



Newfoundland and Labrador Municipal Financing Corporation

**Government of Newfoundland and Labrador
Department of Finance**

Annual Report

March 31, 2008

**Newfoundland and Labrador Municipal Financing Corporation
Annual Report
2007-08**

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NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION

Department of Finance
Debt Management Division
P. O. Box 8700
St. John's, NL
A1B 4J6

September 19, 2008

Honourable Thomas W. Marshall, Q.C.
Minister of Finance
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL
A1B 4J6

Dear Minister Marshall:

On behalf of the Board of Directors, it is my pleasure to submit the annual report of the Newfoundland and Labrador Municipal Financing Corporation summarizing the Corporation's activities for the fiscal year ended March 31, 2008. This Report has been prepared in accordance with the provisions of Section 13 of the *Municipal Financing Corporation Act* and Section 9 of the *Transparency and Accountability Act*.

NMFC was established to consolidate the long-term borrowing programs of all municipalities in one central Crown agency. The proceeds of these borrowings were then used to provide long-term financing to meet the capital requirements of municipalities. As most municipal projects were cost shared with the Province, the financing provided was recovered partially from the municipality with the balance, representing the Province's share, paid by the Department of Municipal Affairs.

However, NMFC's mandate and role evolved over time to a situation whereby most municipalities were capable of financing their capital programs independently through financial institutions, primarily banks. NMFC continued to borrow to provide financing for the Provincial share of capital projects for a period of time but, in 2005-06, Government decided it would no longer finance its portion of municipal capital projects but would fund it directly through annual budgetary allocations. Consequently, NMFC discontinued its capital markets borrowing program and its mandate is now to wind up operations when it collects its outstanding loans receivable and repays its outstanding debenture debt. This report outlines the progress made in 2007-08 on the collection of outstanding receivables and payment of outstanding debenture debt.

The Board of Directors has approved the financial statements and information contained in this annual report, and the Board is accountable for the results reported herein.

Sincerely,



Terry Paddon
Chairman of the Board

CORPORATE OVERVIEW

Authority

The Newfoundland and Labrador Municipal Financing Corporation (“NMFC”) was established in 1964 and operates pursuant to the provisions of the *Municipal Financing Corporation Act*. NMFC operates with a March 31 fiscal year end and the results of its activities are fully consolidated in the Province’s annual financial statements.

Purpose

The Corporation was established to consolidate the long-term borrowing programs of all municipalities in one central Crown agency.

Board Representation and Accountability

The affairs of NMFC are overseen by a Board of Directors appointed by the Lieutenant Governor in Council. All Board members are employees of the Province with the position of Chair held by the Deputy of Minister of Finance. The Board meets no less often than annually and approves its Annual Financial Statements and Activity Report, both of which are then tabled in the House of Assembly by the Minister of Finance. The current members of the Board and their positions are as follows:

Mr. Terry Paddon (Chair)
Deputy Minister of Finance

Ms. Cathy Duke
Deputy Minister of Innovation, Trade and
Rural Development

Mr. Baxter Rose
Deputy Minister of Municipal Affairs

Ms. Donna Brewer
Assistant Deputy Minister
Financial Planning and Benefits Administration
Department of Finance

Mr. Earl Saunders (Secretary)
Director of Debt Management
Department of Finance

Mr. Paul Myrden
Manager of Capital Markets and Financial
Assistance Programs
Department of Finance

Operational and Corporate Information

NMFC has no direct employees as the day-to-day affairs are administered by employees of the Department of Finance. On a quarterly basis, the Province invoices NMFC for its share of the salary costs of the employees who are involved in its administration. Contact information is as follows:

Mailing Address:

Newfoundland and Labrador
Municipal Financing Corporation
c/o Department of Finance
Confederation Building
East Block, Main Floor
P. O. Box 8700
St. John's, NL
A1B 4J6

Office Location:

Debt Management Division
Department of Finance
Confederation Building
East Block, Main Floor
Telephone: (709)-729-6686
Fax: (709) 729-2095

Departmental Website:

www.gov.nl.ca/fin

SHARED COMMITMENTS

An important issue for the Corporation, and the Province as guarantor of the Corporation's debenture debt, is the level of municipal loan arrears. Loan arrears at March 31, 2008 amounted to \$5.7 million (2007, \$5.2 million). Historically, the Corporation collected a significant amount of arrears through the interception of municipal operating grants and from allocations from a Reserve Fund established with the Corporation and funded by the Province to assist towns most in need. Subject to the approval of the Minister of Finance, the Fund was periodically allocated as the Department of Municipal Affairs completed negotiations with town councils to determine the eligible levels of financial assistance towards arrears. However, no amounts have been allocated since the 2005-06 fiscal year and the Reserve Fund balance of \$1.8 million as at March 31, 2008 has been unchanged since then.

Given that NMFC is no longer borrowing and lending the proceeds to municipalities, it does not have sufficient leverage with individual municipalities that can be used to collect outstanding amounts receivable. Consequently, the Corporation is reliant on the Department of Municipal Affairs (MA) to take the necessary action to address outstanding arrears as MA has some additional measures available to address problems arising from the municipalities' inability to pay the arrears, such as the interception of municipal payments and the suspension of further capital funding. MA officials advise that these options are currently being pursued with the municipalities in arrears, but with limited success. Corporation officials are continuing to engage in discussions with MA staff aimed at having the arrears situation cleared. Both the Corporation and MA are optimistic that an arrangement can be reached that would see the arrears paid not later than March 31, 2009.

HIGHLIGHTS AND ACCOMPLISHMENTS

Government has decided that, going forward, the Corporation will not be used as a vehicle to finance the Province's share of the cost of municipal capital projects. Since most of the Province's municipalities already arrange long-term financing from the banks and other financial institutions, the Corporation is in the process of winding up operations as it collects the loan portfolio and retires its debenture debt and this process continued during the fiscal year.

Collection of outstanding loans receivable amounted to \$28,514 (amounts in thousands except as noted) as the Corporation's loan portfolio was reduced from \$185.7 million to \$157.2 million. During the same period, outstanding accounts receivable increased from \$5.2 million to \$5.7 million owing to the net effect of increases in arrears owed by municipalities plus interest and late charges on overdue amounts less collections of arrears.

The net debenture debt of the Corporation decreased from \$197.8 million to \$150.6 million due to loan repayments of \$46.2 million during the year and an increase of \$1.0 million in sinking fund assets. At year end the Corporation had \$12.0 million invested in sinking funds established for the repayment of certain debenture debt.

PROGRESS ON OBJECTIVES – 2007-08

Objective:

By March 31, 2008, NMFC will have executed the collection of loans receivable and payment of debenture debt in accordance with the schedule of planned payments and collections for fiscal year 2007-08.

Measure:

Net balances of outstanding loans receivable and debenture debt payable reduced by planned amounts.

Indicators (amounts in thousands):

- Outstanding loans to municipalities reduced by \$28,542.
- Outstanding debenture debt reduced by \$46,165.

Results of 2007-08 Objective:

- Outstanding loans to municipalities have been reduced by \$28,514.
- Outstanding debenture debt was reduced by \$46,165.

OPPORTUNITIES AND CHALLENGES AHEAD

The major challenge for the upcoming year will be to make further progress on resolving the situation with respect to outstanding municipal arrears as detailed in the Shared Commitments section.

FINANCIAL STATEMENTS

Management's Responsibility for Financial Statements

The financial statements of the Newfoundland and Labrador Municipal Financing Corporation are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. The financial information presented elsewhere in the Annual Report is consistent with the financial statements and the underlying information from which the financial statements were prepared.

The Auditor General of Newfoundland and Labrador, appointed as the external auditor under the *Municipal Financing Corporation Act*, performed an audit on the financial statements in accordance with Canadian generally accepted auditing standards. The Auditor's Report attached to the financial statements outlines the scope of the examination and contains the Auditor General's opinion on the Corporation's financial statements.

AUDITOR'S REPORT & AUDITED FINANCIAL STATEMENTS

**NEWFOUNDLAND AND LABRADOR
MUNICIPAL FINANCING CORPORATION**

FINANCIAL STATEMENTS

31 MARCH 2008



OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

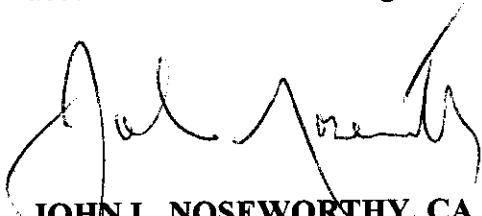
AUDITOR'S REPORT

To the Board of Directors
Newfoundland and Labrador Municipal Financing
Corporation
St. John's, Newfoundland and Labrador

I have audited the balance sheet of the Newfoundland and Labrador Municipal Financing Corporation as at 31 March 2008 and the statements of revenues, expenses and surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
20 June 2008

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION

BALANCE SHEET

31 March

2008

2007

(000's)

(000's)

ASSETS

Current

Cash and term deposits	\$ -	\$ 1,742
Investment - coupons (at cost)	1,709	2,410
- earned interest receivable	2,111	2,852
Accounts receivable	5,748	5,235
Accrued interest receivable	1,518	2,019
<u>Current portion of loans receivable (Note 2)</u>	<u>26,659</u>	<u>28,542</u>

37,745

42,800

Long-term investment - coupons

2,429

4,138

Long-term loans receivable (Note 2)

130,529

157,160

Deferred charges (Note 3)

397

531

\$ 171,100

\$ 204,629

LIABILITIES AND SURPLUS

Current

Bank indebtedness	\$ 12,586	\$ -
Accounts payable and accrued liabilities	78	78
Accrued interest payable	1,957	2,805
Current portion of debenture debt (Note 4)	31,218	46,165
<u>Current portion of deferred revenue (Note 5)</u>	<u>115</u>	<u>181</u>

45,954

49,229

Long-term debenture debt (Note 4)

119,410

151,589

Deferred revenue (Note 5)

120

235

Reserve fund (Note 6)

1,770

1,770

167,254

202,823

Surplus

3,846

1,806

\$ 171,100

\$ 204,629

See accompanying notes

Signed on behalf of the Board of Directors:



Chairperson



Director

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF REVENUES, EXPENSES AND SURPLUS
For the Year Ended 31 March

	2008	2007
	(000's)	(000's)
REVENUES		
Interest on loans to municipal corporations	\$ 13,510	\$ 16,086
Sinking fund income	661	628
Short-term interest	391	560
Amortization of deferred revenue:		
Prepayment penalties	181	270
	<u>14,743</u>	<u>17,544</u>
EXPENSES		
Administrative and miscellaneous	180	185
Amortization of deferred charges:		
Issue expenses on debenture debt	98	117
Premiums and discounts on debenture debt	36	44
Interest on long-term debt	11,927	15,246
Interest - other	462	33
	<u>12,703</u>	<u>15,625</u>
Excess of revenues over expenses	2,040	1,919
Surplus (deficit), beginning of year	1,806	(113)
Surplus, end of year	\$ 3,846	\$ 1,806

See accompanying notes

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended 31 March

	2008	2007
	(000's)	(000's)
Cash flows from operating activities		
Excess of revenues over expenses	\$ 2,040	\$ 1,919
Add (deduct) non-cash items:		
Sinking fund income	(661)	(628)
Amortization of prepayment penalties	(181)	(270)
Accrued interest income on coupons	(326)	(425)
Amortization of issue expenses on debenture debt	98	117
Amortization of premiums and discounts on debenture debt	36	44
	<u>1,006</u>	<u>757</u>
Change in non-cash working capital	(860)	(484)
	<u>146</u>	<u>273</u>
Cash flows from financing activities		
Retirement of debentures	(46,165)	(35,098)
Sinking fund payments	(300)	(300)
	<u>(46,465)</u>	<u>(35,398)</u>
Cash flows from investing activities		
Investment - coupons redeemed	3,477	4,660
Loan payments received from municipal corporations	28,514	31,205
	<u>31,991</u>	<u>35,865</u>
Increase (decrease) in cash and term deposits	(14,328)	740
Cash and term deposits, beginning of year	1,742	1,002
Cash and term deposits (bank indebtedness), end of year	\$ (12,586)	\$ 1,742

See accompanying notes

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2008

Authority

Newfoundland and Labrador Municipal Financing Corporation (the Corporation) was created by the *Municipal Financing Corporation Act*. The Corporation was established to provide long-term financing for the capital requirements of municipal corporations by the issuance of its securities, and relending the funds to municipal corporations. The Corporation's affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland and Labrador (the Province).

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with Canadian generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Premiums, discounts and issue expenses on debenture debt

Premiums, discounts and issue expenses are deferred and amortized on a straight line basis over the life of the debenture issue to which they relate. In the case of the early retirement of debenture debt, a proportionate amount of the deferred balance is included with the gain or loss in the determination of net income for the period.

(b) Deferred revenue

Penalties are charged when municipal corporations prepay all or a portion of their loans with the Corporation. These penalties are deferred and amortized on a straight line basis over the average years remaining for these loans prior to payout.

2. Loans receivable

	<u>2008</u>	<u>2007</u>
	(000's)	(000's)
Loans receivable from municipal corporations	\$ 157,188	\$ 185,702
Less: current portion	(26,659)	(28,542)
<u>Long-term portion</u>	<u>\$ 130,529</u>	<u>\$ 157,160</u>

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2008

2. Loans receivable (cont.)

Loans to municipal corporations are made on the security of their debentures. Provisions exist for the recovery from the Province of any defaults by municipal corporations. Therefore, no allowance for doubtful accounts has been provided.

Principal payments receivable in each of the next five (5) years are as follows:

<u>Year</u>	<u>Amount</u> (000's)
2009	\$26,659
2010	\$23,458
2011	\$20,572
2012	\$18,014
2013	\$16,722

3. Deferred charges

	<u>2008</u> (000's)	<u>2007</u> (000's)
Issue expenses on debenture debt	\$ 282	\$ 380
<u>Premiums and discounts on debenture debt</u>	<u>115</u>	<u>151</u>
	<u>\$ 397</u>	<u>\$ 531</u>

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2008

4. Debenture debt

The Corporation's debenture debt is unconditionally and fully guaranteed as to principal, interest and sinking fund payments, if any, by the Province. Details of long-term debt outstanding at 31 March 2008 are as follows:

Series	Remaining Term	Interest Rate %	Sinking Fund Balance (000's)	2008 (000's)	2007 (000's)	
MFC-21	1 Dec 2008	10.875	\$ 11,991	\$ 15,000	\$ 15,000	
MFC-22	15 Jun 2008-09	10.500	-	2,500	3,750	(a)
MFC-28			-	-	2,666	
MFC-29			-	-	1,000	
MFC-30	20 May 2008	9.125	-	2,000	4,000	(b)
MFC-31	1 Dec 2008	8.375	-	2,333	4,666	(c)
MFC-32	17 May 2008	9.375	-	2,000	8,000	(d)
MFC-34			-	-	10,000	
MFC-36	15 May 2008-10	9.450 - 9.600	-	3,750	5,000	(e)
MFC-37	10 Jan 2009-11	8.250 - 8.375	-	6,000	8,000	(f)
MFC-38	1 Jun 2008-13	5.750 - 6.000	-	7,400	8,600	(g)
MFC-39	16 Dec 2008-13	5.875 - 6.125	-	7,500	10,000	(h)
MFC-40	14 Dec 2008-14	6.650 - 6.850	-	7,400	9,200	(i)
MFC-41	17 Oct 2008-10	6.450 - 6.500	-	4,200	5,600	(j)
MFC-42	5 Apr 2008-11	5.650 - 5.900	-	7,300	8,700	(k)
MFC-43	20 Sep 2008-16	5.875 - 6.500	-	21,200	24,000	(l)
MFC-44	15 Mar 2009-17	5.500 - 6.125	-	9,000	10,000	(m)
MFC-45	26 Mar 2009-13	4.750 - 5.375	-	18,000	20,000	(n)
MFC-46	15 Feb 2012	5.200	-	10,000	10,000	
MFC-47	17 Mar 2009-19	3.850 - 5.200	-	13,936	15,202	(o)
MFC-48	29 Mar 2009-20	3.850 - 5.200	-	23,100	25,400	(p)
Total			<u>\$ 11,991</u>	<u>162,619</u>	<u>208,784</u>	
Less: sinking funds				<u>(11,991)</u>	<u>(11,030)</u>	(q)
Net debenture debt				<u>150,628</u>	<u>197,754</u>	
Less: current portion				<u>(31,218)</u>	<u>(46,165)</u>	
Long-term portion				<u>\$ 119,410</u>	<u>\$ 151,589</u>	

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2008

4. Debenture debt (cont)

- (a) MFC-22: On 15 June of each year, the Corporation is to redeem \$1,250,000 in the years 2008 to 2009 inclusive.
- (b) MFC-30: On 20 May 2008, the Corporation is to redeem \$2,000,000.
- (c) MFC-31: On 1 December 2008, the Corporation is to redeem \$2,333,000.
- (d) MFC-32: On 17 May 2008, the Corporation is to redeem \$2,000,000.
- (e) MFC-36: On 15 May of each year, the Corporation is to redeem \$1,250,000 in the years 2008 to 2010 inclusive.
- (f) MFC-37: On 10 January of each year, the Corporation is to redeem \$2,000,000 in the years 2009 to 2011 inclusive.
- (g) MFC-38: On 1 June of each year, the Corporation is to redeem \$1,200,000 in the years 2008 to 2009 inclusive and \$1,250,000 in the year 2010 to 2013 inclusive.
- (h) MFC-39: On 16 December of each year, the Corporation is to redeem \$2,500,000 in the year 2008 and \$1,000,000 in the years 2009 to 2013 inclusive.
- (i) MFC-40: On 14 December of each year, the Corporation is to redeem \$1,200,000 in the years 2008 to 2009 inclusive and \$1,000,000 in the years 2010 to 2014 inclusive.
- (j) MFC-41: On 17 October of each year, the Corporation is to redeem \$1,600,000 in the years 2008 to 2009 inclusive and \$1,000,000 in the year 2010.
- (k) MFC-42: On 5 April of each year, the Corporation is to redeem \$1,500,000 in the year 2008, \$1,600,000 in the year 2009, \$1,700,000 in the year 2010 and \$2,500,000 in the year 2011.
- (l) MFC-43: On 20 September of each year, the Corporation is to redeem \$2,800,000 in the years 2008 to 2011 inclusive and \$2,000,000 in the years 2012 to 2016 inclusive.
- (m) MFC-44: On 15 March of each year, the Corporation is to redeem \$1,000,000 in the years 2009 to 2017 inclusive.
- (n) MFC-45: On 26 March of each year, the Corporation is to redeem \$2,000,000 in the years 2009 to 2012 inclusive and \$10,000,000 in the year 2013.
- (o) MFC-47: On 17 March of each year, the Corporation is to redeem \$1,276,000 in the year 2009 and \$1,266,000 in the years 2010 to 2019 inclusive.

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2008

4. Debenture debt (cont)

- (p) MFC-48: On 29 March of each year, the Corporation is to redeem \$2,300,000 in the years 2009 to 2015 inclusive and \$1,400,000 in the years 2016 to 2020 inclusive.
- (q) For debentures which have sinking fund requirements, the Corporation makes the required contributions to the Board of Trustees of the Newfoundland and Labrador Municipal Financing Corporation Sinking Fund. This is an unincorporated body appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province.

Estimated debenture maturities over the next five (5) years are as follows:

Year Ending 31 March	Debenture Maturities (000's)
2009	\$31,218
2010	\$20,466
2011	\$18,566
2012	\$25,116
2013	\$19,816

Debenture maturities reflect only securities maturing without sinking funds.

5. Deferred revenue

	2008 (000's)	2007 (000's)
Deferred revenue	\$ 235	\$ 416
<u>Less: current portion</u>	<u>(115)</u>	<u>(181)</u>
<u>Long-term portion</u>	<u>\$ 120</u>	<u>\$ 235</u>

6. Reserve fund

The Province has historically funded a reserve fund established to mitigate arrears with respect to municipal loans. The reserve fund is allocated as the Department of Municipal Affairs concludes negotiations with various municipal corporations with respect to restructuring debt due to the Corporation. There has been no funding of the reserve nor allocation to municipalities since March 2006. The year end reserve fund balance is as follows:

	2008 (000's)	2007 (000's)
<u>Reserve fund balance</u>	<u>\$ 1,770</u>	<u>\$ 1,770</u>

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2008

7. Financial instruments

The Corporation's short-term financial instruments recognized on the balance sheet consist of short-term investments, accounts receivable, accrued interest receivable, bank indebtedness, accounts payable and accrued liabilities, and accrued interest payable. The carrying values of these instruments approximate current fair value due to their nature and the short-term maturity associated with them. Since provisions exist for the recovery from the Province of any defaults by municipal corporations there is no credit risk associated with the Corporation's accounts receivable.

The Corporation's long-term financial instruments recognized on the balance sheet consist of long-term investments, long-term loans receivable and long-term debenture debt. The Corporation's policy is to hold its long-term investments to maturity, therefore their reported value is current fair value to the Corporation. Since provisions exist for the recovery from the Province of any defaults by municipal corporations there is no credit risk associated with the Corporation's long-term loans receivable and therefore, the amount presented in the balance sheet is the same as current fair value of the asset.

The majority of the Corporation's long-term debt is issued as serial debentures which are redeemed over a number of years at varying interest rates. In addition, the Corporation's long-term debenture debt is used to finance loans to the Province's various municipalities. The rates charged by the Corporation to these municipalities is calculated using the rates the Corporation is required to pay on its related debenture debt plus an additional percentage. Because provisions exist for the recovery from the Province of any defaults by municipal corporations and because the long-term debenture debt of the Corporation is specifically tied to these receivables, the long-term debenture debt as presented in the balance sheet is presented at current fair value and the Corporation is not subject to any rate risk relating to this debt.

8. Economic dependence

As a result of cost-sharing arrangements, the loans receivable from municipal corporations disclosed in Note 2 are serviced by both the municipal corporations and the Province. Due to the nature of these arrangements, the Province is in effect repaying a significant portion of the loans owing to the Corporation. Provisions exist for the recovery from the Province of any defaults by municipal corporations.

The Corporation's debentures are fully guaranteed by the Province as to principal, interest and sinking fund payments, if any. As at 31 March 2008, this guarantee covered net debenture debt and accrued interest totalling \$152,585,000 (2007 - \$200,559,000).

As a result, the Corporation's continued existence is dependent upon the decisions of the Province.

9. Related party transactions

The Corporation is administered by employees of the Department of Finance. The salary costs of these employees are paid by the Department of Finance, reimbursed by the Corporation, and are reflected in these financial statements.

NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 March 2008

10. Income taxes

The Corporation is a Crown corporation of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

11. Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted in 2008.

12. Going concern

The Province of Newfoundland and Labrador has decided that it will no longer refinance its portion of completed municipal capital projects through the Corporation. As a result, the Corporation will be winding up its operations over the coming years as it collects its loans receivable and repays its debenture debt.