaching employees of the participating Regional Centres for Education (RCEs) and the Conseil scolaire acadien provincial (CSAP). The Province fully accounts for the accrued benefit asset and net benefit plan expense of this plan. The most recent actuarial valuation was performed on December 31, 2018 and extrapolated to March 31, 2020. As at December 31, 2018, the plan was 99.3 per cent funded, and the total market value of the plan assets at March 31, 2020 was \$170.4 million (2019 – \$171.0 million). Employer contributions in 2020 were \$5.2 million (2019 – \$4.6 million).

The Province has several other unfunded defined benefit pension plans. The liabilities for these other plans recorded in 2020 were based on the most recent actuarial valuations performed between September 30, 2017 and December 31, 2018 and extrapolated to March 31, 2020.

**Retirement Allowances**

The Province sponsors retirement allowance plans for which benefits are paid upon retirement based on an employee's length of service and rate of pay. The Province discontinued its retirement allowance plans for unionized staff and non-union civil servant/management employees on April 1, 2015 and August 11, 2015 (discontinuation dates), respectively, and no new members will be admitted into the plans. The discontinuation does not apply to a person who is entitled to receive a service award under the *Public Service Award Regulations* made under the *Provincial Court Act*. During 2019, certain eligible employees were provided with a one-time option to elect an immediate payment of their retirement allowance entitlement. A total of 18,468 employees were eligible for the early service payout, of which 16,883 employees (91.4 per cent) elected to receive an immediate payment in lieu of their retirement allowance. A total of \$160.4 million in payments were made during 2019, and \$6.2 million were paid subsequent to March 31, 2019. The payment of any remaining retirement allowances will be deferred until retirement and calculated based on accumulated service as of the respective discontinuation dates, or as of the first day of a new collective agreement for those contracts expiring after that date, and salary upon retirement.

The liabilities for these retirement allowance plans recorded in 2020 were based on the most recent actuarial valuations performed between April 1, 2017 and March 31, 2020 and extrapolated to March 31, 2020.

**Post-Employment Benefits**

The Province sponsors two unfunded post-employment benefit plans: a Self-Insured Workers' Compensation Plan and retirement health benefits, some of which contain a life insurance provision. Retirement health benefits vary depending on the collective agreements negotiated with each group. The Province pays 65.0 per cent and 100.0 per cent of the cost of retirement health benefits for the PSSP and TPP retirees, respectively.

For the Self-Insured Workers' Compensation Plan, the amount recorded in these consolidated financial statements represents the actual amount of benefits paid during the year plus the actuarial estimate of future payments based on claims ongoing at year-end.

The liabilities for these post-employment benefit plans recorded in 2020 were based on the most recent actuarial valuations performed between March 31, 2017 and March 31, 2020 and extrapolated to March 31, 2020.

**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
**As at March 31, 2020**

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**5. Pension, Retirement and Other Obligations (continued)**

The Province also participates in the Nova Scotia Public Service Long Term Disability Plan (LTD Plan). The Province has no residual responsibility to the LTD Plan for any shortfalls in funding. As a result, the Province does not account for any net position of the LTD Plan in these consolidated financial statements. The LTD Plan is managed and administered, under joint trusteeship, by a Board of Trustees appointed by the two plan Sponsors: the Province and the Nova Scotia Government and General Employees Union (NSGEU). The LTD Plan is funded equally by employer and employee contributions and all liability for benefits resides exclusively with the LTD Plan's trust fund. The most recent actuarial valuation was performed at December 31, 2018 and indicated a funded ratio of 161.8 per cent. The Province's contributions to this plan in 2020 were \$7.4 million (2019 – \$7.0 million).

**Accumulated Sick Leave Benefits**

The Province's RCEs and CSAP, health authorities, and Nova Scotia Community College (NSCC) have collective agreements containing sick leave provisions that accumulate but do not vest. The Province must measure and record a liability associated with the accumulated sick leave benefits (ASLBs) anticipated to be used in future years. The Province's ASLBs are unfunded, meaning there are no assets set aside to cover the related costs of these benefits in the future.

Due to the nature of these benefits, a liability and expense are measured using actuarial valuations to estimate their financial value. An actuarial assumption must be developed to reflect the probability of employees actually using ASLB "banked days". This involves a detailed analysis of several years of data to determine historical usage. A historical usage pattern is not based on the data group as a whole but must take into account a number of specific factors such as, but not limited to, gender, age, and type of contract or job functions, each of which may impact the anticipated amount of accumulated sick leave time to be taken in the future. As a result, the anticipated usage assumption may involve a number of criteria and circumstances that then must be applied to the data in coordination with other actuarial assumptions such as the discount rate, retirement age assumptions, future salary increases, mortality rates, etc. The liabilities for ASLBs recorded in 2020 were based on the most recent actuarial valuations performed between March 31, 2017 and August 15, 2019 and extrapolated to March 31, 2020.

**Special Termination Benefits**

The Province offered early retirement incentive programs to members of the PSSP and TPP in 1986 and 1994, respectively. Qualified members were offered additional years of pensionable service if they elected to retire early. The cost of these benefits was accrued in the year the employee accepted the early retirement option and continue to be calculated using actuarial valuations. The liabilities for these special termination benefits recorded in 2020 were based on the most recent actuarial valuations performed at December 31, 2018 and extrapolated to March 31, 2020.



NOVA SCOTIA

**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
**As at March 31, 2020**

**5. Pension, Retirement and Other Obligations (continued)**

**(b) Summary of Balances at Year-End**

(\$ thousands)

			2020	2019
	Pension Benefits	Other Benefits	Total	Total
				<i>(as restated)</i>
Projected Benefit Obligation,				
Beginning of Year	3,939,824	1,782,847	5,722,671	5,884,759
Current Benefit Cost	82,830	82,320	165,150	159,404
Interest Cost	226,196	58,171	284,367	281,456
Actuarial Losses (Gains)	(69,474)	(2,249)	(71,723)	80,488
Benefit/Premium Payments	(248,335)	(75,168)	(323,503)	(695,876)
Other	1,801	222	2,023	5,884
Plan Settlement	—	237	237	6,556
<b>Projected Benefit Obligation,     End of Year</b>	<b>3,932,842</b>	<b>1,846,380</b>	<b>5,779,222</b>	<b>5,722,671</b>
Market Related Value of Plan Assets,				
Beginning of Year	2,842,309	—	2,842,309	2,771,377
Expected Return on Plan Assets	175,149	—	175,149	168,000
Actuarial Losses	(68,251)	—	(68,251)	(10,685)
Benefit Payments	(248,384)	—	(248,384)	(242,106)
Other	1,270	—	1,270	830
Plan Settlement	—	—	—	(3,391)
Employer Contributions	105,841	—	105,841	100,459
Employee Contributions	60,336	—	60,336	57,825
<b>Market Related Value of Plan Assets,     End of Year</b>	<b>2,868,270</b>	<b>—</b>	<b>2,868,270</b>	<b>2,842,309</b>
Funded Status, End of Year	1,064,572	1,846,380	2,910,952	2,880,362
Unamortized Net Actuarial Gains (Losses)	(228,433)	11,810	(216,623)	(262,780)
<b>Accrued Benefit Liability,     End of Year</b>	<b>836,139</b>	<b>1,858,190</b>	<b>2,694,329</b>	<b>2,617,582</b>

**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
**As at March 31, 2020**

**5. Pension, Retirement and Other Obligations (continued)**

**(c) Actuarial Assumptions**

Below are the significant assumptions used to measure the Province's benefit plan obligations.

	2020		2019	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits
Long-term inflation rate	2.00%	2.00%	2.00%	2.00%
Expected real rate of return on plan assets:				
TPP	4.26%		4.17%	
Rate of compensation increase	2.0% - 2.5% + merit	2.0% - 2.5% + merit	2.0% - 2.5% + merit	2.0% - 2.5% + merit
Discount rates:				
TPP	6.35%		6.25%	
Other Plans		3.24%		3.29%

**Other assumptions**

- 7.0 per cent annual rate increase in the cost per person for covered health care benefits for 2018-19, decreasing to an ultimate rate of 4.5 per cent per annum over 15 years
- 7.0 per cent annual rate increase in the cost per person for covered prescription drugs for 2018-19, decreasing to an ultimate rate of 4.5 per cent per annum over 15 years

Actuarial assumptions are reviewed and assessed on an annual basis to ensure that they take into account various changing conditions and reflect the Province's best estimate of performance over the long term.

The net unamortized actuarial gains (losses) are amortized on a straight-line basis over the expected average remaining service life (EARSL) of the related employee groups ranging from 5.0 to 18.0 years. The Province's weighted-average EARSL is 15.0 years.

**(d) Sensitivity Analysis**

Changes in actuarial assumptions can result in significantly different estimates of the projected benefit obligations. The table below indicates the possible changes to these obligations for the more significant benefit plans as a result of slightly different key actuarial assumptions.

(\$ thousands)

	2020		2019		2020	
	Pension Benefits	Other Benefits	Pension Benefits	Other Benefits	Total	Total
Possible change in obligations due to:						
a) Discount Rate - 0.5% Decrease	221,682	6.0%	185,429	10.4%	407,111	7.4%
b) Salary Growth Rate - 1.0% Increase	122,842	3.3%	16,952	0.9%	139,794	2.6%
c) Health Care Cost Trend Rate - 1.0% Increase	n/a	n/a	401,641	22.5%	401,641	7.3%

The above sensitivity analyses are based on a change in one assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the projected benefit obligations to significant actuarial assumptions, the same method was applied as when calculating the projected benefit obligations recognized on the statement of financial position.



NOVA SCOTIA

**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
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**5. Pension, Retirement and Other Obligations (continued)**

**(e) Net Benefit Plans Expense**

The table below shows the components of the net benefit plans expense.

(\$ thousands)

			2020	2019
	Pension Benefits	Other Benefits	Total	Total
				<i>(as restated)</i>
Current Benefit Cost	82,830	82,320	165,150	159,404
Employee Contributions	(60,336)	(10)	(60,346)	(57,838)
Employer Contributions *	64,796	—	64,796	59,074
Plan Settlement	—	237	237	(556)
Loss on Settlement	—	—	—	10,502
Amortization of Net Actuarial Losses (Gains)	53,716	(10,826)	42,890	43,025
Recognition of Actuarial Losses (Gains) on Settlement	—	(204)	(204)	4,966
Other	(44)	37	(7)	4,729
Interest Cost	226,196	58,171	284,367	281,456
Expected Return on Plan Assets	(175,149)	—	(175,149)	(168,000)
Employer Contributions to Multi-Employer Plans	198,469	7,427	205,896	197,406
<b>Net Benefit Plans Expense</b>	<b>390,478</b>	<b>137,152</b>	<b>527,630</b>	<b>534,168</b>
<b>Recorded as:</b>				
Fringe Benefits Expense	311,213	56,760	367,973	366,569
Pension Valuation Adjustment	28,218	22,221	50,439	54,143
Net Pension Interest Cost	51,047	58,171	109,218	113,456
<b>Net Benefit Plans Expense</b>	<b>390,478</b>	<b>137,152</b>	<b>527,630</b>	<b>534,168</b>

\* This represents one-half of the employer contributions made by the Province to the TPP. Included in the figures above are one-half of all transactions associated with the TPP to reflect the Province's share of this plan under joint trusteeship.



## Notes to the Consolidated Financial Statements

### Province of Nova Scotia Notes to the Consolidated Financial Statements As at March 31, 2020

#### 6. Prior Years' Adjustments (PYAs)

PYAs resulting from measurement uncertainty reflect updates to the Province's forecasts and revisions to information obtained from the federal government relating to prior years. The current year revenues and corresponding PYAs are reported on Schedule 1 as follows:

(\$ thousands)

	2020			2019		
	Current	PYA	Total	Current	PYA	Total
<b>Provincial Sources</b>						
Personal Income Tax	2,890,224	87,672	2,977,896	2,691,576	(141,639)	2,549,937
Corporate Income Tax	537,865	(62,240)	475,625	630,864	68,993	699,857
Harmonized Sales Tax	1,936,772	107,940	2,044,712	1,843,297	(3,151)	1,840,146
Petroleum Royalties	—	7,813	7,813	6,889	68,983	75,872
Preferred Share Dividend <sup>1</sup>	—	7,475	7,475	—	7,826	7,826
Large Corporations Tax <sup>1</sup>	—	(49)	(49)	—	(38)	(38)
		<u>148,611</u>			<u>974</u>	
<b>Federal Sources</b>						
Canada Health Transfer	1,043,370	(367)	1,043,003	998,752	973	999,725
Canada Social Transfer	376,945	(135)	376,810	366,558	360	366,918
		<u>(502)</u>			<u>1,333</u>	

<sup>1</sup> Included in Other Tax Revenue on Schedule 1

#### 7. Debt Servicing Costs

(\$ thousands)

	2020	2019
		(as restated)
CDN\$ Denominated Debt	692,897	733,072
Pension, Retirement and Other Obligations	109,218	113,456
Capital Leases	11,247	13,330
Other Debt	22,112	19,629
Amortization of Premiums and Discounts on Unmatured Debt	(1,156)	826
Amortization of Foreign Exchange Gains	(6,995)	(15,029)
<b>Total Debt Servicing Costs</b>	<b>827,323</b>	<b>865,284</b>

Total debt servicing costs for the Province's government business enterprises were \$10.4 million (2019 – \$10.2 million) for the year ended March 31, 2020.

#### 8. Expenses by Object

(\$ thousands)

	2020	2019
		(as restated)
Grants and Subsidies	4,346,830	4,185,435
Salaries and Employee Benefits	4,381,405	4,084,908
Operating Goods and Services	1,986,696	1,874,776
Professional Services	356,519	298,296
Amortization	440,228	442,219
Debt Servicing Costs	827,323	865,284
Other	2,848	953
<b>Total Expenses by Object</b>	<b>12,341,849</b>	<b>11,751,871</b>



**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
**As at March 31, 2020**

**9. Cash Flow — Net Change in Other Items**

(\$ thousands)

	2020	2019 <i>(as restated)</i>
Increase in Receivables from Government Business Enterprises	(41,900)	(18,986)
Decrease (Increase) in Accounts Receivable	(96,596)	404,679
Increase in Bank Advances and Short-Term Borrowings	197,585	100,080
Decrease in Accounts Payable and Accrued Liabilities	(178,013)	(266,578)
Decrease (Increase) in Inventories for Resale	(359)	82
Decrease in Assets Held for Sale	—	1,552
Increase in Inventories of Supplies	(9,495)	(3,023)
Increase in Prepaid Expenses	(19,499)	(2,846)
Increase in Deferred Revenue	27,101	11,985
Increase (Decrease) in Accrued Interest	(27,985)	4,889
Increase (Decrease) in Pension, Retirement and Other Obligations	76,747	(276,401)
Increase in Liabilities for Contaminated Sites	26,794	86,655
<b>Total Net Change in Other Items</b>	<b>(45,620)</b>	<b>42,088</b>

**10. Contaminated Sites**

Various provincially owned sites throughout the province are considered environmental or contaminated sites. Studies are ongoing to assess the nature and extent of damage to develop remediation plans. Provisions for these costs are recorded when it is determined a liability exists and a reasonable estimate of the remediation costs can be made. As at March 31, 2020, a total liability for contaminated sites of \$398.9 million (2019 – \$372.1 million) has been recorded in these consolidated financial statements.

The Province’s estimates for remediation are based on environmental studies, engineering reports, and if appropriate, extrapolation techniques similar to those that have been used at other contaminated sites with which the Province was involved. These estimates have been measured on an undiscounted basis. As at March 31, 2020, the Province has identified and continues to track approximately 129 sites in total. Of these, 41 were identified as sites where action is likely and for which a liability was recorded, including the following:

*Sydney Steel Corporation (SYSCO) and Adjacent Sites including the Sydney Tar Ponds/Coke Ovens site*

As at March 31, 2020, a liability of \$63.5 million (2019 – \$65.4 million) has been recognized for future decommissioning, demolition, and remediation of SYSCO’s and adjacent sites, including the long-term maintenance and monitoring of the Sydney Tar Ponds/Coke Ovens site expected until 2039.

*Boat Harbour in Pictou County*

As at March 31, 2020, a liability of \$260.1 million (2019 – \$230.0 million) has been recognized for the remediation of effluent on site. At this stage in the process, the Province continues to test and refine its current remediation strategy, and as a result there is still significant measurement uncertainty related to this estimate. A comprehensive remediation plan is under review by the federal regulator, and an approval decision is pending.

**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
**As at March 31, 2020**

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**10. Contaminated Sites (continued)**

The federal government has committed to reimbursing the Province for up to \$100.0 million in eligible remediation costs incurred on this project. \$85.0 million of such costs have already been included as part of the Boat Harbour remediation liability. This federal commitment has been disclosed as a contractual right in Note 11(d) and is expected to result in revenue in future periods as the remediation is completed.

*Abandoned Mine Sites*

The Province is responsible for the risk management and potential remediation of certain historic abandoned mines that exist on Crown land. For most of these mine sites, the companies that caused the contamination no longer exist. The mining operations were primarily comprised of gold and other metals, coal, gypsum, and limestone. The risk of contamination at these sites primarily comes from mine tailings and other possible contaminants that were left on site.

The Province has identified 2 former gold mine sites where contamination is known to exceed an environmental standard. A liability of \$47.9 million (2019 – \$48.0 million) has been recognized for these sites. In addition, the Province has identified 4 other abandoned mine sites (2 gold and 2 coal) where contamination is expected to exceed an environmental standard; however, no liability has been recognized for these sites as further testing and evaluation is required to determine the extent of possible remediation activities. If remediation activities are required for these sites, a liability will be recorded when the extent becomes measurable.

For the remaining 84 identified sites, 63 of which are additional abandoned mine sites, no liability for remediation has been recorded either because they have a minimal risk of requiring future remediation or the extent of contamination and possible remediation activities is unknown. They are at various stages of evaluation, and studies will continue to assess the nature and extent of contamination to develop remediation plans and record a liability, if necessary. For the sites with minimal contamination, the Province does not expect to give up any future economic benefits as there is likely no significant environmental impact or risks to human health.

**11. Contingencies and Contractual Obligations/Rights**

**(a) Contingent Liabilities**

**Lawsuits**

The Province is involved in various legal proceedings arising from government activities. These disputes have resulted from breaches of contract, damages suffered by individuals or property, and related elements. These claims include items with pleading amounts and items where an amount is not specified. While the total amount claimed in these actions may be significant, their outcomes are not certain.

When a loss due to a lawsuit is likely to occur and the amount can be reasonably estimated, the amount is recorded as an accrued liability and an expense. The accrued liability for pending litigation in process as at March 31, 2020 was \$106.9 million (2019 – \$62.7 million).



**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
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**11. Contingencies and Contractual Obligations/Rights (continued)**

**Guarantees**

Guarantees by the Province are authorized by various acts of legislature and provided through specific agreements and programs to repay promissory notes, bank loans, lines of credit, mortgages, and other securities. Provisions for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provisions represents the Province’s best estimate of future payments. Estimates take into consideration the nature of the loan guarantees, loss experience, and current conditions. The provisions are reviewed on an ongoing basis and changes in the provisions are recorded as expenses in the year they become known. Details on guarantees authorized, utilized, and accrued are presented in Schedule 8.

**Other Contingent Liabilities**

The Province also has contingent liabilities in the form of indemnities. The Province’s potential liability, if any, cannot be determined at this time.

**(b) Contingent Gains**

The Province may receive funds in the future from recoveries of various types of claims paid out and other agreements pending the occurrence of certain events. Recoveries are recorded once the contingent events occur, are measurable, and collectability is reasonably assured.

**(c) Contractual Obligations**

As at March 31, 2020, the Province had contractual obligations as follows:

(\$ thousands)

Fiscal Year	Governmental Units	Government Business Enterprises	Total Contractual Obligations
2021	1,470,132	3,323	1,473,455
2022	1,036,475	1,853	1,038,328
2023	944,158	1,687	945,845
2024	873,762	1,607	875,369
2025	416,915	1,603	418,518
2026 to 2030	1,855,148	—	1,855,148
2031 to 2035	1,376,297	—	1,376,297
2036 to 2040	241,515	—	241,515
2041 and thereafter	2,845	—	2,845
	8,217,247	10,073	8,227,320

These contractual obligations are comprised of \$7,965.1 million from the General Revenue Fund, \$252.1 million from the Province’s governmental units, and \$10.1 million from the government business enterprises. Included are contractual obligations for the Department of Health and Wellness of \$3,053.0 million for service agreements with long-term care facilities, \$1,862.1 million for the Department of Justice for the Royal Canadian Mounted Police (RCMP) policing services, \$1,537.9 million for Assistance to Universities relating to post-secondary operating grants, \$233.5 million for the Department of Municipal Affairs and Housing for future commitments associated with the Federal Gas Tax transfer, \$190.5 million for the Department of Education and Early Childhood Development for exercising the purchase option on several P3 schools, \$120.1 million for the Halifax Regional Centre for Education mainly for transportation services, and \$101.2 million for Nova Scotia Business Inc. for projects approved under various programs.

## Notes to the Consolidated Financial Statements

### Province of Nova Scotia Notes to the Consolidated Financial Statements As at March 31, 2020

#### 11. Contingencies and Contractual Obligations/Rights (continued)

##### Leases

As at March 31, 2020, the Province was contractually obligated under various operating leases. Future minimum annual lease payments were as follows:

(\$ thousands)

Fiscal Year	Governmental Units	Government Business Enterprises	Total Lease Payments
2021	86,571	110	86,681
2022	64,689	188	64,877
2023	55,518	188	55,706
2024	43,248	188	43,436
2025	34,167	188	34,355
2026 to 2030	64,593	78	64,671
2031 to 2035	22,491	—	22,491
2036 to 2040	14,288	—	14,288
2041 and thereafter	8,677	—	8,677
	394,242	940	395,182

##### (d) Contractual Rights

As at March 31, 2020, the Province had contractual rights as follows:

(\$ thousands)

Fiscal Year	Governmental Units	Government Business Enterprises	Total Contractual Rights
2021	332,022	—	332,022
2022	363,802	—	363,802
2023	227,126	—	227,126
2024	150,365	—	150,365
2025	43,408	—	43,408
2026 to 2030	93,044	—	93,044
2031 to 2035	2,381	—	2,381
2036 to 2040	2,381	—	2,381
2041 and thereafter	1,389	—	1,389
	1,215,918	—	1,215,918

These contractual rights are comprised of \$465.7 million for the Department of Transportation and Infrastructure Renewal for various federal funding programs, including \$100.0 million for the reimbursement of remediation costs associated with the Boat Harbour site in Pictou County, \$85.0 million of such costs have already been included as part of the liability described in Note 10. Other contractual rights include \$233.5 million for the Department of Municipal Affairs and Housing for the Federal Gas Tax transfer and \$93.4 million for the Department of Education and Early Childhood Development for Early Learning and Child Care programs.



**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
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**12. Risk Management and Use of Derivative Financial Instruments**

As a result of borrowing in both Canadian and foreign financial markets and being a party to financial instruments, the Province is exposed to interest rate risk, credit risk, liquidity risk, and foreign exchange risk. The Province employs various risk management strategies and operates within fixed risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. A variety of strategies are used, including the use of derivative financial instruments (derivatives). Derivatives are financial contracts, the value of which is derived from underlying instruments. The Province uses derivatives to hedge and to mitigate foreign exchange risk and interest rate risk. The Province does not use derivatives for speculative purposes.

**Interest rate risk**

Interest rate risk is the risk that debt servicing costs will vary unfavourably due to fluctuations in interest rates. To reduce its exposure to interest rate risk, the Province uses derivatives to manage the fixed and floating interest rate mix of its debt portfolio. Interest rate contracts include swap agreements and options on swaps. These contracts are used to vary the amounts and periods for which interest rates on borrowings are fixed or floating.

As at March 31, 2020, the Province had executed 37 interest rate swap contracts to convert certain interest payments from fixed to floating. These swaps have terms remaining of 0.2 years to 14.6 years, a notional principal value of \$1.1 billion, and a mark to market value of -\$20.0 million. A one per cent increase or decrease in interest rates would result in a \$19.8 million increase or decrease in debt servicing costs on floating debt instruments outstanding at year-end.

**Credit risk**

Credit risk is the risk that a counterparty will default on its contractual obligations. The Province manages its credit risk exposure from derivatives by, among other activities, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. The Province's policy requires that a minimum credit rating for counterparties to derivative transactions be "A-" with a stable outlook as determined by the major credit rating agencies.

**Liquidity risk**

Liquidity risk is the risk that the Province will not be able to meet its financial commitments over the short term. To reduce liquidity risk, the Province maintains liquid reserves (cash and cash equivalents) at levels that will meet future cash requirements and will give the Province flexibility in the timing of issuing debt. In addition, the Province has a short-term note program, uncommitted bank lines, and discretionary sinking funds as alternative sources of liquidity. This risk is also managed by distributing debt maturities over many years and having up to 50.0 per cent of long-term debt with a maturity of over 15.0 years.

**Foreign exchange risk**

Foreign exchange risk is the risk that the cash flows needed to repay the interest and principal on loans in foreign currencies will vary due to fluctuations in foreign exchange rates. To manage this risk, the Province uses derivative contracts to convert foreign currency principal and interest cash flows into Canadian dollar denominated cash flows. Derivative contracts hedge the underlying debt by matching the critical terms to achieve effectiveness. Foreign exchange contracts include swap agreements that are used to convert the liability for foreign currency borrowing and associated costs into Canadian dollars.

**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
**As at March 31, 2020**

**12. Risk Management and Use of Derivative Financial Instruments (continued)**

The Province has currency swap contracts which convert foreign denominated debt into Canadian dollar-denominated debt as follows:

(\$ thousands)

<b>Termination Date</b>	<b>Original Currency</b>	<b>Original Principal</b>	<b>Current Currency</b>	<b>Current Principal</b>	<b>Mark to Market<sup>1</sup></b>
May 1, 2021	US\$	300,000	CDN\$	312,002	101,569
April 1, 2022	US\$	300,000	CDN\$	379,517	48,927
July 30, 2022	US\$	300,000	CDN\$	329,310	82,922
<b>Total</b>	US\$	<u>900,000</u>	CDN\$	<u>1,020,829</u>	<u>233,418</u>

<sup>1</sup> - Mark to Market is an indication of the swap's market value as at March 31, 2020. It is also the equivalent of the present value of future cash flows based on market conditions at March 31, 2020.

**13. Trust Funds Under Administration**

Trust fund assets solely administered by the Province are as follows:

(\$ thousands)

	<b>2020</b>	<b>2019</b>
Nova Scotia Credit Union Deposit Insurance Corporation <sup>1</sup>	34,405	30,039
Public Trustee <sup>2</sup>	54,450	62,728 *
Miscellaneous Trusts <sup>3</sup>	25,984	25,426 *
<b>Total Trust Funds Under Administration</b>	<u>114,839</u>	<u>118,193</u>

<sup>1</sup> - Represents trust with December 31 year-end

<sup>2</sup> - Financial statements of these funds are available in Public Accounts – Volume 2

<sup>3</sup> - Miscellaneous trusts include a large number of relatively small funds

\* - Amount was updated from the prior year based on the most current information

**Other**

The Nova Scotia Teachers' Union and the Province agreed to joint trusteeship of the Teachers' Pension Plan (TPP) effective April 1, 2006. Under joint trusteeship, the trustee of the Plan is the Teachers' Pension Plan Trustee Inc. (TPPTI), of which the Province appoints four of nine members. TPPTI is responsible for the administration of the trust fund and investment management of fund assets. The total net assets available for benefits as at December 31, 2019 were \$5.4 billion (2018 – \$4.9 billion).

Effective April 1, 2013, the Minister of Finance and Treasury Board transferred responsibility of the Public Service Superannuation Plan to a new trustee, Public Service Superannuation Plan Trustee Inc., of which the Province appoints six of thirteen members. As a result of this transfer, the Province no longer has any responsibility for this plan. As at March 31, 2020, the total net assets available for benefits were \$6.4 billion (2019 – \$6.5 billion).

The Nova Scotia Public Service Long Term Disability Plan (LTD Plan) operates as a joint trusteeship. As such, the Board of Trustees is appointed by the two plan Sponsors: the Province and the Nova Scotia Government and General Employees Union (NSGEU). The Trustees are responsible for the administration of the trust fund and investment management of fund assets, and all liability for benefits resides exclusively with the LTD Plan's trust fund. Total net assets available for benefits as of December 31, 2019 were \$166.3 million (2018 – \$157.1 million).



**Province of Nova Scotia**  
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**14. Related Party Transactions**

Included in these consolidated financial statements are insignificant transactions with various provincial Crown corporations, agencies, boards, and commissions. Significant related party transactions have been eliminated for purposes of consolidated reporting. Parties are deemed to be related to the General Revenue Fund due to common control or ownership by the Province.

Related parties also include key management personnel having the authority and responsibility for planning, directing, and controlling the activities of the Province, their close family members, and any entities closely affiliated with these individuals. Key management personnel for the Province have been identified as the Premier, Cabinet Ministers, other MLAs appointed to Treasury and Policy Board, Deputy Ministers, Associate Deputy Ministers, and the senior leaders and Board members of the Province's controlled entities. The Province may enter into transactions with these individuals and entities in the normal course of business measured at the exchange amount.

For the year ended March 31, 2020, there were no transactions to report between the Province and key management personnel, their close family members, or any entities affiliated with them, at a price different than fair market value or under terms different than what two unrelated parties would agree to.

The most significant unadjusted related party transactions are described in more detail in Schedule 6 – Government Business Enterprises.

**15. Impact of COVID-19 Pandemic**

On March 11, 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization, and the spread of the virus has severely impacted many economies around the world. As a result, the Province declared a provincial state of emergency on March 22, 2020 to help contain the spread of COVID-19. The state of emergency has been extended until August 23, 2020.

The initial public health measures in response to the pandemic evolved rapidly and caused significant disruptions throughout the economy, resulting in a slowdown. Many organizations in the province were temporarily forced to cease or limit operations. Other protocols included provincial border restrictions, travel bans, social distancing and self-isolating requirements, physical safety and enhanced cleaning practices in workplaces, and restrictions up to and including some closures of non-essential services. Some restrictions have been reduced since March 31, 2020, and businesses have begun reopening but must continue to follow the *Health Protection Act* Order and public health directives.

Operational Impact

The Province has experienced considerable operational impacts due to COVID-19 and, as a result, reduced or suspended many government services starting March 18, 2020. These impacts included delays in most non-urgent healthcare services and surgeries. In response to COVID-19, the Nova Scotia Health Authority (NSHA) and IWK Health Centre reacted quickly by setting up COVID-19 assessment centers across the province, transitioning to virtual care, enhancing lab testing capacities, and increasing the usage of personal protective equipment and other supplies to protect against the virus. Mandatory screening protocols and visitor restrictions were also put into place across the province.

In addition, all public schools in the province were closed effective March 23, 2020. The closures continued for the duration of the 2019-20 school year. The RCEs and CSAP also took significant measures to follow public health protocols including closing the regional offices to the public, social distancing, and limiting non-essential travel. Despite the closure of public schools, a continuity of learning plan was implemented for students.



**Province of Nova Scotia**  
**Notes to the Consolidated Financial Statements**  
**As at March 31, 2020**

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**15. Impact of COVID-19 Pandemic (continued)**

The operational impact to the Province's government business enterprises was significant to Nova Scotia Gaming Corporation (NSGC), which ceased video lottery operations and closed its casinos on March 15, 2020. Video lottery operations began a gradual reopening June 6, 2020; however, casinos remain closed and a reopening date has not yet been determined. NSGC performed an impairment assessment of the carrying values of its assets at year-end and determined that no impairment adjustments were required. NSGC continues to manage liquidity risk by forecasting and assessing cash flow requirements on an ongoing basis.

Financial Impact

COVID-19 has caused significant volatility and thus increased measurement uncertainty related to the impacts of the virus. These consolidated financial statements include management's best estimate regarding the impact of COVID-19 on revenues and costs in 2020. The effects of this pandemic will continue into the foreseeable future, and the Province continues to assess and monitor the effects on its financial condition.

On July 29, 2020, the Province presented a fiscal update for 2021 that showed an \$852.9 million deficit, \$907.9 million lower than originally budgeted. This revised forecast, due primarily to COVID-19, included decreases in revenue of \$532.2 million, increases in expenses of \$470.3 million, and increases in consolidation and accounting adjustments of \$94.6 million. The full extent and duration of this pandemic remains unclear at this time as the situation is dynamic and continues to evolve.

**16. Subsequent Events**

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 \$380.0 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 Nova Scotia Municipal Finance Corporation. Municipalities requesting financing assistance must do so by March 31, 2021 as there will be no new loans authorized after that date. The operating loans will have a three-, five-, and seven-year payback period at the provincial interest rate of 1.1 per cent.

**17. Comparative Figures**

Certain of the prior year's figures have been reclassified to conform to the presentation format adopted in the current year.



**Province of Nova Scotia**  
**Revenue**  
**For the fiscal year ended March 31, 2020**  
(\$ thousands)

	2020	2019
<b>Provincial Sources</b>		
Tax Revenue		
Personal Income Tax *	2,977,896	2,549,937
Corporate Income Tax *	475,625	699,857
Harmonized Sales Tax *	2,044,712	1,840,146
Tobacco Tax	183,035	205,766
Motive Fuel Tax	266,539	263,433
Cannabis Tax	7,341	3,371
Other Tax Revenue *	208,047	188,096
	<u>6,163,195</u>	<u>5,750,606</u>
Other Provincial Revenue		
Recoveries	443,828	454,270
Other Revenue of Governmental Units	531,510	521,853
Municipal Contributions to Regional Centres for Education	274,639	269,569
Petroleum Royalties *	7,813	75,872
Offshore License Forfeitures	1,000	61,388
Registry of Motor Vehicles	135,023	134,158
Other Government Charges	65,641	63,189
Miscellaneous	151,598	142,832
Net Gain on Disposal of Crown Assets	1,355	11,220
	<u>1,612,407</u>	<u>1,734,351</u>
Net Income from Government Business Enterprises (Schedule 6)	388,621	389,222
Investment Income		
Interest Revenue	114,812	117,131
Sinking Fund and Public Debt Management Fund Earnings	93,670	106,519
	<u>208,482</u>	<u>223,650</u>
<b>Total Provincial Sources</b>	<u>8,372,705</u>	<u>8,097,829</u>
<b>Federal Sources</b>		
Equalization Payments	2,009,037	1,843,636
Canada Health Transfer *	1,043,003	999,725
Canada Social Transfer *	376,810	366,918
Recoveries	341,862	286,449
Offshore Accord	8,227	18,092
TCA Cost Shared Revenue	35,112	39,666
Crown Share	4,340	4,208
Other Federal Transfers	153,040	218,223
<b>Total Federal Sources</b>	<u>3,971,431</u>	<u>3,776,917</u>
<b>Total Revenue</b>	<u>12,344,136</u>	<u>11,874,746</u>

## Schedule 2

## Province of Nova Scotia

## Expenses

For the fiscal year ended March 31, 2020

(\$ thousands)

	2020	2019
<b>Agriculture</b>		
Department of Agriculture	41,060	47,921
Nova Scotia Crop and Livestock Insurance Commission	7,307	7,752
Nova Scotia Harness Racing Fund	1,012	976
Perennia Food & Agriculture Incorporated	8,663	6,678
Select Nova Scotia Fund	—	15
	58,042	63,342
<b>Business</b>		
Department of Business	103,204	43,993
Develop Nova Scotia	11,841	7,006
Nova Scotia Business Inc.	60,541	63,317
Nova Scotia Innovation Corporation	13,523	11,819
Nova Scotia Strategic Opportunities Fund Incorporated	11	11
Tourism Nova Scotia	22,270	22,779
Trade Centre Limited	—	1,327
	211,390	150,252
<b>Communities, Culture and Heritage</b>		
Department of Communities, Culture and Heritage	98,963	87,306
Art Gallery of Nova Scotia	4,050	3,857
Gaels Forward Fund	10	13
Public Archives of Nova Scotia	178	86
Schooner Bluenose Foundation	15	87
Sherbrooke Restoration Commission	2,322	2,337
Vive l'Acadie Community Fund	40	39
	105,578	93,725
<b>Community Services</b>		
Department of Community Services	994,833	936,203
<b>Education and Early Childhood Development</b>		
Department of Education and Early Childhood Development	232,372	248,700
Annapolis Valley Regional Centre for Education	163,855	158,766
Cape Breton-Victoria Regional Centre for Education	174,114	162,991
Chignecto-Central Regional Centre for Education	246,606	241,190
Conseil scolaire acadien provincial	96,078	91,511
Halifax Regional Centre for Education	608,565	580,934
Nova Scotia Education Common Services Bureau	669	760
Nova Scotia School Insurance Program	4,965	4,878
South Shore Regional Centre for Education	93,256	88,625
Strait Regional Centre for Education	100,336	96,926
Tri-County Regional Centre for Education	90,066	83,637
	1,810,882	1,758,918



**Province of Nova Scotia**  
**Expenses (continued)**  
**For the fiscal year ended March 31, 2020**  
(\$ thousands)

	2020	2019
<b>Energy and Mines</b>		
Department of Energy and Mines	34,052	46,410
Acadia Coal Company Limited Fund	1	—
Crown Land Mine Remediation Fund	54	—
Pengrowth Nova Scotia Energy Scholarship Fund	135	115
	<u>34,242</u>	<u>46,525</u>
<b>Environment</b>		
Department of Environment	40,992	38,013
Resource Recovery Fund Board Inc.	58,040	57,225
	<u>99,032</u>	<u>95,238</u>
<b>Finance and Treasury Board</b>		
Department of Finance and Treasury Board	122,093	20,921
<b>Fisheries and Aquaculture</b>		
Department of Fisheries and Aquaculture	21,466	15,937
Nova Scotia Sportfish Habitat Fund	331	311
	<u>21,797</u>	<u>16,248</u>
<b>Health and Wellness</b>		
Department of Health and Wellness	2,280,929	2,180,126
Gambling Awareness Foundation of Nova Scotia	547	32
Izaak Walton Killam Health Centre	280,545	274,818
Nova Scotia Health Authority	2,369,120	2,232,282
Nova Scotia Health Research Foundation	—	7,448
	<u>4,931,141</u>	<u>4,694,706</u>
<b>Justice</b>		
Department of Justice	337,653	327,240
Nova Scotia Legal Aid Commission	28,217	26,052
	<u>365,870</u>	<u>353,292</u>
<b>Labour and Advanced Education</b>		
Department of Labour and Advanced Education	233,831	199,084
Nova Scotia Community College	235,138	228,816
Occupational Health and Safety Trust Fund	20	50
	<u>468,989</u>	<u>427,950</u>
<b>Assistance to Universities</b>		
	<u>447,789</u>	<u>430,176</u>

**Schedules to the Consolidated Financial Statements**

**Schedule 2**

**Province of Nova Scotia**

**Expenses (continued)**

**For the fiscal year ended March 31, 2020**

(\$ thousands)

	<b>2020</b>	<b>2019</b>
		<i>(as restated)</i>
<b>Lands and Forestry</b>		
Department of Lands and Forestry	79,661	125,425
Crown Land Silviculture Fund	1,684	2,347
Habitat Conservation Fund	187	174
Off-Highway Vehicle Infrastructure Fund	1,652	1,549
Species at Risk Conservation Fund	289	99
	<b>83,473</b>	<b>129,594</b>
<b>Municipal Affairs and Housing</b>		
Department of Municipal Affairs and Housing	266,992	211,545
Housing Nova Scotia	173,530	182,513
Nova Scotia E911 Cost Recovery Fund	5,296	5,418
Nova Scotia Municipal Finance Corporation	701	750
	<b>446,519</b>	<b>400,226</b>
<b>Public Service</b>		
Public Service	128,751	123,866
Mi'kmaw Youth Fund	22	31
Nova Scotia Utility and Review Board	9,357	8,914
	<b>138,130</b>	<b>132,811</b>
<b>Seniors</b>		
Department of Seniors	2,716	2,591
<b>Service Nova Scotia and Internal Services</b>		
Department of Service Nova Scotia and Internal Services	295,110	281,615
<b>Transportation and Infrastructure Renewal</b>		
Department of Transportation and Infrastructure Renewal	581,585	545,458
Harbourside Commercial Park Inc.	611	1,338
Nova Scotia Lands Inc.	9,209	4,193
Sydney Steel Corporation	3	62
	<b>591,408</b>	<b>551,051</b>
<b>Restructuring Costs</b>	170,662	122,531
<b>Pension Valuation Adjustment</b>	50,439	54,143
<b>Refundable Tax Credits</b>	64,391	124,529



**Province of Nova Scotia**  
**Expenses (continued)**  
**For the fiscal year ended March 31, 2020**  
*(\$ thousands)*

	<b>2020</b>	<b>2019</b>
		<i>(as restated)</i>
<b>Debt Servicing Costs</b>		
General Revenue Fund	800,307	834,396
Annapolis Valley Regional Centre for Education	381	410
Cape Breton-Victoria Regional Centre for Education	388	420
Chignecto-Central Regional Centre for Education	602	650
Conseil scolaire acadien provincial	195	192
Develop Nova Scotia	67	29
Halifax Regional Centre for Education	1,531	1,621
Housing Nova Scotia	10,653	11,403
Izaak Walton Killam Health Centre	856	1,201
Nova Scotia Community College	2,893	2,600
Nova Scotia Health Authority	8,161	10,885
Nova Scotia Innovation Corporation	52	54
Nova Scotia Legal Aid Commission	334	304
Nova Scotia Municipal Finance Corporation	140	142
Nova Scotia Strategic Opportunities Fund Incorporated	86	553
Nova Scotia Utility and Review Board	23	17
Resource Recovery Fund Board Inc.	13	14
Sherbrooke Restoration Commission	10	11
South Shore Regional Centre for Education	164	(61)
Strait Regional Centre for Education	257	283
Tourism Nova Scotia	39	60
Tri-County Regional Centre for Education	171	100
	<b>827,323</b>	<b>865,284</b>
<b>Total Expenses</b>	<b>12,341,849</b>	<b>11,751,871</b>

**Schedules to the Consolidated Financial Statements**

**Schedule 3**

**Province of Nova Scotia**

**Loans and Investments**

**As at March 31, 2020**

(\$ thousands)

	<b>Loans and Investments</b>	<b>Provisions</b>	<b>Net 2020</b>	<b>Net 2019</b>
<b>Loans Receivable</b>				
Agriculture and Rural Credit Act	176,094	16,449	159,645	164,330
Fisheries Development Act	196,106	2,595	193,511	154,753
Halifax-Dartmouth Bridge Commission	156,000	—	156,000	160,000
Harbourside Commercial Park Inc.	1,121	—	1,121	1,014
Housing Nova Scotia	514,093	4,864	509,229	526,271
Labour and Advanced Education – Student Loans Direct Lending	234,876	95,561	139,315	134,223
Nova Scotia Business Inc.	22,299	11,070	11,229	17,587
Nova Scotia Innovation Corporation	3,103	840	2,263	1,832
Nova Scotia Jobs Fund	409,288	104,480	304,808	319,375
Nova Scotia Municipal Finance Corporation	770,183	—	770,183	778,776
Other	1,711	1,586	125	147
<b>Total Loans Receivable</b>	<b>2,484,874</b>	<b>237,445</b>	<b>2,247,429</b>	<b>2,258,308</b>
<b>Investments</b>				
Art Gallery of Nova Scotia	4,019	—	4,019	3,911
Gambling Awareness Foundation of Nova Scotia	4,184	—	4,184	4,093
Nova Scotia Business Inc.	19,362	19,012	350	350
Nova Scotia Community College	38,710	—	38,710	16,422
Nova Scotia Health Authority	49,326	—	49,326	48,404
Nova Scotia Innovation Corporation	46,763	—	46,763	44,771
Nova Scotia Jobs Fund	3,271	1,321	1,950	1,951
Nova Scotia School Insurance Program	8,319	—	8,319	7,958
Perennia Food & Agriculture Incorporated	6,338	—	6,338	4,484
Public Archives of Nova Scotia	2,219	—	2,219	2,217
Resource Recovery Fund Board Inc.	4,009	—	4,009	—
<b>Total Investments</b>	<b>186,520</b>	<b>20,333</b>	<b>166,187</b>	<b>134,561</b>

The provisions listed above include \$7.5 million (2019 – \$7.5 million) for possible guarantee payouts from the *Nova Scotia Jobs Fund Act*. Other provisions include \$7.5 million (2019 – \$7.6 million) for the Debt Reduction Assistance Program related to the student loans portfolio of the Department of Labour and Advanced Education, of which \$0.1 million (2019 – \$0.1 million) relates to the student loans guaranteed by the Province.

Maturity dates for loans range from calendar year 2020 to 2049, with some loans having no set maturity date. Interest rates for loans range from 0.0 to 10.0 per cent, with some loans having variable interest rates. Investments have no set maturity dates or interest rates.



**Province of Nova Scotia  
Unmatured Debt  
As at March 31, 2020**  
*(\$ thousands)*

			<b>2020</b>	<b>2019</b>
	<b>Gross Unmatured Debt</b>	<b>Sinking Funds and Defeasance Assets</b>	<b>Net Unmatured Debt</b>	<b>Net Unmatured Debt</b>
General Revenue Fund	15,581,034	2,024,099	13,556,935	13,387,323
Develop Nova Scotia	500	—	500	285
Housing Nova Scotia	119,001	—	119,001	125,749
Nova Scotia Municipal Finance Corporation	6,727	—	6,727	7,521
Nova Scotia Power Finance Corporation	626,570	626,570	—	—
<b>Total Unmatured Debt</b>	<b>16,333,832</b>	<b>2,650,669</b>	<b>13,683,163</b>	<b>13,520,878</b>

**Gross Unmatured Debt**

All debt is presented in Canadian dollar equivalents after giving effect to currency swap contracts itemized in Note 12.

Gross Unmatured Debt consists of the outstanding current and long-term debt of the Province’s General Revenue Fund and governmental units. Current and long-term debt of the government business enterprises is reflected as part of Investment in Government Business Enterprises and further detailed in Schedule 6.

**Sinking Fund Assets**

As at March 31, 2020, the General Revenue Fund held Sinking Funds and Public Debt Management Funds of \$2,024.1 million (2019 – \$2,768.0 million). These funds were comprised of \$1,094.0 million in Sinking Funds and \$930.1 million in Public Debt Management Funds. The total market value of both funds was \$2,149.9 million at year-end. During the year, sinking fund contributions were \$17.9 million, total earnings were \$93.7 million, and redemptions were \$855.4 million.

Sinking fund assets are recorded at cost, which include premiums and discounts associated with the purchase of these investments. These premiums and discounts are amortized on a straight-line basis over the term of the related investment. The net unamortized portion of the premiums and discounts relating to sinking fund assets as at March 31, 2020 was \$2.3 million (2019 – \$7.3 million) and is included as part of the value of the sinking funds.

Sinking fund assets consist primarily of debentures of the provincial governments and Government of Canada with fixed interest rates ranging from 1.5 to 9.6 per cent. Sinking fund payments normally commence on the first anniversary date of the issue of the debenture and are designed to retire the debt over the relevant period to maturity. At March 31, 2020, the Province held a carrying value of \$280.7 million (2019 – \$464.5 million) of its own debentures in Sinking Funds as active investments.

As per the Nova Scotia Power Corporation Privatization Agreement, Nova Scotia Power Finance Corporation provides for defeasance of its debt. The portfolio of defeasance assets consists of Nova Scotia Power Corporation, other provincial governments and utilities, and Federal US bonds, coupons, and residuals. This debt is reported net of defeasance assets.



**Province of Nova Scotia**  
**Unmatured Debt (continued)**  
**As at March 31, 2020**  
(\$ thousands)

**Debt Repayments**

Projected net principal repayments, capital lease payments, and sinking fund requirements for the next five years and thereafter are as follows:

	<b>Net Principal Repayments</b>	<b>Capital Lease Payments</b>	<b>Sinking Fund Payments</b>	<b>Total Payments</b>
2021	1,059,130	25,182	17,899	1,102,211
2022	1,201,597	7,582	10,017	1,219,196
2023	1,032,803	5,411	—	1,038,214
2024	342,698	5,833	—	348,531
2025	865,713	5,986	—	871,699
2026 and thereafter	8,998,787	104,525	—	9,103,312
	<b>13,500,728</b>	<b>154,519</b>	<b>27,916</b>	<b>13,683,163</b>

Net principal repayments are comprised of the principal amounts due on loans and debentures less available designated sinking funds to retire the debentures.

In addition, the Province has approximately \$930.1 million (2019 – \$910.4 million) in unrestricted sinking funds held in the Public Debt Management Fund. While these funds are not restricted by debt covenants, they are bound by legislation under the *Finance Act* to be used to pay or retire debentures, securities, or other debt instruments of the Province. The use of these funds is evaluated each year based on a detailed analysis of cash requirements and market conditions. These unrestricted sinking funds consist of cash and cash equivalents, primarily of Canadian financial institution bankers' acceptances, provincial commercial paper, and longer term investments of fixed and/or floating federal, federal agency, and provincial term credits.

The term to maturity of these unrestricted sinking funds are summarized as follows:

	<b>2020</b>	<b>2019</b>
<b>Term to Maturity</b>		
Cash and Cash Equivalents	277,789	26,542
1 to 3 years	554,423	427,848
3 to 5 years	97,844	456,000
<b>Public Debt Management Funds</b>	<b>930,056</b>	<b>910,390</b>



**Province of Nova Scotia**  
**Gross Unmatured Debt**  
**As at March 31, 2020**  
*(\$ thousands)*

	Foreign Exchange Rate	CDN \$ Amount	Maturity Dates	Interest Rates
<b>Debentures</b>				
General Revenue Fund (CDN\$)		15,420,457	2020 to 2062	1.60% to 9.60%
General Revenue Fund (US\$)	0.705	—	2021 to 2022	8.25% to 9.13%
Nova Scotia Municipal Finance Corporation		6,727	2020 to 2032	1.75% to 2.25%
Nova Scotia Power Finance Corporation (CDN\$)		200,000	2031	11.00%
Nova Scotia Power Finance Corporation (US\$)	0.705	426,570	2021	9.40%
<b>Total Debentures</b>		<b>16,053,754</b>		
<b>Loans</b>				
General Revenue Fund – Other Debt		6,058	2021 to 2022	1.58% to 2.31%
Develop Nova Scotia		500	Demand loan	—
Housing Nova Scotia		119,001	2020 to 2045	0.80% to 6.55%
<b>Total Loans</b>		<b>125,559</b>		
<b>Capital Leases</b>				
General Revenue Fund		154,519	2020 to 2043	6.04% to 7.25%
<b>Total Capital Leases</b>		<b>154,519</b>		
<b>Gross Unmatured Debt</b>		<b>16,333,832</b>		

**Call, Redemption and Other Features**

**General Revenue Fund**

Canadian debentures include \$978.3 million in Canada Pension Plan (CPP) debentures, which are redeemable in whole or in part before maturity, on six months' notice, at the option of the Minister of Finance of Canada.

The interest rates shown for the Canadian and US debentures reflect the fixed interest rates only. There are debentures that have floating interest rates. Floating interest rates are adjusted on a quarterly basis.

The US debentures have been swapped to Canadian dollars.

**Housing Nova Scotia**

Mortgages and notes payable are secured by investments in social housing.

**Schedules to the Consolidated Financial Statements**

**Schedule 6**

**Province of Nova Scotia  
Government Business Enterprises  
As at March 31, 2020**  
*(\$ thousands)*

	<b>Halifax- Highway 104</b>				<b>2020</b>	<b>2019</b>
	<b>Dartmouth Bridge Commission</b>	<b>Western Alignment Corporation</b>	<b>Nova Scotia Gaming Corporation</b>	<b>Nova Scotia Liquor Corporation</b>	<b>Total</b>	<b>Total</b>
Cash	3,807	702	19,268	41,244	65,021	49,446
Accounts Receivable	904	1,080	84,114	4,445	90,543	85,578
Inventory	83	8	2,746	64,751	67,588	64,004
Investments	29,773	84,176	7,331	—	121,280	111,953
Tangible Capital Assets	273,702	24,707	69,495	89,673	457,577	409,769
Other Assets	359	566	5,773	10,558	17,256	11,448
<b>Total Assets</b>	<b>308,628</b>	<b>111,239</b>	<b>188,727</b>	<b>210,671</b>	<b>819,265</b>	<b>732,198</b>
Accounts Payable	9,795	2,453	133,012	56,997	202,257	207,389
Unmatured Debt	156,000	28,156	21,395	37,056	242,607	214,744
Other Liabilities	3,969	3,997	8,969	28,001	44,936	43,252
<b>Total Liabilities</b>	<b>169,764</b>	<b>34,606</b>	<b>163,376</b>	<b>122,054</b>	<b>489,800</b>	<b>465,385</b>
<b>Equity</b>	<b>138,864</b>	<b>76,633</b>	<b>25,351</b>	<b>88,617</b>	<b>329,465</b>	<b>266,813</b>
<b>Total Liabilities and Equity</b>	<b>308,628</b>	<b>111,239</b>	<b>188,727</b>	<b>210,671</b>	<b>819,265</b>	<b>732,198</b>
<b>Total Revenue</b>	<b>33,020</b>	<b>25,389</b>	<b>314,775</b>	<b>730,782</b>	<b>1,103,966</b>	<b>1,052,846</b>
Debt Servicing	4,601	3,074	824	1,944	10,443	10,237
Other Expenses	20,863	9,699	192,780	481,560	704,902	653,387
<b>Total Expenses</b>	<b>25,464</b>	<b>12,773</b>	<b>193,604</b>	<b>483,504</b>	<b>715,345</b>	<b>663,624</b>
<b>Net Income</b>	<b>7,556</b>	<b>12,616</b>	<b>121,171</b>	<b>247,278</b>	<b>388,621</b>	<b>389,222</b>



**Province of Nova Scotia**  
**Government Business Enterprises (continued)**  
**As at March 31, 2020**

**Halifax-Dartmouth Bridge Commission**

The Halifax-Dartmouth Bridge Commission (HDBC), operating as Halifax Harbour Bridges, was created in 1950 by a special statute of the Province of Nova Scotia (now the *Halifax-Dartmouth Bridge Commission Act*). The purpose of HDBC is to construct, maintain, and operate bridges and their necessary approaches across the Halifax Harbour, between the communities of Halifax and Dartmouth, and across the North West Arm.

HDBC currently operates and maintains two toll bridges across the Halifax Harbour: the Angus L. Macdonald Bridge and A. Murray MacKay Bridge. In accordance with the *Halifax-Dartmouth Bridge Commission Act*, the Nova Scotia Utility and Review Board, a provincially controlled public sector entity, regulates toll rates charged for the use of the two bridges operated by HDBC.

**Long-Term Loan Agreements with the Province**

*2007 Loan Agreement* — On July 25, 2007, HDBC entered into a long-term unsecured loan agreement with the Province for \$60.0 million. This loan matured December 4, 2019 and was paid in full by HDBC at that date. For the year ending March 31, 2020, interest expense on the loan was \$0.3 million (2019 – \$0.6 million), of which \$nil (2019 – \$0.2 million) was payable at year-end.

*2015 Loan Agreement* — On February 6, 2015, HDBC entered into a long-term unsecured loan agreement with the Province for \$160.0 million in relation to the capital project to replace the suspended span of the Angus L. Macdonald Bridge (the Big Lift project). This loan is to be repaid over twenty years starting June 1, 2019 with annual principal repayments of between \$4.0 million and \$10.0 million. As at March 31, 2020, HDBC had a balance of \$156.0 million (2019 – \$160.0 million) repayable on the loan, of which \$5.0 million is due within a year.

Interest is paid semi-annually on June 1<sup>st</sup> and December 1<sup>st</sup> of each year. The average interest rate over the life of the loan is 2.8 per cent. For the year ending March 31, 2020, interest on the loan was \$4.3 million (2019 – \$4.3 million), of which \$1.4 million (2019 – \$1.4 million) was payable at year-end.

*Restricted Reserve Funds*

The 2015 Loan Agreement requires that HDBC maintain three reserve funds: Operating, Maintenance & Administrative (OM) Fund, Debt Service Fund, and Capital Fund. At year-end, restricted assets for these funds totaled \$15.4 million (2019 – \$21.6 million). These restricted assets were invested in GICs and term deposits with rates between 1.2 and 2.3 per cent. Interest income on restricted assets for the year totaled \$0.5 million (2019 – \$0.5 million).

*Big Lift Fund*

The Big Lift Fund consists of proceeds from the 2015 loan not yet expended on the Macdonald Bridge suspended span replacement project. Under the terms of the loan agreement, these amounts have been invested in term promissory notes issued by the Province of Nova Scotia maturing April 30, 2020 at a rate of 0.78 per cent per annum. Subsequent to year-end, at note maturity, \$7.2 million was reinvested to June 30, 2020 at a rate of 0.28 per cent per annum with the balance of \$7.2 million applied to payments in respect of capital improvements to the Macdonald Bridge.

**Province of Nova Scotia**  
**Government Business Enterprises (continued)**  
**As at March 31, 2020**

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**Halifax-Dartmouth Bridge Commission (continued)**

**Line of Credit Agreement with the Province**

A \$60.0 million revolving, unsecured line of credit with the Province issued June 30, 2008, matured on December 5, 2019. Subsequent to year-end, on April 6, 2020, HDDB entered into a new agreement with the Province for a \$60.0 million revolving, unsecured line of credit that matures on March 31, 2025. Interest is charged on outstanding balances at a rate equal to the arithmetical average of the discount rates on Canadian Dealer Offered Rate (CDOR) banker's acceptances applicable on the date of the requested advance payable at maturity.

At March 31, 2020, HDDB had no advances outstanding against the line of credit (2019 – \$nil) and no draws or accrued interest for the year (2019 – \$nil).

**Highway 104 Western Alignment Corporation**

The Highway 104 Western Alignment Corporation (H104) was established for the purpose of financing, designing, constructing, operating, and maintaining a 45 km stretch of highway (referred to as the Cobequid Pass) between Masstown and Thomson Station in the counties of Colchester and Cumberland, Nova Scotia. The *Highway 104 Western Alignment Corporation Act*, which authorizes the collection of tolls, states that toll collection will cease upon complete payment of all costs and liabilities relating to H104. This includes financing, design, construction, operation and maintenance, and any repair, improvement, alteration, or extension. The forecasted repayment date of all costs and liabilities relating to H104 is in 2026.

**Related Party Transactions**

H104 had a receivable from the Province in the amount of \$0.7 million (2019 – \$0.8 million) at year-end. Government grants cover certain expenses incurred and costs of assets. They are recognized initially as deferred revenue at fair value when there is reasonable assurance that they will be received and H104 will comply with the conditions associated with them. Grants to cover expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized. Grants to cover the cost of an asset are deferred and amortized to operations over the expected project life or useful life of the asset using the straight-line method.

Transactions with various Crown corporations, ministries, agencies, boards, and commissions related to H104 by virtue of common control by the Province are included in the financial statements of H104 and are routine operating transactions carried out as part of H104's normal day-to-day operations. These transactions are individually insignificant, and collectively, include maintenance services of \$1.3 million (2019 – \$1.3 million), enforcement costs of \$60.0 thousand (2019 – \$60.0 thousand), purchases of inventory of \$8.1 thousand (2019 – \$30.2 thousand), and property, plant and equipment of \$46.6 thousand (2019 – \$7.4 thousand).

**Omnibus Agreement**

The Omnibus Agreement, dated April 1, 1996, is an agreement between H104, the Contractor, the Operator, and the Province to design, finance, construct, operate, and maintain the Highway 104 Western Alignment. Under this agreement, the Province retains ownership of the highway. However, H104 is granted the right to operate the highway and collect tolls for a 30-year period, after which time the right will revert to the Province. Overall, the Province has contributed \$27.5 million to this project.



**Province of Nova Scotia**  
**Government Business Enterprises (continued)**  
**As at March 31, 2020**

**Highway 104 Western Alignment Corporation (continued)**

Restricted reserve accounts for capital, major maintenance, and debt service have been established in accordance with the Omnibus Agreement. At March 31, 2020, restricted assets totaled \$84.2 million (2019 – \$72.6 million) and were comprised of investments recorded at fair value and included accrued interest of \$0.4 million (2019 – \$0.8 million), a weighted-average term of 4.3 (2019 – 5.8) months to maturity, and a weighted-average interest rate of 1.5 per cent (2019 – 2.3 per cent).

**Annual Roadway Maintenance Agreement**

The annual roadway maintenance agreement is a 30-year agreement between H104 and the Department of Transportation and Infrastructure Renewal for the provision of annual roadway maintenance services and is renewed annually. The annual fee was \$1.3 million for the current fiscal year (2019 – \$1.3 million). During the year, H104 also incurred management fees of \$42.8 thousand (2019 – \$0.8 thousand) to the Province.

**Long-Term Debt**

Long-term debt is comprised of senior toll revenue bonds bearing interest of 10.13 per cent per year, compounded semi-annually, and maturing March 31, 2026. The bonds are payable in equal installments of interest and principal. At year-end, H104 had \$24.6 million (2019 – \$28.2 million) of long-term debt and \$3.6 million (2019 – \$3.3 million) of debt maturing within one year. Interest expense on the long-term debt was \$3.1 million (2019 – \$3.4 million) for the year.

Minimum principal repayments for the next five years are as follows:

2021 – \$3.6 million	2024 – \$4.9 million
2022 – \$4.0 million	2025 – \$5.4 million
2023 – \$4.4 million	

Long-term debt is secured by a first charge and security interest over all the present and future property and assets, including but not limited to, cash and securities held in trust, rights under all material contracts, and all accounts receivable and interest.

**Nova Scotia Gaming Corporation**

The Nova Scotia Gaming Corporation (NSGC) was incorporated on February 15, 1995 by Chapter 4 of the Acts of 1994-95, the *Gaming Control Act*. The *Gaming Control Act* was amended November 13, 2012, whereby the name of NSGC was changed to Nova Scotia Provincial Lotteries and Casino Corporation (NSPLCC). Effective April 18, 2018, the name of the Corporation was changed back to the Nova Scotia Gaming Corporation. The principal activities of NSGC are to develop, undertake, organize, conduct, and manage casinos and other lottery business on behalf of the Province of Nova Scotia. Revenues of NSGC are derived from two casinos, located in Halifax and Sydney, as well as ticket and video lottery sales.

**Payable to the Province**

NSGC had a payable to the Province in the amount of \$116.0 million (2019 – \$112.8 million) at year-end. In addition to the net income of \$121.2 million (2019 – \$129.7 million), NSGC is required to pay to the Province 20.0 per cent of casino gaming revenue, otherwise known as win tax. This amounted to \$15.3 million in the current year (2019 – \$15.6 million).

**Province of Nova Scotia**  
**Government Business Enterprises (continued)**  
**As at March 31, 2020**

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**Nova Scotia Gaming Corporation (continued)**

**Special Payments to Government Departments**

NSGC is obligated to make direct payments annually to two provincial government departments: Department of Communities, Culture and Heritage (in support of the Cultural Federation of Nova Scotia and Sport Nova Scotia) and Department of Agriculture (in support of the Exhibition Association of Nova Scotia). In 2020, these payments totaled \$0.2 million (2019 – \$0.2 million).

As part of its 2005 and 2011 Gaming Strategies, the Province approved contributions of \$3.0 million to the Department of Health and Wellness in 2020 (2019 – \$3.0 million) to fund problem gambling treatment and \$0.5 million (2019 – \$0.5 million) to fund youth gambling prevention.

**Contribution to Nova Scotia Harness Racing Fund**

NSGC annually contributes to the Nova Scotia Harness Racing Fund, pursuant to the *Nova Scotia Harness Racing Fund Regulations*. These contributions go towards supporting the harness racing industry in Nova Scotia. In 2020, the contribution was \$1.0 million (2019 – \$1.0 million).

**Due to Atlantic Gaming Equipment Limited**

As at March 31, 2020, the amount due to Atlantic Gaming Equipment Limited was \$19.4 million (2019 – \$13.8 million), of which \$5.5 million (2019 – \$6.3 million) was classified as current. This liability represents a portion of Atlantic Lottery Corporation Inc.'s (ALC) debt used in the acquisition of property, plant and equipment operated on behalf of NSGC. The amount owing has no fixed terms of repayment, is non-interest bearing, and is due on demand if NSGC withdraws from the ALC Unanimous Shareholders Agreement.

**Disputed HST Assessments**

Included in accounts receivable at March 31, 2020 is \$77.3 million (2019 – \$69.3 million) that was paid to Canada Revenue Agency (CRA) for an assessment of HST in respect to the operation of certain video lottery terminals sited on First Nation reserves in the province of Nova Scotia. NSGC continues to remit amounts to CRA, on a without prejudice basis, solely to avoid the accumulation of interest and penalties. NSGC is contesting this matter with CRA and on November 14, 2016, through ALC, filed an appeal with the Tax Court. The outcome of the appeal is undeterminable at this time. The amount paid to CRA has been classified as a non-current asset in NSGC's financial statements due to the uncertainty of when NSGC expects the dispute to be resolved.

**Other Comprehensive Income**

During the year, NSGC reported \$3.9 million in other comprehensive income (OCI) related to its share of Atlantic Lottery Corporation's OCI (2019 – -\$1.3 million). As at March 31, 2020, accumulated OCI was \$7.3 million (2019 – \$3.4 million).



**Province of Nova Scotia**  
**Government Business Enterprises (continued)**  
**As at March 31, 2020**

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**Nova Scotia Liquor Corporation**

The Nova Scotia Liquor Corporation (NSLC) was created June 1, 2001, by Chapter 4 of the *Government Restructuring (2001) Act*, via continuance of the Nova Scotia Liquor Commission as a body corporate. NSLC derives its mandate from the *Liquor Control Act*, Chapter 260 of the Revised Statutes of Nova Scotia, 1989 and the *Nova Scotia Cannabis Control Act* passed in the Nova Scotia Legislature on April 17, 2018. NSLC operates retail sales locations across the province and has the authority to wholesale, store, distribute, and sell cannabis, while complying with federal requirements and promoting responsible consumption. Upon passing of the *Nova Scotia Cannabis Control Act*, 3313086 Nova Scotia Limited was dissolved and, under the provisions of the Act, specific responsibilities and authorities related to cannabis distribution and retailing, were assigned to NSLC. In addition, all rights, title, and interest in any real or personal property of 3313086 Nova Scotia Limited vested in the NSLC and all its obligations and liabilities became those of NSLC.

**Related Party Transactions**

During the year, remittances to the Minister of Finance and Treasury Board totaled \$209.8 million (2019 – \$228.0 million), which are disclosed in NSLC's statement of changes in equity. All other transactions with the Province are deemed to be collectively insignificant to NSLC's financial statements.

**Equity**

Upon conversion to International Financial Reporting Standards (IFRS) in 2012, NSLC reclassified its payable to the Minister of Finance and Treasury Board from a liability to equity. NSLC's equity was \$88.6 million (2019 – \$50.4 million) at year-end. NSLC's main objectives for managing capital are to ensure sufficient liquidity in support of its financial obligations to achieve its business plans and to continue as a self-sufficient entity in order to provide continuous remittances to the Province.

**Other Comprehensive Income**

During the year, NSLC reported \$1.4 million in other comprehensive income (OCI) related to actuarial gains on defined benefit plans (2019 – \$1.5 million). As at March 31, 2020, accumulated OCI was \$3.6 million (2019 – \$2.1 million).



**Schedules to the Consolidated Financial Statements**

**Schedule 7**

**Province of Nova Scotia  
Tangible Capital Assets  
As at March 31, 2020**

(\$ thousands)

						2020	2019
	<b>Land</b>	<b>Buildings and Land Improve- ments</b>	<b>Machinery, Computers and Equipment</b>	<b>Vehicles and Ferries</b>	<b>Roads, Bridges and Highways</b>	<b>Total</b>	<b>Total</b>
<b>Costs</b>							
Opening Costs	1,068,996	5,768,551	1,428,791	219,903	3,721,032	12,207,273	11,668,010
Transfers	1,075	(2,069)	991	—	—	(3)	(3,895)
Additions	21,446	260,841	70,967	19,317	292,670	665,241	589,991
Disposals	(2,581)	(17,046)	(149,035)	(7,875)	—	(176,537)	(46,833)
<b>Closing Costs</b>	<b>1,088,936</b>	<b>6,010,277</b>	<b>1,351,714</b>	<b>231,345</b>	<b>4,013,702</b>	<b>12,695,974</b>	<b>12,207,273</b>
<b>Accumulated Amortization</b>							
Opening							
Accumulated							
Amortization	—	(2,803,055)	(1,089,106)	(145,154)	(2,027,300)	(6,064,615)	(5,669,237)
Transfers	—	(8)	11	—	—	3	1,764
Disposals	—	17,744	148,792	7,709	—	174,245	45,077
Amortization							
Expense	—	(168,676)	(73,021)	(18,185)	(180,346)	(440,228)	(442,219)
<b>Closing Accumulated Amortization</b>	<b>—</b>	<b>(2,953,995)</b>	<b>(1,013,324)</b>	<b>(155,630)</b>	<b>(2,207,646)</b>	<b>(6,330,595)</b>	<b>(6,064,615)</b>
<b>Net Book Value</b>	<b>1,088,936</b>	<b>3,056,282</b>	<b>338,390</b>	<b>75,715</b>	<b>1,806,056</b>	<b>6,365,379</b>	<b>6,142,658</b>
Opening Balance	1,068,996	2,965,496	339,685	74,749	1,693,732	6,142,658	5,998,773
Closing Balance	1,088,936	3,056,282	338,390	75,715	1,806,056	6,365,379	6,142,658
<b>Increase (Decrease) in Net Book Value</b>	<b>19,940</b>	<b>90,786</b>	<b>(1,295)</b>	<b>966</b>	<b>112,324</b>	<b>222,721</b>	<b>143,885</b>



**Province of Nova Scotia**  
**Tangible Capital Assets (continued)**  
**As at March 31, 2020**

Amortization is calculated on a declining balance basis for most assets of the General Revenue Fund. The amortization rates of the more common tangible capital assets are as follows:

Buildings and Land Improvements	5 – 30 per cent
Machinery, Computers and Equipment	20 – 50 per cent
Vehicles and Ferries	15 – 35 per cent
Roads, Bridges and Highways	5 – 15 per cent

Capital leases of the General Revenue Fund are amortized on a straight-line basis over the length of each lease, ranging from 3 to 25 years.

Amortization is generally calculated on a straight-line basis for assets of the governmental units. The estimated useful lives of the more common tangible capital assets are as follows:

Buildings (including Leasehold Improvements) and Land Improvements	2 – 60 years
Machinery, Computers and Equipment	1 – 60 years
Vehicles and Ferries	3 – 7 years

Capital leases of the governmental units are amortized on a straight-line basis over the length of each lease, ranging from 5 to 45 years.

Social Housing assets are included in Buildings and Land Improvements and relate to Housing Nova Scotia. These assets are amortized using the declining balance method. The net book value of these assets is \$210.4 million (2019 – \$238.7 million).

Included in the closing costs of the various classes as at March 31, 2020 are costs for assets under construction, which have not yet been amortized. These costs relate to Buildings and Land Improvements of \$314.5 million; Machinery, Computers and Equipment of \$51.6 million; Vehicles and Ferries of \$7.0 million; and Roads, Bridges and Highways of \$143.1 million.

Capital leases are included in the various classes as at March 31, 2020 as follows: Buildings and Land Improvements – cost of \$550.2 million, accumulated amortization of \$372.1 million; Machinery, Computers and Equipment – cost of \$12.6 million, accumulated amortization of \$12.5 million; and Vehicles and Ferries – cost of \$22.8 million, accumulated amortization of \$11.7 million.

**Schedules to the Consolidated Financial Statements**

**Schedule 8**

**Province of Nova Scotia**

**Direct Guarantees**

**As at March 31, 2020**

*(\$ thousands)*

		2020	2019
	<b>Foreign Exchange Rate</b>	<b>Authorized</b>	<b>Utilized</b>
		<b>Utilized</b>	<b>Utilized</b>
<b>Bank Loans</b>			
Department of Business – Forestry Contractor Relief Program		5,000	882
Department of Labour and Advanced Education – Student Loan Program		272	272
Department of Transportation and Infrastructure Renewal (US\$)	0.705	7,093	—
Nova Scotia Jobs Fund Act		53,396	47,934
<b>Total Bank Loan Guarantees</b>		<u>65,761</u>	<u>49,088</u>
<b>Federal Loans</b>			
Nova Scotia Strategic Opportunities Fund Incorporated		2,027	2,027
<b>Total Federal Loan Guarantees</b>		<u>2,027</u>	<u>2,027</u>
<b>Mortgages</b>			
Housing Nova Scotia Act		5,700	5,700
Housing Nova Scotia Act – Canada Mortgage and Housing Corporation Indemnities		13,800	13,800
<b>Total Mortgage Guarantees</b>		<u>19,500</u>	<u>19,500</u>
<b>Total Direct Guarantees</b>		<u>87,288</u>	<u>70,615</u>
<b>Less: Provision for Guarantee Payout</b>			
Department of Business – Forestry Contractor Relief Program		(221)	—
Housing Nova Scotia Act		(3,936)	(4,200)
Nova Scotia Jobs Fund Act		(7,460)	(7,460)
Nova Scotia Strategic Opportunities Fund Incorporated		(2,027)	(19,648)
		<u>(13,644)</u>	<u>(31,308)</u>
<b>Less: Provision for Student Debt Reduction Program</b>			
Department of Labour and Advanced Education – Student Loan Program		(100)	(131)
<b>Net Direct Guarantees</b>		<u>56,871</u>	<u>62,692</u>
<i>(Not provided for in these Consolidated Financial Statements)</i>			

\* - Amount was updated from the prior year based on the most current information



**Province of Nova Scotia**  
**Segment Reporting**  
**For the fiscal year ended March 31, 2020**

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Segment reporting is designed to assist users in identifying the resources allocated to support the major activities of government and to better understand the performance of segments.

The following schedules provide segment information for the 2020 and 2019 fiscal years. Segment results represent the activities of that segment and include any inter-segment transactions. Inter-segment eliminations are shown in a separate column and show the reconciliation to total consolidated amounts. The Province has determined that the following segments represent the major activities of government.

**Health**

The provision of such services and institutions to the public that will lead to a higher state of personal health.

**Education**

The provision of all aspects and phases of training to equip people with necessary skills to pursue productive lives. This includes: Primary to Grade 12, post-secondary and advanced education, as well as labour support.

**Infrastructure & Public Works**

The provision of the means to facilitate the effective and efficient movement of persons and property. This includes the net results of the Halifax-Dartmouth Bridge Commission and the Highway 104 Western Alignment Corporation.

**Social Services**

The provision of services and assistance to economically and/or socially disadvantaged persons requiring aid.

**Natural Resources & Economic Development**

The provision for the maintenance and upkeep, efficient extraction, processing, and utilization of the natural attributes of the province with the aim of creating employment and contributing to the material well-being of residents.

**Other Government**

Revenues and expenses that relate to activities that are not identified as a separate segment or cannot be directly allocated on a reasonable basis to individual segments because they support a wide range of service delivery activities. This includes certain items from the General Revenue Fund such as general tax revenues, sinking fund earnings, debt servicing costs, and the pension valuation adjustment.

Schedules to the Consolidated Financial Statements

Schedule 9

**Province of Nova Scotia**  
**Segment Reporting (continued)**  
**For the fiscal year ended March 31, 2020**  
(\$ thousands)

	Health		Education		Infrastructure & Public Works		Social Services	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Revenue</b>								
<b>Provincial Sources</b>								
Tax Revenue	183,035	205,766	—	—	266,539	263,433	—	—
Other Provincial Revenue	526,402	517,515	471,516	463,005	17,760	15,648	110,914	115,866
Net Income from GBEs	—	—	—	—	20,172	22,187	—	—
Investment Income	1,626	1,782	13,008	12,568	—	—	23,332	23,962
<b>Federal Sources</b>	1,126,084	1,061,614	315,447	313,136	36,128	38,027	270,453	295,764
<b>Total Revenue</b>	1,837,147	1,786,677	799,971	788,709	340,599	339,295	404,699	435,592
<b>Expenses</b>								
Grants and Subsidies	1,975,167	1,998,510	724,568	785,467	67,176	38,052	905,781	825,028
Salaries and Employee Benefits	1,897,525	1,792,391	1,563,036	1,422,822	140,349	122,461	142,742	167,398
Operating Goods and Services	1,057,824	890,556	352,942	325,372	109,002	159,532	135,697	141,607
Professional Services	52,127	47,233	25,586	23,846	68,830	28,824	7,280	5,622
Amortization	84,194	87,378	88,155	87,706	209,674	202,154	22,302	23,175
Debt Servicing Costs	9,494	12,666	6,582	6,216	—	—	32,810	34,228
Other	1	538	—	—	—	—	—	—
<b>Total Expenses</b>	5,076,332	4,829,272	2,760,869	2,651,429	595,031	551,023	1,246,612	1,197,058
<b>Segment Result</b>	(3,239,185)	(3,042,595)	(1,960,898)	(1,862,720)	(254,432)	(211,728)	(841,913)	(761,466)



**Schedule 9**

**Province of Nova Scotia  
Segment Reporting (continued)  
For the fiscal year ended March 31, 2020**  
(\$ thousands)

	Natural Resources & Economic Development		Other Government		Inter-Segment Eliminations		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Revenue</b>								
<b>Provincial Sources</b>								
Tax Revenue	446	408	5,713,175	5,280,999	—	—	6,163,195	5,750,606
Other Provincial Revenue	139,780	213,301	433,217	512,224	(87,182)	(103,208)	1,612,407	1,734,351
Net Income from GBEs	—	—	368,449	367,035	—	—	388,621	389,222
Investment Income	2,466	4,556	192,212	206,549	(24,162)	(25,767)	208,482	223,650
<b>Federal Sources</b>	42,763	37,493	2,180,556	2,030,883	—	—	3,971,431	3,776,917
<b>Total Revenue</b>	185,455	255,758	8,887,609	8,397,690	(111,344)	(128,975)	12,344,136	11,874,746
<b>Expenses</b>								
Grants and Subsidies	177,264	150,893	542,109	429,290	(45,235)	(41,805)	4,346,830	4,185,435
Salaries and Employee Benefits	140,088	130,529	502,320	469,079	(4,655)	(19,772)	4,381,405	4,084,908
Operating Goods and Services	178,440	215,131	167,497	163,312	(14,706)	(20,734)	1,986,696	1,874,776
Professional Services	14,073	14,359	190,665	180,528	(2,042)	(2,116)	356,519	298,296
Amortization	16,730	16,981	19,173	24,825	—	—	440,228	442,219
Debt Servicing Costs	256	933	817,860	855,489	(39,679)	(44,248)	827,323	865,284
Other	7,874	713	—	2	(5,027)	(300)	2,848	953
<b>Total Expenses</b>	534,725	529,539	2,239,624	2,122,525	(111,344)	(128,975)	12,341,849	11,751,871
<b>Segment Result</b>	(349,270)	(273,781)	6,647,985	6,275,165	—	—	2,287	122,875

**Province of Nova Scotia  
Government Reporting Entity  
As at March 31, 2020**

The General Revenue Fund is comprised of the Province's departments, public service units, special operating agencies, and the net income from government business enterprises, which are consolidated with the special purpose funds, governmental units, and a proportionate share of the government partnership arrangements to form the Province's government reporting entity.

**Departments and Public Service Units**  
(Consolidation Method)

Agriculture  
Business  
    Invest Nova Scotia Fund  
    Nova Scotia Jobs Fund  
Communities, Culture and Heritage  
Community Services  
Education and Early Childhood Development  
Energy and Mines  
Environment  
Finance and Treasury Board  
    Muggah Creek Remediation Fund  
    Public Debt Management Fund  
    SYSCO Decommissioning Fund  
Fisheries and Aquaculture  
Health and Wellness  
Justice  
Labour and Advanced Education  
Lands and Forestry  
Municipal Affairs and Housing  
Public Service  
    Aboriginal Affairs  
    Communications Nova Scotia  
    Elections Nova Scotia  
    Executive Council  
    Freedom of Information and Protection  
    of Privacy Review Office <sup>1</sup>  
    Human Rights Commission  
    Intergovernmental Affairs  
    Legislative Services  
    Nova Scotia Police Complaints Commissioner  
    Nova Scotia Securities Commission  
    Office of Immigration  
    Office of Regulatory Affairs and  
    Service Effectiveness  
    Office of Strategy Management  
    Office of the Auditor General  
    Office of the Ombudsman  
    Public Prosecution Service  
    Public Service Commission  
Seniors  
Service Nova Scotia and Internal Services  
Transportation and Infrastructure Renewal

**Special Operating Agencies**  
(Consolidation Method)

Nova Scotia Apprenticeship Agency  
Nova Scotia Home for Colored Children  
    Restorative Inquiry  
Sydney Tar Ponds Agency (inactive)

**Special Purpose Funds**  
(Consolidation Method)

Acadia Coal Company Limited Fund  
CorFor Capital Repairs and Replacements Fund  
Crown Land Mine Remediation Fund  
Crown Land Silviculture Fund  
Democracy 250 (inactive)  
Gàidheil Air Adhart (Gaels Forward Fund)  
Gaming Addiction Treatment Trust Fund  
Habitat Conservation Fund  
Mi'kmaw Youth Fund  
Nova Scotia Coordinate Referencing System Trust Fund  
Nova Scotia E911 Cost Recovery Fund  
Nova Scotia Environmental Trust  
Nova Scotia Government Acadian Bursary Program Fund  
Nova Scotia Harness Racing Fund  
Nova Scotia Market Development Initiative Fund  
Nova Scotia Nominee Program Fund  
Nova Scotia Sportfish Habitat Fund  
Occupational Health and Safety Trust Fund  
Off-Highway Vehicle Infrastructure Fund  
P3 Schools Capital and Technology Refresh Fund <sup>2</sup>  
PENGROWTH Nova Scotia Energy Scholarship Fund  
Scotia Learning Technology Refresh Fund  
Select Nova Scotia Fund  
Species at Risk Conservation Fund  
Sustainable Forestry Fund  
Vive l'Acadie Community Fund

**Governmental Units**  
(Consolidation Method)

Annapolis Valley Regional Centre for Education  
Art Gallery of Nova Scotia  
Arts Nova Scotia  
Cape Breton-Victoria Regional Centre for Education

<sup>1</sup> - Name changed November 2019

<sup>2</sup> - Includes all refresh funds related to P3 schools



**Province of Nova Scotia**  
**Government Reporting Entity (continued)**  
**As at March 31, 2020**

**Governmental Units (continued)**

(Consolidation Method)

Check Inns Limited (inactive)  
Chignecto-Central Regional Centre for Education  
Conseil scolaire acadien provincial  
Creative Nova Scotia Leadership Council  
Develop Nova Scotia  
    3104102 Nova Scotia Limited  
Gambling Awareness Foundation of Nova Scotia  
Halifax Regional Centre for Education  
Harbourside Commercial Park Inc.  
    Sydney Utilities Limited  
Housing Nova Scotia  
    Cape Breton Island Housing Authority  
    Cobequid Housing Authority  
    Eastern Mainland Housing Authority  
    Metropolitan Regional Housing Authority  
    Western Regional Housing Authority  
Invest Nova Scotia Board  
Izaak Walton Killam Health Centre  
Nova Scotia Arts Council (inactive)  
Nova Scotia Boxing Authority  
Nova Scotia Business Inc.  
    Nova Scotia Independent Production Fund  
Nova Scotia Community College  
    Nova Scotia Community College Foundation  
Nova Scotia Crop and Livestock Insurance  
    Commission  
Nova Scotia Education Common Services Bureau <sup>1</sup>  
Nova Scotia Farm Loan Board  
Nova Scotia Fisheries and Aquaculture Loan Board  
Nova Scotia Health Authority  
    Provincial Drug Distribution Program  
Nova Scotia Innovation Corporation  
    1402998 Nova Scotia Limited  
    3087532 Nova Scotia Limited  
Nova Scotia Lands Inc.  
Nova Scotia Legal Aid Commission  
Nova Scotia Municipal Finance Corporation  
Nova Scotia Power Finance Corporation  
Nova Scotia Primary Forest Products Marketing  
    Board  
Nova Scotia School Insurance Exchange <sup>2</sup>  
Nova Scotia School Insurance Program  
    Association <sup>2</sup>

Nova Scotia Strategic Opportunities Fund Incorporated  
Nova Scotia Utility and Review Board  
Perennia Food & Agriculture Incorporated  
Public Archives of Nova Scotia  
Resource Recovery Fund Board Inc.  
Schooner Bluenose Foundation  
Sherbrooke Restoration Commission  
South Shore Regional Centre for Education  
Strait Regional Centre for Education  
Sydney Environmental Resources Limited (inactive)  
Sydney Steel Corporation  
Tourism Nova Scotia  
Tri-County Regional Centre for Education  
Upper Clements Family Theme Park Limited (inactive)  
3052155 Nova Scotia Limited (inactive)

**Government Business Enterprises**

(Modified Equity Method)

Halifax-Dartmouth Bridge Commission  
Highway 104 Western Alignment Corporation  
Nova Scotia Gaming Corporation  
    Atlantic Lottery Corporation (25% ownership)  
    Interprovincial Lottery Corporation (10% ownership)  
    Nova Scotia Gaming Equipment Limited  
Nova Scotia Liquor Corporation

**Government Partnership Arrangements**

(Modified Equity Method) <sup>3</sup>

Atlantic Provinces Special Education Authority  
    (approximately 56% share)  
Canada-Nova Scotia Offshore Petroleum Board  
    (50% share)  
Canadian Sports Centre Atlantic  
    (approximately 14% share)  
Council of Atlantic Premiers  
    (approximately 46% share)  
Halifax Convention Centre Corporation  
    (50% share)

<sup>1</sup> - Formerly Nova Scotia School Boards Association

<sup>2</sup> - Entity is a partnership controlled by the 7 Regional Centres for Education, Conseil scolaire acadien provincial, and the Nova Scotia Community College

<sup>3</sup> - GPAs do not meet the threshold of materiality and cost-benefit to use the proportionate consolidation method