

2013
Annual Report

New Brunswick
Municipal Finance
Corporation

2013 Annual Report

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New Brunswick Municipal Finance Corporation

Legislation

The New Brunswick Municipal Finance Corporation (the "Corporation") was established by the *New Brunswick Municipal Finance Corporation Act*, Chapter N-6.2 of the Acts of New Brunswick 1982, (the "Act") which came into force on February 1, 1983.

Purpose

The purpose of the Corporation is to provide financing for municipalities and municipal enterprises through a central borrowing authority.

The Act prohibits a municipality or municipal enterprise from issuing and selling securities other than to the New Brunswick Municipal Finance Corporation, the Government of Canada, the Province of New Brunswick, a reserve fund established by the municipality under section 90 or 189 of the *Municipalities Act*, a sinking fund established by the municipality under section 7 of the *Municipal Debenture Act* or a trust fund of which it is a trustee.

An exception is made in the case of securities having a term to maturity of less than one year, which a municipality or municipal enterprise may issue to a chartered bank, trust company or credit union as evidence of a temporary loan.

Administration

The Corporation consists of six directors appointed by the Lieutenant-Governor in Council.

Directors

Jane Garbutt	Deputy Minister Finance Province of New Brunswick
Leonard Lee-White	Assistant Deputy Minister Treasury Division Province of New Brunswick
Richard Luton	Managing Director Capital Markets Treasury Division Province of New Brunswick
Phil LePage	Deputy Minister, Environment and Local Government
Darlene O'Shea	Treasurer City of Miramichi

Officers of the Corporation

Jane Garbutt	President
Leonard Lee-White	Vice President
Catherine Mosher	Secretary-Treasurer

Administration is provided by officials of the Province of New Brunswick.

Fiscal Year

The fiscal year of the Corporation is from January 1 to December 31.

Protection for Investors

Before applying to the Corporation for financing of a capital expense, all municipalities and municipal enterprises, except for the City of Saint John, must obtain the prior approval of the Minister of Local Government to incur the capital expense under the terms of the *Municipal Capital Borrowing Act*.

Under the provisions of the Act, the Lieutenant-Governor in Council may guarantee the payment of the principal, premium, if any, and interest on any securities issued by the Corporation.

The Act also obligates the Minister of Local Government to pay to the Corporation, upon request, any amounts payable to the Corporation by municipalities or municipal enterprises that are in default.

Financing Activity in 2013

In 2013, the Corporation sold two issues of debentures on the Canadian bond market, both issues were guaranteed as to principal and interest by the Province of New Brunswick. The proceeds, after allowing for expenses of issue, were loaned to municipalities and municipal enterprises against the security of debentures payable to the Corporation. The public series were issued in the form of a fully registered global serial certificates registered in the name of The Canadian Depository for Securities Limited ("CDS") and is held by CDS.

The details of the issues are as follows:

Series BI	
Principal Amount	\$73,647,000
Date of Issue	June 14, 2013
Date of Maturity	June 14, 2014-2033
Underwriters	A syndicate managed by: RBC Capital Markets CIBC World Markets Inc.
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2014	5,100,000	1.350
2015	5,153,000	1.450
2016	5,202,000	1.700
2017	5,001,000	2.000
2018	5,053,000	2.200
2019	4,599,000	2.450
2020	4,683,000	2.700
2021	4,773,000	2.900
2022	4,867,000	3.100
2023	4,937,000	3.250
2024	2,579,000	3.350
2025	2,615,000	3.450
2026	2,651,000	3.500
2027	2,687,000	3.600
2028	2,717,000	3.700
2029	1,768,000	3.800
2030	1,801,000	3.850
2031	1,838,000	3.900
2032	1,875,000	3.950
2033	3,748,000	4.000

Series BJ

Principal Amount	\$52,370,000
Date of Issue	November 20, 2013
Date of Maturity	November 20, 2013-2033
Underwriters	A syndicate managed by: CIBC World Markets Inc. RBC Capital Markets
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2014	\$4,068,000.00	1.250%
2015	\$4,121,000.00	1.450%
2016	\$4,171,000.00	1.750%
2017	\$4,218,000.00	2.150%
2018	\$4,304,000.00	2.500%
2019	\$3,220,000.00	2.800%
2020	\$3,311,000.00	3.050%
2021	\$3,413,000.00	3.300%
2022	\$3,512,000.00	3.500%
2023	\$3,637,000.00	3.700%
2024	\$1,452,000.00	3.800%
2025	\$1,505,000.00	3.900%
2026	\$1,565,000.00	4.000%
2027	\$1,630,000.00	4.050%
2028	\$1,695,000.00	4.150%
2029	\$1,173,000.00	4.200%
2030	\$1,224,000.00	4.250%
2031	\$1,275,000.00	4.300%
2032	\$1,329,000.00	4.350%
2033	\$1,547,000.00	4.400%

Schedule of Loans to Municipalities – Cities and Towns

	2013			Principal Outstanding Dec. 31, 2013
	Principal Outstanding Dec. 31, 2012	Principal Repaid	New Loans	
Cities				
Bathurst	\$ 30,234,000	\$4,614,000	\$6,238,000	\$31,858,000
Campbellton	12,299,000	2,068,000	883,000	11,114,000
Dieppe	83,681,000	7,347,000	5,915,000	82,249,000
Edmundston	65,907,000	6,571,000	4,774,000	64,110,000
Fredericton	55,068,000	2,738,000	8,950,000	61,280,000
Miramichi	28,471,000	5,718,000	5,764,000	28,517,000
Moncton	142,336,000	24,034,000	24,538,000	142,840,000
Saint John	183,902,000	17,201,000	30,300,000	197,001,000
Total	\$601,898,000	70,291,000	87,362,000	618,969,000
Towns				
Beresford	\$4,112,000	\$607,000	\$425,000	\$3,930,000
Bouctouche	5,299,000	253,000	0	5,046,000
Caraquet	5,445,000	851,000	1,358,000	5,952,000
Dalhousie	5,007,000	755,000	600,000	4,852,000
Florenceville-Bristol	1,222,000	186,000	0	1,036,000
Grand Bay-Westfield	2,347,000	180,000	870,000	3,037,000
Grand-Sault/Grand Falls	15,754,000	1,747,000	1,317,000	15,324,000
Hampton	4,277,000	741,000	295,000	3,831,000
Hartland	862,000	120,000	250,000	992,000
Lamèque	866,000	157,000	1,365,000	2,074,000
Nackawic	627,000	77,000	200,000	750,000
Oromocto	829,000	81,000	0	748,000
Quispamsis	22,598,000	2,670,000	8,047,000	27,975,000
Richibucto	900,000	92,000	0	808,000
Riverview	28,550,000	3,556,000	300,000	25,294,000
Rothesay	8,423,000	1,023,000	0	7,400,000
Sackville	14,929,000	1,479,000	0	13,450,000
Saint Andrews	4,404,000	791,000	452,000	4,065,000
Saint-Léonard	2,679,000	323,000	368,000	2,724,000
Saint-Quentin	1,717,000	419,000	344,000	1,642,000
Shediac	5,990,000	1,041,000	1,140,000	6,089,000
Shippagan	5,267,000	732,000	1,126,000	5,661,000
St. George	109,000	60,000	300,000	349,000
St. Stephen	6,512,000	969,000	104,000	5,647,000
Sussex	2,405,000	270,000	1,122,000	3,257,000
Tracadie-Sheila	7,885,000	721,000	0	7,164,000
Woodstock	2,345,000	208,000	2,000,000	4,137,000
Total	161,360,000	20,109,000.00	21,983,000	163,234,000

Schedule of Loans to Municipalities – Villages

	2013			Principal Outstanding Dec. 31, 2013
	Principal Outstanding Dec. 31, 2012	Principal Repaid	New Loans	
Villages				
Alma	\$1,436,000	\$54,000	\$0	\$1,382,000
Atholville	2,378,000	252,000	468,000	2,594,000
Baker Brook	460,000	73,000	0	387,000
Balmoral	2,446,000	207,000	123,000	2,362,000
Bas-Caraquet	351,000	85,000	0	266,000
Bath	437,000	80,000	67,000	424,000
Belledune	3,015,000	398,000	0	2,617,000
Bertrand	555,000	47,000	315,000	823,000
Blacks Harbour	1,006,000	92,000	0	914,000
Blackville	453,000	22,000	0	431,000
Canterbury	170,000	22,000	0	148,000
Cap-Pelé	1,643,000	456,000	989,000	2,176,000
Centreville	112,000	37,000	120,000	195,000
Charlo	1,385,000	142,000	0	1,243,000
Chipman	310,000	83,000	71,000	298,000
Clair	2,452,000	130,000	1,750,000	4,072,000
Doaktown	2,188,000	179,000	0	2,009,000
Dorchester	469,000	27,000	355,000	797,000
Drummond	736,000	88,000	0	648,000
Eel River Crossing	323,000	41,000	150,000	432,000
Fredericton Junction	1,102,000	71,000	0	1,031,000
Gagetown	324,000	42,000	0	282,000
Grand Manan	1,523,000	158,000	0	1,365,000
Grande-Anse	265,000	61,000	62,000	266,000
Harvey	228,000	15,000	0	213,000
Hillsborough	387,000	93,000	0	294,000
Lac Baker	285,000	39,000	0	246,000
Le Goulet	251,000	17,000	0	234,000
Maisonnette	174,000	12,000	0	162,000
McAdam	277,000	71,000	0	206,000
Meductic	0	0	160,000	160,000
Memramcook	7,179,000	355,000	0	6,824,000
Millville	140,000	25,000	0	115,000

Schedule of Loans to Municipalities – Villages Continued and Rural Communities

	Principal Outstanding Dec. 31, 2012	2013		Principal Outstanding Dec. 31, 2013
		Principal Repaid	New Loans	
Villages Continued				
Minto	2,510,000	187,000	0	2,323,000
Neguac	679,000	95,000	56,000	640,000
New Maryland	\$7,186,000	763,000	530,000	6,953,000
Nigadoo	496,000	82,000	0	414,000
Norton	66,000	33,000	0	33,000
Paquetville	1,024,000	172,000	350,000	1,202,000
Petit-Rocher	1,666,000	161,000	0	1,505,000
Petitcodiac	1,574,000	87,000	0	1,487,000
Plaster Rock	2,144,000	102,000	0	2,042,000
Pointe-Verte	160,000	20,000	0	140,000
Port Elgin	168,000	20,000	100,000	248,000
Rexton	556,000	102,000	240,000	694,000
Riverside-Albert	913,000	237,000	166,000	842,000
Rivière-Verte	558,000	38,000	517,000	1,037,000
Rogersville	782,000	100,000	1,400,000	2,082,000
Saint-Antoine	4,327,000	262,000	0	4,065,000
Saint-François-de-Madawaska	965,000	99,000	40,000	906,000
Saint-Isidore	272,000	43,000	216,000	445,000
Saint-Louis-de-Kent	501,000	42,000	864,000	1,323,000
Saint-Léolin	94,000	17,000	0	77,000
Sainte-Anne-de-Madawaska	1,016,000	94,000	0	922,000
Saint-Marie-Saint Raphaël	406,000	140,000	85,000	351,000
Salisbury	960,000	89,000	0	871,000
St. Martins	365,000	24,000	0	341,000
Stanley	146,000	19,000	0	127,000
Sussex Corner	748,000	202,000	246,000	792,000
Tide Head	88,000	24,000	0	64,000
Total	\$ 64,830,000	6,728,000	9,440,000	67,542,000
Rural Communities				
Beaubassin-Est	\$0	0	\$283,000	\$283,000
Kedgwick	864,000	109,000	88,000	843,000
Saint-André	561,000	49,000	0	512,000
Upper Miramichi	193,000	8,000	0	185,000
Total	\$1,618,000	166,000	371,000	1,823,000

Schedule of Loans to Municipalities – Municipal Enterprises

	Principal Outstanding Dec. 31, 2012	2013		Principal Outstanding Dec. 31, 2013
		Principal Repaid	New Loans	
Municipal Enterprises				
Comité Mixte de Service de Police B.N.P.P.	26,000	16,000	0	10,000
Commission d'Égouts Sanitaire d'Allardville	28,000	5,000	0	23,000
Greater Shediac Sewerage Commission	3,905,000	90,000	580,000	4,395,000
Rothsay Regional Joint Board of Police Commissioners	1,649,000	97,000	0	1,552,000
Westmorland-Albert Solid Waste Corp.	1,052,000	514,000	0	538,000
Total	6,660,000	722,000	580,000	6,518,000
Regional Service Commission				
CSR #1	\$818,000	\$388,000	\$750,000	\$1,180,000
CSR #2	254,000	29,000	0	225,000
CSR #3	1,905,000	117,000	720,000	2,508,000
CSR #4	0	0	1,200,000	1,200,000
RSC #9	4,097,000	1,448,000	0	2,649,000
RSC #11	1,945,000	295,000	3,611,000	5,261,000
Total	9,019,000	2,277,000	6,281,000	13,023,000
Grand Total	\$845,385,000	\$100,293,000	\$126,017,000	\$871,109,000

FINANCIAL STATEMENTS

**NEW BRUNSWICK
MUNICIPAL FINANCE CORPORATION**

31 DECEMBER 2013



AUDITOR GENERAL OF NEW BRUNSWICK

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
New Brunswick Municipal Finance Corporation

I have audited the accompanying financial statements of the New Brunswick Municipal Finance Corporation, which comprise the statement of financial position as at December 31, 2013, and the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the New Brunswick Municipal Finance Corporation as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Kim MacPherson, CA
Auditor General

Fredericton, N.B.
May 21, 2014

6th Floor, HSBC Place
P.O. Box 758
Fredericton, NB E3B 5B4

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION


Statement of financial position
In Canadian dollars

	Note	31 December 2013	31 December 2012
Assets			
Cash and cash equivalents	3.2.4, 8	\$ 1,062,297	\$ 1,101,791
Accrued interest receivable from municipalities and municipal enterprises		3,123,911	3,340,286
Accrued investment income receivable		659	754
Short term investments	4	-	393,975
Loans to municipalities and municipal enterprises	5	<u>863,570,932</u>	<u>837,955,396</u>
Total assets		<u>867,757,799</u>	<u>842,792,202</u>
Liabilities			
Accounts payable		3,157	2,552
Accrued interest payable on debenture debt		3,123,911	3,348,150
Debenture debt	5	<u>863,570,932</u>	<u>838,325,863</u>
Total liabilities		<u>866,698,000</u>	<u>841,676,565</u>
Equity			
Retained earnings		<u>1,059,799</u>	<u>1,115,637</u>
Total equity		<u>1,059,799</u>	<u>1,115,637</u>
Total liabilities and equity		<u>\$ 867,757,799</u>	<u>\$ 842,792,202</u>

The accompanying notes are an integral part of these Financial Statements.

Approved by the Board and authorized for issue on May 21, 2014

 Director

 Director

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

Statement of comprehensive income For the year ended 31 December *In Canadian dollars*

	Note	2013	2012
Revenue			
Interest income	3.1	\$ 34,514,700	34,251,338
Subsidy received on debenture debt		-	2,222,629
		34,514,700	36,473,967
Expense			
Interest expense		34,302,381	34,071,673
Other expenses	7	268,157	265,753
Subsidy paid on loans to municipalities and municipal enterprises		-	2,222,629
		34,570,538	36,560,055
Total comprehensive income (loss)		\$ (55,838)	(86,088)

Statement of changes in equity For the year ended 31 December *In Canadian dollars*

	2013	2012
Retained earnings, 1 January	\$ 1,115,637	1,201,725
Total comprehensive income (loss)	(55,838)	(86,088)
Retained earnings, 31 December	\$ 1,059,799	1,115,637

The accompanying notes are an integral part of these Financial Statements.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

Statement of cash flows
For the year ended 31 December
In Canadian dollars

	2013	2012
Operating activities		
Cash received from operations	\$ 189,025	\$ 175,698
Cash paid from operations	(267,553)	(270,596)
Interest paid on debenture debt	(33,389,571)	(33,421,166)
Interest received from municipalities and municipal enterprises	33,381,184	33,389,484
Interest received from investments	13,418	11,379
	(73,497)	(115,201)
Cash flows from operating activities		
Financing activities		
Proceeds on sale of debentures	124,582,995	133,026,568
Principal paid on debenture debt	(100,664,000)	(97,977,000)
	23,918,995	35,049,568
Cash flows from financing activities		
Investing activities		
Loans to municipalities and municipal enterprises	(124,582,995)	(133,026,568)
Principal repayments made by municipalities and municipal enterprises	100,293,003	97,709,000
Proceeds from maturity of long term investments	405,000	284,000
	(23,884,992)	(35,033,568)
Cash flows from investing activities		
Decrease in cash and cash equivalents	(39,494)	(99,201)
Cash and cash equivalents at beginning of year	1,101,791	1,200,992
	\$ 1,062,297	\$ 1,101,791
Cash and cash equivalents at end of year		

The accompanying notes are an integral part of these Financial Statements.

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2013**

1 Reporting entity

The New Brunswick Municipal Finance Corporation ("the Corporation") is a Crown Corporation of the Province of New Brunswick, and was established under the *New Brunswick Municipal Finance Corporation Act* ("the Act"), which came into force on 1 February 1983. The purpose of the Corporation is to provide financing for municipalities and municipal enterprises through a central borrowing authority. The Corporation is exempt from income taxes because it is a public sector entity.

2 Basis of presentation

2.1 Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board ("IASB").

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS requires management to exercise its judgment and make assumptions in the application of the Corporation's accounting policies.

2.4.1 Key sources of estimates

Significant items in these financial statements that have been measured using estimates are the fair value at initial recognition of subsidized financing (see note 3.2.6), and the fair value of the short-term investments, loans to municipalities and debenture debt, disclosed in note 6.1. Actual results may differ from management's best estimates as additional information becomes available. Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2.4.2 Critical judgements

The only critical judgement that the Corporation's management has made in the process of applying the Corporation's accounting policies, apart from those involving estimations, is assessing the interest rate, credit and liquidity risk.

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2013**

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below, and have been consistently applied to all the years presented.

3.1 Revenue recognition

The Corporation records income on all financial assets using the effective interest method. Any gains or losses realized on the sale of financial assets prior to maturity are recognized in profit or loss during the period in which they are sold.

The portion of the debenture issue proceeds that is retained by the Corporation is recorded as revenue in the year in which the related debenture is issued.

In cases of subsidized financing, the difference between the fair value of the debenture issue and the proceeds received is recorded as revenue in the year in which the related debenture is issued.

3.2 Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value, plus any directly attributable transaction costs, when the Corporation becomes a party to the contractual rights and obligations of the financial instrument. Fair value represents the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset have expired or have been transferred, and the Corporation has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the contractual obligation has been discharged, cancelled, or has expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Corporation has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. There are no offsetting transactions in these financial statements.

At initial recognition, the Corporation classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired. Settlement date accounting is used.

3.2.1 Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Subsequent to initial recognition, fair value fluctuations are included in profit or loss. The Corporation has no financial assets classified as fair value through profit or loss.

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2013**

3 Summary of significant accounting policies (continued)

3.2.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise loans to municipalities and municipal enterprises, and other receivables.

3.2.3 Held-to-maturity investments

Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses. The Corporation has no financial assets classified as held-to-maturity investments.

3.2.4 Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with banks, and other short-term highly liquid investments with original maturities of less than one-year. Due to the short-term nature, fair value is assumed to represent the carrying value, which is historical cost.

3.2.5 Financial liabilities measured at amortized cost

Accounts payable, interest payable and debenture debt are classified as financial liabilities measured at amortized cost. Such liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

3.2.6 Subsidies received and paid

Qualified financing, through the Corporation, has been made available to municipalities and municipal enterprises by the Federation of Canadian Municipalities ("FCM") at preferential interest rates. The Corporation receives the financing from FCM and provides it to the qualifying municipalities and municipal enterprises at the identical terms.

The Corporation initially recognizes all financial instruments at fair value. The prevailing interest rates applicable to the Corporation's regular financing at the time of issue have been used to determine fair value. The difference between the fair value of the debenture issue and the proceeds received is recorded as an in-year revenue, and as a discount to the debenture debt which is amortized to maturity as an expense. The offsetting difference between the fair value of the loans to municipalities

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3 Summary of significant accounting policies (continued)

and municipal enterprises and the proceeds paid is recorded as an in-year expense, and as a discount to the loans to municipalities and municipal enterprises which is amortized to maturity as revenue.

3.3 Impairment of financial assets

The Corporation assesses at the end of each reporting period whether there is objective evidence that individual financial assets are impaired. A financial asset is impaired, and impairment losses are incurred, only if there is objective evidence as a result of one or more events that occurred after the initial recognition of the asset which has an impact on the estimated future cash flows of that asset that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor or indications that a debtor or issuer will enter into bankruptcy.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the asset. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. No impairment losses were recorded during the period.

3.4 New standards and interpretations not yet adopted

IFRS 9 – Financial Instruments, is not yet effective for the year ended December 31, 2013 and has not been applied in preparing these financial statements. IFRS 9 – Financial Instruments, is effective for fiscal years beginning on or after January 1, 2018. The extent of the impact of these standards has not yet been determined.

4 Short-term investments

Short-term investments are measured at amortized cost. The investments held were purchased at a discount, and pay the face value at maturity, with no interest paid in the interim. The investments at the financial statement date are as follows:

	31 Dec	31 Dec
	2013	2012
Provincial	\$ -	\$ 393,975
Provincial guaranteed	-	-
	\$ -	\$ 393,975

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5 Loans to municipalities and municipal enterprises and debenture debt

Loans to municipalities and municipal enterprises are made on the security of their debentures due in annual installments or periods up to a maximum of thirty years. The terms of the loans are identical to the terms of the debenture debt. These loans are initially measured at fair value and subsequently reflected at amortized cost using the effective interest method. Lending rates on loans are fixed for borrowing terms commencing with the initial period of the loan. The Corporation conducts an annual evaluation of loan impairment to determine if an impairment write-down is necessary. No impairments have been recognized in the current or previous year.

The aggregate principal payments recoverable from municipalities and municipal enterprises and debenture debt aggregated to maturity and their weighted average coupon rates are as follows:

Maturity Date	Principal Repayment	Weighted Average Coupon
2014	\$121,350,000	3.66%
2015	109,231,000	3.54%
2016	114,724,000	3.77%
2017	82,728,000	3.76%
2018	67,995,000	3.81%
Years 1 - 5	496,028,000	3.70%
Years 6 - 10	301,485,000	3.95%
Years 11- 20	73,596,000	3.53%
	\$871,109,000	3.77%
Unamortized discount	(7,538,068)	
	\$863,570,932	

Under the provisions of the Act, the Lieutenant-Governor in Council may guarantee the payment of the principal, premium, if any, and interest on any securities issued by the Corporation. The following debenture debt outstanding at 31 December is in Canadian funds and is fully guaranteed by the Province of New Brunswick:

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5 Loans to municipalities and municipal enterprises and debenture debt (continued)

Series	Date of Issue	Maturity Date	Interest Rates	Original Amount	Outstanding	
					31 Dec 2013	31 Dec 2012
"AO"	28 July 2003	28 July 2004 to 2013	3.05% to 5.00%	41,532,000	-	8,443,000
"AP"	17 Dec. 2003	17 Dec. 2004 to 2013	2.75% to 5.125%	51,873,000	-	8,696,000
**AQ"	8 July 2004	8 July 2005 to 2014	2.75% to 5.50%	27,040,000	7,307,000	9,717,000
"AR"	16 Dec. 2004	16 Dec. 2005 to 2014	2.75% to 4.80%	78,919,000	29,794,000	35,755,000
**AS"	7 July 2005	7 July 2006 to 2015	2.85% to 4.35%	21,781,000	8,411,000	10,014,000
"AT"	7 Dec. 2005	7 Dec. 2006 to 2015	3.75% to 4.375%	75,023,000	32,183,000	37,595,000
**AU"	13 Jun. 2006	13 Jun. 2007 to 2016	4.15% to 4.70%	29,249,000	11,704,000	14,150,000
**AV"	1 Dec. 2006	1 Dec. 2007 to 2016	4.15% to 4.45%	105,451,000	57,300,000	64,430,000
**AW"	25 May 2007	25 May 2008 to 2017	4.30% to 4.55%	28,104,000	14,091,000	16,575,000
**AX"	23 Nov. 2007	23 Nov. 2008 to 2017	4.45% to 4.85%	56,691,000	31,639,000	35,652,000
**AY"	16 May 2008	16 May 2009 to 2018	3.30% to 4.85%	53,383,000	32,706,000	37,092,000
**AZ"	22 Dec. 2008	22 Dec. 2009 to 2023	2.10% to 5.55%	63,750,000	41,595,000	46,261,000
"BA"	11 Jun. 2009	11 Jun. 2010 to 2019	0.95% to 5.00%	70,562,000	47,993,000	53,779,000
"BB"	6 Nov. 2009	6 Nov. 2010 to 2019	1.00% to 4.50%	82,551,000	62,404,000	67,569,000
"BC"	2 Jun. 2010	2 Jun. 2011 to 2020	1.50% to 4.55%	56,080,000	42,959,000	47,402,000
"BD"	19 Nov. 2010	19 Nov. 2011 to 2020	1.50% to 3.85%	69,690,000	55,519,000	60,322,000
"FCM 10097"	31 Mar. 2011	31 Mar. 2012 to 2031	2.06%	4,000,000	3,600,000	3,800,000
**BE"	27 May 2011	27 May 2012 to 2021	1.65% to 4.25%	115,683,000	99,993,000	107,889,000
"BF"	5 Dec. 2011	5 Dec. 2012 to 2021	1.35% to 3.45%	50,813,000	41,765,000	46,321,000
"FCM 10092"	28 May 2012	28 May 2013 to 2027	2.00%	2,000,000	1,885,000	2,000,000
"FCM 10353"	28 May 2012	28 May 2013 to 2032	2.00%	961,000	921,000	961,000
**BG"	4 Jun. 2012	4 Jun. 2013 to 2027	1.65% to 3.80%	47,591,000	42,974,000	47,591,000
"FCM 11052"	16 Aug. 2012	16 Aug. 2013 to 2032	2.00%	4,978,000	4,773,000	4,978,000
"BH"	30 Nov. 2012	30 Nov. 2013 to 2032	1.35% to 3.80%	69,541,000	64,733,000	69,541,000
"FCM 10346"	3 Dec. 2012	3 Dec. 2013 to 2032	2.00%	9,223,000	8,843,000	9,223,000
"BI"	14 Jun. 2013	14 Jun. 2014 to 2033	1.35% to 4.00%	73,647,000	73,647,000	-
"BJ"	20 Nov. 2013	20 Nov. 2014 to 2033	1.25% to 4.40%	52,370,000	52,370,000	-
					\$ 871,109,000	\$ 845,756,000

* These debentures were sold directly to funds administered by the Province of New Brunswick and total \$303,859,000 outstanding at 31 December 2013 (2012 - \$342,279,000). A portion of series "BE" (\$43,861,000) was sold publicly.

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5 Loans to municipalities and municipal enterprises and debenture debt (continued)

	31 Dec 2013	31 Dec 2012
Debenture debt consists of:		
Debt	871,109,000	845,756,000
Debt unamortized discount	(7,538,068)	(7,430,137)
	\$ 863,570,932	\$ 838,325,863
Loans to municipalities consists of:		
Loans	871,109,000	845,385,000
Loans unamortized discount	(7,538,068)	(7,429,604)
	\$ 863,570,932	\$ 837,955,396

6 Financial instruments

6.1 Fair value

The Corporation's financial instruments include the following:

	2013 Carrying Amount	2013 Fair Value	2012 Carrying Amount	2012 Fair Value
Financial Assets held for trading				
Cash and equivalents	\$1,062,297	\$1,062,297	\$1,101,791	\$1,101,791
Loans and receivables				
Accrued interest receivable	3,123,911	3,123,911	3,340,286	3,340,286
Accrued investment income receivable	659	659	754	754
Short term investments	-	-	393,975	402,331
Loans to municipalities and municipal enterprises	863,570,932	899,963,906	837,955,396	903,218,126
Financial liabilities				
Accounts payable	3,157	3,157	2,552	2,552
Accrued interest payable on debenture debt	3,123,911	3,123,911	3,348,150	3,348,150
Debenture debt	863,570,932	899,963,906	838,325,863	903,741,742

The fair values of cash and cash equivalents, accrued interest receivable, accrued investment income receivable, accounts payable and accrued interest payable are assumed to approximate their carrying amounts because of their short term to maturity.

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6 Financial instruments (continued)

Short-term investments are classified in a hierarchy of three levels depending on the inputs used to determine fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets and the lowest priority to unobservable inputs used in determining the fair value. If different levels of inputs are used to measure the fair value of an investment, the classification is based on the lowest level input used. The three levels of the fair value hierarchy are as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3 - inputs for the assets or liabilities that are not based on observable market data.

The issue and repayment terms of the loans to municipalities and municipal enterprises and debenture debt are identical, and in those cases the asset and liability is intended to be held to maturity.

The fair value of short-term investments is derived from level 2 inputs. The fair value of loans to municipalities and municipal enterprises and debenture debt are derived from level 2 inputs. No level 3 inputs have been used to determine fair value. The fair value was calculated using inputs that are quoted prices in active markets for identical or similar assets or liabilities and internal models using observable market prices as inputs.

6.2 Financial risk management

The Corporation follows a conservative investment policy when investing cash in order to mitigate financial risk. Financial risk on loans to municipalities and municipal enterprises is mitigated by the provisions of the Act.

6.2.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments.

The Corporation's rate of interest charged on loans to municipalities and municipal enterprises and interest paid on outstanding debenture debt are fixed as stated in legal agreements. Any change in market interest rates during the period would have no effect on the cash flows of the Corporation. The fair values of the debenture debt and loans to municipalities and municipal enterprises would be affected by changes in market interest rates; however, this is mitigated by the offsetting nature of this arrangement. It is management's opinion that the Corporation has minimal exposure to interest rate risk.

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6 Financial instruments (continued)

6.2.2 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following carrying amounts of financial assets represent the maximum credit exposure at the reporting date:

	31 Dec 2013	31 Dec 2012
Cash and cash equivalents	\$ 1,062,297	\$ 1,101,791
Accrued interest receivable	3,123,911	3,340,286
Accrued investment income receivable	659	754
Short term investments	-	393,975
Loans to municipalities and municipal enterprises	863,570,932	837,955,396
	\$ 867,757,799	\$ 842,792,202

No financial assets are past due or impaired as at the financial statement date.

The Corporation's short-term investment portfolio is limited to securities issued or guaranteed by the Government of Canada, or any provincial government of Canada. The Corporation's cash equivalent portfolio is limited to treasury bills issued by the Government of Canada, or any provincial government of Canada, as well as deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued or endorsed by any Canadian chartered bank.

Section 14 of the Act provides for the recovery of any defaults by municipalities and municipal enterprises from the Minister of Environment and Local Government, thereby mitigating credit risk on the loans to municipalities and municipal enterprises.

6.2.3 Liquidity risk

Liquidity risk is the risk of not being able to settle or meet an obligation on time or at a reasonable price.

The Corporation's financial assets classified by period in which they are due are:

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6 Financial instruments (continued)

31 December 2013	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Cash and cash equivalents	\$ 1,062,297	\$ 1,062,297	\$ 1,062,297	\$ -	\$ -
Accrued interest receivable	3,123,911	3,123,911	3,123,911	-	-
Accrued investment income receivable	659	659	659	-	-
Loans to municipalities and municipal enterprises	863,570,932	871,109,000	121,350,000	374,678,000	375,081,000
	\$867,757,799	\$875,295,867	\$125,536,867	\$374,678,000	\$375,081,000

The Corporation's financial liabilities classified by period in which they are due are:

31 December 2013	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Accounts payable	\$ 3,157	\$ 3,157	\$ 3,157	\$ -	\$ -
Accrued interest payable on debenture debt	3,123,911	3,123,911	3,123,911	-	-
Debenture debt	863,570,932	871,109,000	121,350,000	374,678,000	375,081,000
	\$ 866,698,000	\$ 874,236,068	\$ 124,477,068	\$ 374,678,000	\$ 375,081,000

The Corporation's payment terms on loans to municipalities and municipal enterprises are equal to the terms of the debenture debt, and cash resources are monitored to ensure obligations are met. The amount of principal to be received from loans to municipalities and municipal enterprises and the amount of principal to be paid on debenture debt by year is disclosed in note 5.

It is management's opinion that the Corporation is not exposed to significant liquidity risk as it is not expected that the cash flows from loan collectibles or debt repayments could occur significantly earlier, or at significantly different amounts than expected.

6.2.4 Currency risk

The Corporation is not subject to currency risk. The functional currency is the Canadian dollar and all transactions are denominated in Canadian dollars.

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7 Other expenses

Other expenses are related to the administration of the Corporation as detailed below.

	2013	2012
Administration fee paid to the Province of New Brunswick	\$ 265,000	\$ 263,200
Bank charges	3,157	2,553
	\$ 268,157	\$ 265,753

8 Related party transactions

The Corporation is controlled by the Province of New Brunswick. These financial statements include the results of transactions with various Province of New Brunswick departments related to the corporation by virtue of common control. Certain services are provided by departments in the normal course of operations and are recorded in these financial statements. The administrative fees paid by the Corporation to the Province of New Brunswick are based on amounts agreed upon by the Board, and are disclosed in note 7.

As at 31 December 2013, funds administered by the Province of New Brunswick held \$319,962,000 (2012 - \$364,646,000) of the Corporation's outstanding debt. Of that total, \$303,859,000 (2012 - \$342,279,000) was sold directly to the funds.

Cash and cash equivalents at 31 December 2013 includes \$840,752 (2012 - \$889,416) in Province of New Brunswick Treasury Bills sold directly to the Corporation.

9 Capital management

The Corporation's capital consists of the debenture debt and retained earnings. The terms of the loans to municipalities and municipal enterprises are identical to the debenture debt in order to provide for the debt's principal and interest payments. The Corporation's retained earnings are invested in highly secure temporary investments. The Corporation is not subject to any externally imposed capital requirements.

There has been no change in this capital structure from the previous year.