



**2015**  
***Annual Report***

***New Brunswick***  
***Municipal Finance***  
***Corporation***

## **2015 Annual Report**

### **Published by:**

Department of Finance  
Province of New Brunswick  
P.O. Box 6000  
Fredericton, New Brunswick  
E3B 5H1  
Canada

June 2016

### **Design Management:**

Communications New Brunswick

### **Printing and Binding:**

Printing Services, NBISA

ISBN 978-1-4605-0513-7

ISSN 0847-2440

Printed in New Brunswick

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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 five directors appointed by the Lieutenant-Governor in Council.

## **Directors**

|                   |   |
|-------------------|---|
| Jean-Marc Dupuis  | Deputy Minister Finance<br>Province of New Brunswick                                |
| Leonard Lee-White | Assistant Deputy Minister<br>Treasury Division<br>Province of New Brunswick         |
| Richard Luton     | Managing Director Capital Markets<br>Treasury Division<br>Province of New Brunswick |
| Kelli Simmonds    | Deputy Minister, Environment and Local<br>Government                                |
| Marco Daigle      | Treasurer<br>City of Edmundston   |

## **Officers of the Corporation**

|                   |                     |
|-------------------|---------------------|
| Jean-Marc Dupuis  | 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 2015**

In 2015, the Corporation placed three issues of debentures privately. All 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 details of the issues are as follows:

**Series FCM 9856**

**Principal Amount**            \$149,000  
**Date of Issue**                January 8, 2015  
**Date of Maturity**            January 8 2016-2025

| <u>Year of Maturity</u> | <u>Principal</u><br>\$ | <u>Interest</u><br>% |
|-------------------------|------------------------|----------------------|
| 2016                    | 14,000                 | 1.750                |
| 2017                    | 14,000                 | 1.750                |
| 2018                    | 14,000                 | 1.750                |
| 2019                    | 14,000                 | 1.750                |
| 2020                    | 15,000                 | 1.750                |
| 2021                    | 15,000                 | 1.750                |
| 2022                    | 15,000                 | 1.750                |
| 2023                    | 16,000                 | 1.750                |
| 2024                    | 16,000                 | 1.750                |
| 2025                    | 16,000                 | 1.750                |

### Series BM

|                                       |   |
|---------------------------------------|---|
| <b>Principal Amount</b>               | \$56,882,000                                      |
| <b>Date of Issue</b>                  | July 6, 2015                                      |
| <b>Date of Maturity</b>               | July 6, 2016-2035                                 |
| <b>Registrar and<br/>Paying Agent</b> | Minister of Finance,<br>Province of New Brunswick |

| <u>Year of Maturity</u> | <u>Principal</u><br>\$ | <u>Interest</u><br>% |
|-------------------------|------------------------|----------------------|
| 2016                    | 4,711,000              | 0.950                |
| 2017                    | 4,748,000              | 1.100                |
| 2018                    | 4,790,000              | 1.300                |
| 2019                    | 4,849,000              | 1.550                |
| 2020                    | 5,282,000              | 1.800                |
| 2021                    | 3,804,000              | 2.050                |
| 2022                    | 3,867,000              | 2.300                |
| 2023                    | 3,890,000              | 2.500                |
| 2024                    | 3,968,000              | 2.700                |
| 2025                    | 4,055,000              | 2.800                |
| 2026                    | 1,819,000              | 2.900                |
| 2027                    | 1,854,000              | 3.000                |
| 2028                    | 1,890,000              | 3.100                |
| 2029                    | 1,928,000              | 3.200                |
| 2030                    | 1,967,000              | 3.250                |
| 2031                    | 585,000                | 3.300                |
| 2032                    | 598,000                | 3.350                |
| 2033                    | 612,000                | 3.400                |
| 2034                    | 626,000                | 3.450                |
| 2035                    | 1,039,000              | 3.500                |

**Series BN**

**Principal Amount**           \$50,274,000

**Date of Issue**                December 18, 2015

**Date of Maturity**           December 18, 2016-2035

**Registrar and  
Paying Agent**               Minister of Finance,  
Province of New Brunswick

| <u>Year of Maturity</u> | <u>Principal</u><br>\$ | <u>Interest</u><br>% |
|-------------------------|------------------------|----------------------|
| 2016                    | 5,340,000.00           | 1.050                |
| 2017                    | 5,372,000.00           | 1.350                |
| 2018                    | 5,101,000.00           | 1.550                |
| 2019                    | 5,155,000.00           | 1.850                |
| 2020                    | 5,231,000.00           | 2.100                |
| 2021                    | 3,328,000.00           | 2.350                |
| 2022                    | 3,400,000.00           | 2.600                |
| 2023                    | 3,475,000.00           | 2.850                |
| 2024                    | 3,561,000.00           | 3.000                |
| 2025                    | 3,661,000.00           | 3.150                |
| 2026                    | 836,000.00             | 3.300                |
| 2027                    | 856,000.00             | 3.400                |
| 2028                    | 879,000.00             | 3.500                |
| 2029                    | 899,000.00             | 3.600                |
| 2030                    | 927,000.00             | 3.650                |
| 2031                    | 291,000.00             | 3.700                |
| 2032                    | 300,000.00             | 3.800                |
| 2033                    | 312,000.00             | 3.850                |
| 2034                    | 324,000.00             | 3.850                |
| 2035                    | 1,026,000.00           | 3.900                |

## Schedule of Loans to Municipalities – Cities and Towns

|                         | Principal<br>Outstanding<br>Dec. 31, 2014 | 2015                |                   | Principal<br>Outstanding<br>Dec. 31, 2015 |
|-------------------------|---|---------------------|-------------------|---|
|                         |   | Principal<br>Repaid | New<br>Loans      |   |
| <b>Cities</b>           |   |                     |                   |   |
| Bathurst                | \$32,452,000                              | \$3,957,000         | \$0               | \$28,495,000                              |
| Campbellton             | 11,278,000                                | 1,881,000           | 1,503,000         | 10,900,000                                |
| Dieppe                  | 76,686,000                                | 12,573,000          | 17,976,000        | 82,089,000                                |
| Edmundston              | 64,247,000                                | 9,522,000           | 5,870,000         | 60,595,000                                |
| Fredericton             | 58,104,000                                | 3,284,000           | 0                 | 54,820,000                                |
| Miramichi               | 26,361,000                                | 6,072,000           | 5,546,000         | 25,835,000                                |
| Moncton                 | 149,181,000                               | 25,107,000          | 19,788,000        | 143,862,000                               |
| Saint John              | 210,897,000                               | 21,125,000          | 18,320,000        | 208,092,000                               |
| <b>Total</b>            | <b>629,206,000</b>                        | <b>83,521,000</b>   | <b>69,003,000</b> | <b>614,688,000</b>                        |
| <b>Towns</b>            |   |                     |                   |   |
| Beresford               | \$3,875,000                               | \$678,000           | \$0               | \$3,197,000                               |
| Bouctouche              | 4,787,000                                 | 265,000             | 866,000           | 5,388,000                                 |
| Caraquet                | 6,070,000                                 | 1,004,000           | 1,109,000         | 6,175,000                                 |
| Dalhousie               | 4,480,000                                 | 725,000             | 0                 | 3,755,000                                 |
| Florenceville-Bristol   | 916,000                                   | 123,000             | 0                 | 793,000                                   |
| Grand Bay-Westfield     | 3,180,000                                 | 289,000             | 0                 | 2,891,000                                 |
| Grand-Sault/Grand Falls | 13,787,000                                | 3,793,000           | 3,022,000         | 13,016,000                                |
| Hampton                 | 3,258,000                                 | 430,000             | 0                 | 2,828,000                                 |
| Hartland                | 845,000                                   | 154,000             | 175,000           | 866,000                                   |
| Lamèque                 | 1,829,000                                 | 238,000             | 300,000           | 1,891,000                                 |
| Nackawic                | 668,000                                   | 87,000              | 0                 | 581,000                                   |
| Oromocto                | 1,203,000                                 | 133,000             | 1,457,000         | 2,527,000                                 |
| Quispamsis              | 31,535,000                                | 2,420,000           | 0                 | 29,115,000                                |
| Richibucto              | 1,013,000                                 | 627,000             | 501,000           | 887,000                                   |
| Riverview               | 20,334,000                                | 3,135,000           | 0                 | 17,199,000                                |
| Rothesay                | 10,315,000                                | 935,000             | 2,500,000         | 11,880,000                                |
| Sackville               | 15,267,000                                | 1,317,000           | 1,538,000         | 15,488,000                                |
| Saint Andrews           | 3,681,000                                 | 835,000             | 461,000           | 3,307,000                                 |
| Saint-Léonard           | 3,172,000                                 | 285,000             | 702,000           | 3,589,000                                 |
| Saint-Quentin           | 1,560,000                                 | 297,000             | 400,000           | 1,663,000                                 |
| Shediac                 | 6,289,000                                 | 990,000             | 1,600,000         | 6,899,000                                 |
| Shippagan               | 5,379,000                                 | 769,000             | 293,000           | 4,903,000                                 |
| St. George              | 597,000                                   | 80,000              | 75,000            | 592,000                                   |
| St. Stephen             | 5,591,000                                 | 901,000             | 226,000           | 4,916,000                                 |
| Sussex                  | 2,925,000                                 | 371,000             | 0                 | 2,554,000                                 |
| Woodstock               | 3,234,000                                 | 236,000             | 575,000           | 3,573,000                                 |
| <b>Total</b>            | <b>155,790,000</b>                        | <b>21,117,000</b>   | <b>15,800,000</b> | <b>150,473,000</b>                        |

## Schedule of Loans to Municipalities – Villages

|                      | Principal<br>Outstanding<br>Dec. 31, 2014 | 2015                |              | Principal<br>Outstanding<br>Dec. 31, 2015 |
|----------------------|---|---------------------|--------------|---|
|                      |   | Principal<br>Repaid | New<br>Loans |   |
| <b>Villages</b>      |   |                     |              |   |
| Alma                 | \$1,326,000                               | \$63,000            | \$0          | 1,263,000                                 |
| Atholville           | 3,214,000                                 | 494,000             | 197,000      | 2,917,000                                 |
| Baker Brook          | 550,000                                   | 78,000              | 557,000      | 1,029,000                                 |
| Balmoral             | 2,262,000                                 | 183,000             | 200,000      | 2,279,000                                 |
| Bas-Caraquet         | 213,000                                   | 54,000              | 0            | 159,000                                   |
| Bath                 | 394,000                                   | 52,000              | 0            | 342,000                                   |
| Belledune            | 2,205,000                                 | 741,000             | 312,000      | 1,776,000                                 |
| Bertrand             | 758,000                                   | 84,000              | 18,000       | 692,000                                   |
| Blacks Harbour       | 824,000                                   | 74,000              | 0            | 750,000                                   |
| Blackville           | 2,159,000                                 | 89,000              | 350,000      | 2,420,000                                 |
| Canterbury           | 126,000                                   | 23,000              | 0            | 103,000                                   |
| Cap-Pelé             | 1,978,000                                 | 204,000             | 831,000      | 2,605,000                                 |
| Centreville          | 146,000                                   | 48,000              | 0            | 98,000                                    |
| Charlo               | 1,139,000                                 | 85,000              | 450,000      | 1,504,000                                 |
| Chipman              | 207,000                                   | 79,000              | 243,000      | 371,000                                   |
| Clair                | 3,910,000                                 | 228,000             | 60,000       | 3,742,000                                 |
| Doaktown             | 2,342,000                                 | 171,000             | 0            | 2,171,000                                 |
| Dorchester           | 733,000                                   | 67,000              | 0            | 666,000                                   |
| Drummond             | 603,000                                   | 85,000              | 0            | 518,000                                   |
| Eel River Crossing   | 375,000                                   | 58,000              | 0            | 317,000                                   |
| Fredericton Junction | 958,000                                   | 77,000              | 0            | 881,000                                   |
| Gagetown             | 239,000                                   | 44,000              | 0            | 195,000                                   |
| Grand Manan          | 1,235,000                                 | 136,000             | 240,000      | 1,339,000                                 |
| Grande-Anse          | 197,000                                   | 46,000              | 0            | 151,000                                   |
| Harvey               | 197,000                                   | 16,000              | 0            | 181,000                                   |
| Hillsborough         | 222,000                                   | 75,000              | 0            | 147,000                                   |
| Lac Baker            | 274,000                                   | 155,000             | 108,000      | 227,000                                   |
| Le Goulet            | 216,000                                   | 19,000              | 0            | 197,000                                   |
| Maisonnette          | 149,000                                   | 13,000              | 0            | 136,000                                   |
| McAdam               | 131,000                                   | 16,000              | 85,000       | 200,000                                   |
| Meductic             | 145,000                                   | 15,000              | 0            | 130,000                                   |
| Memramcook           | 6,491,000                                 | 1,631,000           | 1,435,000    | 6,295,000                                 |
| Millville            | 88,000                                    | 28,000              | 0            | 60,000                                    |

**Schedule of Loans to Municipalities – Villages Continued and Rural Communities**

|                                 | Principal<br>Outstanding<br>Dec. 31, 2014 | 2015                |                   | Principal<br>Outstanding<br>Dec. 31, 2015 |
|---------------------------------|---|---------------------|-------------------|---|
|                                 |   | Principal<br>Repaid | New<br>Loans      |   |
| <b>Villages Continued</b>       |   |                     |                   |   |
| Minto                           | 2,131,000                                 | 186,000             | 0                 | 1,945,000                                 |
| Neguac                          | 547,000                                   | 92,000              | 463,000           | 918,000                                   |
| New Maryland                    | 6,148,000                                 | 2,255,000           | 2,257,000         | 6,150,000                                 |
| Nigadoo                         | 327,000                                   | 91,000              | 0                 | 236,000                                   |
| Norton                          | 320,000                                   | 38,000              | 250,000           | 532,000                                   |
| Paquetville                     | 1,013,000                                 | 188,000             | 0                 | 825,000                                   |
| Petit-Rocher                    | 1,348,000                                 | 166,000             | 0                 | 1,182,000                                 |
| Petitcodiac                     | 1,397,000                                 | 92,000              | 100,000           | 1,405,000                                 |
| Plaster Rock                    | 1,934,000                                 | 80,000              | 0                 | 1,854,000                                 |
| Pointe-Verte                    | 128,000                                   | 12,000              | 0                 | 116,000                                   |
| Port Elgin                      | 203,000                                   | 47,000              | 0                 | 156,000                                   |
| Rexton                          | 2,079,000                                 | 183,000             | 22,000            | 1,918,000                                 |
| Riverside-Albert                | 772,000                                   | 71,000              | 0                 | 701,000                                   |
| Rivière-Verte                   | 1,252,000                                 | 75,000              | 0                 | 1,177,000                                 |
| Rogersville                     | 2,060,000                                 | 520,000             | 353,000           | 1,893,000                                 |
| Saint-Antoine                   | 3,955,000                                 | 199,000             | 2,000,000         | 5,756,000                                 |
| Saint-François-de-<br>Madawaska | 1,232,000                                 | 279,000             | 177,000           | 1,130,000                                 |
| Saint-Isidore                   | 392,000                                   | 54,000              | 0                 | 338,000                                   |
| Saint-Louis-de-Kent             | 1,389,000                                 | 108,000             | 0                 | 1,281,000                                 |
| Saint-Léolin                    | 107,000                                   | 17,000              | 0                 | 90,000                                    |
| Sainte-Anne-de-Madawaska        | 826,000                                   | 98,000              | 0                 | 728,000                                   |
| Saint-Marie-Saint Raphaël       | 198,000                                   | 72,000              | 0                 | 126,000                                   |
| Salisbury                       | 777,000                                   | 187,000             | 239,000           | 829,000                                   |
| St. Martins                     | 316,000                                   | 26,000              | 0                 | 290,000                                   |
| Stanley                         | 411,000                                   | 49,000              | 0                 | 362,000                                   |
| Sussex Corner                   | 696,000                                   | 66,000              | 0                 | 630,000                                   |
| Tide Head                       | 40,000                                    | 15,000              | 0                 | 25,000                                    |
| <b>Total</b>                    | <b>68,004,000</b>                         | <b>10,497,000</b>   | <b>10,947,000</b> | <b>68,454,000</b>                         |
| <b>Rural Communities</b>        |   |                     |                   |   |
| Beaubassin-Est                  | \$955,000                                 | \$77,000            | \$0               | \$878,000                                 |
| Kedgwick                        | 766,000                                   | 68,000              | 768,000           | 1,466,000                                 |
| Saint-André                     | 278,000                                   | 38,000              | 2,294,000         | 2,534,000                                 |
| Upper Miramichi                 | 177,000                                   | 8,000               | 0                 | 169,000                                   |
| <b>Total</b>                    | <b>2,176,000</b>                          | <b>191,000</b>      | <b>3,062,000</b>  | <b>5,047,000</b>                          |

## Schedule of Loans to Municipalities – Municipal Enterprises

|  | Principal<br>Outstanding<br>Dec. 31, 2014 | 2015                 |                      | Principal<br>Outstanding<br>Dec. 31, 2015 |
|--|---|----------------------|----------------------|---|
|  |   | Principal<br>Repaid  | New<br>Loans         |   |
| <b>Municipal Enterprises</b>                                 |   |                      |                      |   |
| Comité Mixte de Service de Police<br>B.N.P.P.                | 5,000                                     | 5,000                | 0                    | 0   |
| Commission d'Égouts Sanitaire<br>d'Allardville               | 18,000                                    | 6,000                | 0                    | 12,000                                    |
| Greater Shediac Sewerage<br>Commission                       | 5,521,000                                 | 146,000              | 0                    | 5,375,000                                 |
| Kennebecasis Regional Joint Board of<br>Police Commissioners | 1,450,000                                 | 1,002,000            | 890,000              | 1,338,000                                 |
| <b>Total</b>   | <b>6,994,000</b>                          | <b>1,159,000</b>     | <b>890,000</b>       | <b>6,725,000</b>                          |
| <b>Regional Service Commissions</b>                          |   |                      |                      |   |
| Northwest RSC #1<br>Restigouche Solid Waste Corporation      | \$794,000                                 | \$393,000            | \$0                  | \$401,000                                 |
| #2   | 195,000                                   | 30,000               | 0                    | 165,000                                   |
| Chaleur RSC #3   | 4,838,000                                 | 409,000              | 0                    | 4,429,000                                 |
| Acadian Peninsula RSC #4                                     | 1,151,000                                 | 49,000               | 1,216,000            | 2,318,000                                 |
| Greater Miramichi RSC #5                                     | 0   | 0                    | 902,000              | 902,000                                   |
| Southeast RSC #7   | 3,500,000                                 | 673,000              | 4,435,000            | 7,262,000                                 |
| Fundy RSC #9   | 1,790,000                                 | 590,000              | 0                    | 1,200,000                                 |
| RSC #11  | 5,070,000                                 | 732,000              | 0                    | 4,338,000                                 |
| <b>Total</b>   | <b>17,338,000</b>                         | <b>2,876,000</b>     | <b>6,553,000</b>     | <b>21,015,000</b>                         |
| <b>Regional Municipalities</b>                               |   |                      |                      |   |
| Tracadie   | \$8,429,000                               | \$1,013,000          | \$1,050,000          | \$8,466,000                               |
| <b>Total</b>   | <b>\$8,429,000</b>                        | <b>\$1,013,000</b>   | <b>\$1,050,000</b>   | <b>\$8,466,000</b>                        |
| <b>Grand Total</b>   | <b>\$887,937,000</b>                      | <b>\$120,374,000</b> | <b>\$107,305,000</b> | <b>\$874,868,000</b>                      |



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FINANCIAL STATEMENTS

**NEW BRUNSWICK  
MUNICIPAL FINANCE CORPORATION**

31 DECEMBER 2015

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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, 2015, 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, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Kim MacPherson, CPA, CA  
Auditor General

Fredericton, NB  
May 26, 2016

P.O. Box 758  
6th floor, Suite 650  
520 King Street  
Fredericton, NB E3B 5B4

# NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

## Statement of financial position

December 31

In Canadian dollars

|   | Note     | 2015           | 2014           |
|---|----------|----------------|----------------|
| <b>Assets</b>   |          |                |                |
| Cash and cash equivalents   | 3.2.4, 7 | \$ 882,121     | \$ 993,886     |
| Accrued investment income receivable                                      |          | 325            | 642            |
| Accrued interest receivable from municipalities and municipal enterprises |          | 3,145,076      | 2,965,716      |
| Loans to municipalities and municipal enterprises                         | 4        | 866,808,337    | 879,252,896    |
| Total assets  |          | 870,835,859    | 883,213,140    |
| <b>Liabilities</b>  |          |                |                |
| Accounts payable  |          | 2,032          | 2,448          |
| Accrued interest payable on debenture debt                                |          | 3,145,076      | 2,965,716      |
| Debenture debt  | 4        | 866,808,337    | 879,252,896    |
| Total liabilities   |          | 869,955,445    | 882,221,060    |
| <b>Equity</b>   |          |                |                |
| Retained earnings   |          | 880,414        | 992,080        |
| Total equity  |          | 880,414        | 992,080        |
| Total liabilities and equity  |          | \$ 870,835,859 | \$ 883,213,140 |

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

Approved by the Board of Directors and authorized for issue on May 26, 2016

.....  Director

.....  Director

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## NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

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### Statement of comprehensive income

For the year ended 31 December

*In Canadian dollars*

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|   | Note  | 2015                | 2014               |
|---|-------|---------------------|--------------------|
| <b>Revenue</b>  |       |                     |                    |
| Interest income   | 3.1   | \$ 32,880,797       | \$ 34,277,813      |
| Subsidy received on debenture debt                                | 3.2.6 | 4,994               | 1,403,140          |
|   |       | <u>32,885,791</u>   | <u>35,680,953</u>  |
| <b>Expense</b>  |       |                     |                    |
| Interest expense  |       | 32,720,128          | 34,073,987         |
| Other expenses  | 6     | 272,335             | 271,545            |
| Subsidy paid on loans to municipalities and municipal enterprises |       | 4,994               | 1,403,140          |
|   |       | <u>32,997,457</u>   | <u>35,748,672</u>  |
| Total comprehensive loss  |       | <u>\$ (111,666)</u> | <u>\$ (67,719)</u> |

### Statement of changes in equity

For the year ended 31 December

*In Canadian dollars*

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|                                | 2015              | 2014              |
|--------------------------------|-------------------|-------------------|
| Retained earnings, 1 January   | \$ 992,080        | \$ 1,059,799      |
| Total comprehensive loss       | <u>(111,666)</u>  | <u>(67,719)</u>   |
| Retained earnings, 31 December | <u>\$ 880,414</u> | <u>\$ 992,080</u> |

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

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## NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

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

|  | 2015                 | 2014                 |
|--|----------------------|----------------------|
| <b>Operating activities</b>  |                      |                      |
| Cash received from operations  | \$ 160,734           | \$ 192,267           |
| Cash paid from operations  | (282,751)            | (272,254)            |
| Interest received from investments                                       | 10,252               | 11,576               |
| Interest paid on debenture debt  | (31,324,975)         | (33,017,065)         |
| Interest received from municipalities<br>and municipal enterprises       | <u>31,324,975</u>    | <u>33,017,065</u>    |
| Cash flows from operating activities                                     | <u>(111,765)</u>     | <u>(68,411)</u>      |
| <b>Financing activities</b>  |                      |                      |
| Proceeds on sale of debentures   | 106,557,906          | 137,027,719          |
| Principal paid on debenture debt   | <u>(120,374,000)</u> | <u>(121,350,000)</u> |
| Cash flows from financing activities                                     | <u>(13,816,094)</u>  | <u>15,677,719</u>    |
| <b>Investing activities</b>  |                      |                      |
| Loans to municipalities and municipal enterprises                        | (106,557,906)        | (137,027,719)        |
| Principal repayments made by municipalities<br>and municipal enterprises | <u>120,374,000</u>   | <u>121,350,000</u>   |
| Cash flows from investing activities                                     | <u>13,816,094</u>    | <u>(15,677,719)</u>  |
| Decrease in cash and cash equivalents                                    | (111,765)            | (68,411)             |
| Cash and cash equivalents at beginning of year                           | <u>993,886</u>       | <u>1,062,297</u>     |
| Cash and cash equivalents at end of year                                 | <u>\$ 882,121</u>    | <u>\$ 993,886</u>    |

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

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2015**

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**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 judgement 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 loans to municipalities and debenture debt, disclosed in note 5.1. 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.

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2015**

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**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.

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2015**

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**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.

**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 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.



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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2015**

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**3 Summary of significant accounting policies (continued)**

**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, that can be reliably estimated, 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.

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, 2015 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 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 for 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 the various 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:

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2015**

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**4 Loans to municipalities and municipal enterprises and debenture debt (continued)**

| <b>Maturity Date</b> | <b>Principal<br/>Repayment</b> | <b>Weighted<br/>Average<br/>Coupon</b> |
|----------------------|--------------------------------|--|
| 2016                 | \$136,021,000                  | 3.37%                                  |
| 2017                 | 103,697,000                    | 3.29%                                  |
| 2018                 | 88,856,000                     | 3.32%                                  |
| 2019                 | 119,000,000                    | 3.77%                                  |
| 2020                 | 93,676,000                     | 3.48%                                  |
| Years 1 - 5          | 541,250,000                    | 3.45%                                  |
| Years 6 - 10         | 220,311,000                    | 3.46%                                  |
| Years 11- 20         | 113,307,000                    | 3.51%                                  |
|                      | \$874,868,000                  | 3.46%                                  |
| Unamortized discount | (8,059,663)                    |  |
|                      | <b>\$866,808,337</b>           |  |

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:

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2015**

**4 Loans to municipalities and municipal enterprises and debenture debt (continued)**

| Series               | Date of Issue | Maturity Date        | Interest Rates  | Original Amount | Outstanding           |                       |
|----------------------|---------------|----------------------|-----------------|-----------------|-----------------------|-----------------------|
|                      |               |                      |                 |                 | 31 Dec. 2015          | 31 Dec. 2014          |
| * AS                 | 7 Jul. 2005   | 7 Jul. 2006 to 2015  | 2.85% to 4.35%  | 21,781,000      | -                     | 6,743,000             |
| AT                   | 7 Dec. 2005   | 7 Dec. 2006 to 2015  | 3.75% to 4.375% | 75,023,000      | -                     | 26,575,000            |
| * AU                 | 13 Jun. 2006  | 13 Jun. 2007 to 2016 | 4.15% to 4.70%  | 29,249,000      | <b>6,533,000</b>      | 9,160,000             |
| * AV                 | 1 Dec. 2006   | 1 Dec. 2007 to 2016  | 4.15% to 4.45%  | 105,451,000     | <b>42,321,000</b>     | 49,914,000            |
| * AW                 | 25 May 2007   | 25 May 2008 to 2017  | 4.30% to 4.55%  | 28,104,000      | <b>8,800,000</b>      | 11,504,000            |
| * AX                 | 23 Nov. 2007  | 23 Nov. 2008 to 2017 | 4.45% to 4.85%  | 56,691,000      | <b>23,154,000</b>     | 27,477,000            |
| * AY                 | 16 May 2008   | 16 May 2009 to 2018  | 3.30% to 4.85%  | 53,383,000      | <b>24,045,000</b>     | 28,042,000            |
| * AZ                 | 22 Dec. 2008  | 22 Dec. 2009 to 2023 | 2.10% to 5.55%  | 63,750,000      | <b>33,575,000</b>     | 37,657,000            |
| BA                   | 11 Jun. 2009  | 11 Jun. 2010 to 2019 | 0.95% to 5.00%  | 70,562,000      | <b>36,921,000</b>     | 42,064,000            |
| BB                   | 6 Nov. 2009   | 6 Nov. 2010 to 2019  | 1.00% to 4.50%  | 82,551,000      | <b>52,648,000</b>     | 57,118,000            |
| BC                   | 2 Jun. 2010   | 2 Jun. 2011 to 2020  | 1.50% to 4.55%  | 56,080,000      | <b>33,764,000</b>     | 38,416,000            |
| BD                   | 19 Nov. 2010  | 19 Nov. 2011 to 2020 | 1.50% to 3.85%  | 69,690,000      | <b>45,770,000</b>     | 50,633,000            |
| FCM 10097            | 31 Mar. 2011  | 31 Mar. 2012 to 2031 | 2.06%           | 4,000,000       | <b>3,200,000</b>      | 3,400,000             |
| * BE                 | 27 May 2011   | 27 May 2012 to 2021  | 1.65% to 4.25%  | 115,683,000     | <b>84,331,000</b>     | 92,225,000            |
| BF                   | 5 Dec. 2011   | 5 Dec. 2012 to 2021  | 1.35% to 3.45%  | 50,813,000      | <b>34,530,000</b>     | 38,160,000            |
| FCM 10092            | 28 May 2012   | 28 May 2013 to 2027  | 2.00%           | 2,000,000       | <b>1,647,000</b>      | 1,767,000             |
| FCM 10353            | 28 May 2012   | 28 May 2013 to 2032  | 2.00%           | 961,000         | <b>840,000</b>        | 881,000               |
| * BG                 | 4 Jun. 2012   | 4 Jun. 2013 to 2027  | 1.65% to 3.80%  | 47,591,000      | <b>33,487,000</b>     | 38,279,000            |
| FCM 11052            | 16 Aug. 2012  | 16 Aug. 2013 to 2032 | 2.00%           | 4,978,000       | <b>4,351,000</b>      | 4,564,000             |
| BH                   | 30 Nov. 2012  | 30 Nov. 2013 to 2032 | 1.35% to 3.80%  | 69,541,000      | <b>54,975,000</b>     | 59,875,000            |
| FCM 10346            | 3 Dec. 2012   | 3 Dec. 2013 to 2032  | 2.00%           | 9,223,000       | <b>8,061,000</b>      | 8,456,000             |
| BI                   | 14 Jun. 2013  | 14 Jun. 2014 to 2033 | 1.35% to 4.00%  | 73,647,000      | <b>63,394,000</b>     | 68,547,000            |
| BJ                   | 20 Nov. 2013  | 20 Nov. 2014 to 2033 | 1.25% to 4.40%  | 52,370,000      | <b>44,181,000</b>     | 48,302,000            |
| FCM 10096            | 27 Mar. 2014  | 27 Mar. 2015 to 2034 | 2.00%           | 10,000,000      | <b>9,500,000</b>      | 10,000,000            |
| BK                   | 15 May 2014   | 15 May 2015 to 2034  | 1.15% to 4.15%  | 47,517,000      | <b>43,751,000</b>     | 47,517,000            |
| BL                   | 8 Dec. 2014   | 8 Dec. 2015 to 2034  | 1.20% to 3.70%  | 80,661,000      | <b>73,784,000</b>     | 80,661,000            |
| FCM 9856             | 8 Jan. 2015   | 8 Jan. 2016 to 2025  | 1.75%           | 149,000         | <b>149,000</b>        | -                     |
| * BM                 | 6 Jul. 2015   | 6 Jul. 2016 to 2035  | 0.95% to 3.50%  | 56,882,000      | <b>56,882,000</b>     | -                     |
| * BN                 | 18 Dec. 2015  | 18 Dec. 2016 to 2035 | 1.05% to 3.90%  | 50,274,000      | <b>50,274,000</b>     | -                     |
|                      |               |                      |                 |                 | <b>\$ 874,868,000</b> | <b>\$ 887,937,000</b> |
| Unamortized discount |               |                      |                 |                 | <b>(8,059,663)</b>    | <b>(8,684,104)</b>    |
|                      |               |                      |                 |                 | <b>\$ 866,808,337</b> | <b>\$ 879,252,896</b> |

\* These debentures were sold directly to funds administered by the Province of New Brunswick and total \$325,704,000 outstanding at 31 December 2015 (2014 - \$260,190,000). A portion of series "BE" (\$37,698,000) was sold publicly (2014 - \$40,811,000).

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2015**

**4 Loans to municipalities and municipal enterprises and debenture debt (continued)**

|                                      | 31 Dec.<br>2015       | 31 Dec.<br>2014       |
|--------------------------------------|-----------------------|-----------------------|
| Debenture debt consists of:          |                       |                       |
| Debt                                 | 874,868,000           | 887,937,000           |
| Debt unamortized discount            | (8,059,663)           | (8,684,104)           |
|                                      | <b>\$ 866,808,337</b> | <b>\$ 879,252,896</b> |
| Loans to municipalities consists of: |                       |                       |
| Loans                                | 874,868,000           | 887,937,000           |
| Loans unamortized discount           | (8,059,663)           | (8,684,104)           |
|                                      | <b>\$ 866,808,337</b> | <b>\$ 879,252,896</b> |

**5 Financial instruments**

**5.1 Fair value**

The Corporation's financial instruments include the following:

|   | 2015                  |                       | 2014                  |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | Carrying Amount       | Fair Value            | Carrying Amount       | Fair Value            |
| Financial Assets held for trading                 |                       |                       |                       |                       |
| Cash and cash equivalents                         | \$ 882,121            | \$ 882,121            | \$ 993,886            | \$ 993,886            |
| Loans and receivables                             |                       |                       |                       |                       |
| Accrued interest receivable                       | 3,145,076             | 3,145,076             | 2,965,716             | 2,965,716             |
| Accrued investment income receivable              | 325                   | 325                   | 642                   | 642                   |
| Loans to municipalities and municipal enterprises | 866,808,337           | 917,593,175           | 879,252,896           | 937,305,036           |
| Financial liabilities                             |                       |                       |                       |                       |
| Accounts payable                                  | 2,032                 | 2,032                 | 2,448                 | 2,448                 |
| Accrued interest payable on debenture debt        | 3,145,076             | 3,145,076             | 2,965,716             | 2,965,716             |
| Debenture debt                                    | <b>\$ 866,808,337</b> | <b>\$ 917,593,175</b> | <b>\$ 879,252,896</b> | <b>\$ 937,305,036</b> |

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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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
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**5 Financial instruments (continued)**

Financial instruments 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 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.

**5.2 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.

**5.2.1 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 loans to municipalities and municipal enterprises and debenture debt 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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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2015**

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**5 Financial instruments (continued)**

**5.2.2 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:

|   | <b>31 Dec.<br/>2015</b> | 31 Dec.<br>2014 |
|---|-------------------------|-----------------|
| Cash and cash equivalents                         | <b>\$ 882,121</b>       | \$ 993,886      |
| Accrued investment income receivable              | <b>325</b>              | 642             |
| Accrued interest receivable                       | <b>3,145,076</b>        | 2,965,716       |
| Loans to municipalities and municipal enterprises | <b>866,808,337</b>      | 879,252,896     |
|   | <b>\$ 870,835,859</b>   | \$ 883,213,140  |

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

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.

**5.2.3 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:

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2015**

**5 Financial instruments (continued)**

| <b>31 December 2015</b>                           | <b>Carrying amount</b> | <b>Contractual amount</b> | <b>1 yr or less</b>   | <b>2 - 5 yrs</b>      | <b>more than 5 yrs</b> |
|---|------------------------|---------------------------|-----------------------|-----------------------|------------------------|
| Cash and cash equivalents                         | \$ 882,121             | \$ 882,121                | \$ 882,121            | \$ -                  | \$ -                   |
| Accrued interest receivable                       | 3,145,076              | 3,145,076                 | 3,145,076             | -                     | -                      |
| Accrued investment income receivable              | 325                    | 325                       | 325                   | -                     | -                      |
| Loans to municipalities and municipal enterprises | 866,808,337            | 874,868,000               | 136,021,000           | 405,229,000           | 333,618,000            |
|   | <b>\$ 870,835,859</b>  | <b>\$ 878,895,522</b>     | <b>\$ 140,048,522</b> | <b>\$ 405,229,000</b> | <b>\$ 333,618,000</b>  |

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

| <b>31 December 2015</b>                    | <b>Carrying amount</b> | <b>Contractual amount</b> | <b>1 yr or less</b>   | <b>2 - 5 yrs</b>      | <b>more than 5 yrs</b> |
|--|------------------------|---------------------------|-----------------------|-----------------------|------------------------|
| Accounts payable                           | \$ 2,032               | \$ 2,032                  | \$ 2,032              | \$ -                  | \$ -                   |
| Accrued interest payable on debenture debt | 3,145,076              | 3,145,076                 | 3,145,076             | -                     | -                      |
| Debenture debt                             | 866,808,337            | 874,868,000               | 136,021,000           | 405,229,000           | 333,618,000            |
|  | <b>\$ 869,955,445</b>  | <b>\$ 878,015,108</b>     | <b>\$ 139,168,108</b> | <b>\$ 405,229,000</b> | <b>\$ 333,618,000</b>  |

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 4.

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.

**5.2.4 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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**6 Other expenses**

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

|  | <b>2015</b>       | 2014       |
|--|-------------------|------------|
| Administration fee paid to the Province of New Brunswick | <b>\$ 270,300</b> | \$ 269,000 |
| Bank charges   | <b>2,035</b>      | 2,545      |
|  | <b>\$ 272,335</b> | \$ 271,545 |

**7 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 of Directors, and are disclosed in note 6.

As at 31 December 2015, funds administered by the Province of New Brunswick held \$341,907,000 (2014 - \$276,393,000) of the Corporation's outstanding debt. Of that total, \$325,704,000 (2014 - \$260,190,000) was sold directly to the funds.

Cash and cash equivalents at 31 December 2015 includes \$695,079 (2014 - \$841,024) in Province of New Brunswick Treasury Bills sold directly to the Corporation.

**8 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.