



2023
Annual Report

***New Brunswick
Municipal Finance
Corporation***

2023 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 101 or 115 of the *Local Governance 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

Cheryl Hansen	Deputy Minister Finance and Treasury Board Province of New Brunswick
Peter Kieley	Assistant Deputy Minister Treasury Management and Fiscal Policy Province of New Brunswick
Richard Luton	Managing Director Capital Markets Treasury Management and Fiscal Policy Province of New Brunswick
Charbel Awad	Deputy Minister, Environment and Local Government Province of New Brunswick
Gregg Houser	Deputy Treasurer - Comptroller City of Moncton

Officers of the Corporation

Cheryl Hansen	President
Peter Kieley	Vice President
Trish Duguay	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 2023

In 2023, the Corporation placed two 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 CD

Principal Amount	\$15,780,000
Date of Issue	June 21, 2023
Date of Maturity	June 21, 2024-2043
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2024	1,270,000	5.115
2025	1,334,000	4.587
2026	1,394,000	4.322
2027	1,454,000	4.114
2028	1,514,000	4.048
2029	1,144,000	4.054
2030	1,192,000	4.090
2031	1,233,000	4.154
2032	1,284,000	4.200
2033	1,334,000	4.228
2034	283,000	4.298
2035	295,000	4.368
2036	309,000	4.448
2037	324,000	4.510
2038	338,000	4.560
2039	186,000	4.600
2040	194,000	4.610
2041	202,000	4.635
2042	215,000	4.650
2043	281,000	4.665

Series CE

Principal Amount	\$28,339,000
Date of Issue	December 04, 2023
Date of Maturity	December 04, 2024-2043
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2024	2,920,000	5.245
2025	3,075,000	4.858
2026	3,225,000	4.616
2027	2,641,000	4.512
2028	2,763,000	4.511
2029	1,556,000	4.566
2030	1,623,000	4.647
2031	1,670,000	4.716
2032	1,594,000	4.782
2033	1,672,000	4.835
2034	740,000	4.915
2035	776,000	4.990
2036	814,000	5.050
2037	857,000	5.115
2038	899,000	5.155
2039	174,000	5.170
2040	183,000	5.175
2041	191,000	5.175
2042	203,000	5.180
2043	763,000	5.185

Schedule of Loans to Municipalities – Cities and Towns

	Principal Outstanding Dec. 31, 2022	2023		Principal Outstanding Dec. 31, 2023
		Principal Repaid	New Loans	
Cities				
Bathurst	\$24,690,000	\$3,858,000	\$1,505,000	\$22,337,000
Campbellton	10,036,000	1,396,000	1,810,000	10,450,000
Dieppe	55,228,000	8,988,000	0	46,240,000
Edmundston	48,941,000	6,839,000	2,300,000	44,402,000
Fredericton	29,229,000	6,320,000	3,238,000	26,147,000
Miramichi	27,429,000	3,932,000	4,814,000	28,311,000
Moncton	156,170,000	26,381,000	0	129,789,000
Saint John	194,639,000	24,272,000	0	170,367,000
Total	\$546,362,000	\$81,986,000	\$13,667,000	\$478,043,000
Towns				
Beaurivage	\$3,268,000	\$250,000	\$0	\$3,018,000
Belle-Baie	10,181,000	949,000	0	9,232,000
Cap-Acadie	5,205,000	492,000	49,000	4,762,000
Caraquet	10,496,000	1,497,000	2,689,000	11,688,000
Carleton North	961,000	155,000	0	806,000
Champdoré	5,161,000	439,000	0	4,722,000
Grand Bay-Westfield	2,415,000	309,000	1,339,000	3,445,000
Grand Bouctouche	7,058,000	557,000	0	6,501,000
Grand-Sault/Grand Falls	17,471,000	1,443,000	1,073,000	17,101,000
Hampton	2,613,000	275,000	1,400,000	3,738,000
Hartland	825,000	149,000	0	676,000
Haut-Madawaska	5,674,000	609,000	315,000	5,380,000
Hautes-Terres	2,723,000	215,000	1,735,000	4,243,000
Heron Bay	4,073,000	539,000	400,000	3,934,000
Oromocto	4,914,000	789,000	0	4,125,000
Quispamsis	20,719,000	2,272,000	600,000	19,047,000
Riverview	30,298,000	2,384,000	1,760,000	29,674,000
Rivière-du-Nord	1,590,000	167,000	0	1,423,000
Rothesay	11,171,000	1,028,000	1,000,000	11,143,000
Saint-Quentin	817,000	184,000	0	633,000
Shediac	13,325,000	1,307,000	0	12,018,000
Shippagan	5,490,000	671,000	1,874,000	6,693,000
St. Stephen	6,524,000	698,000	0	5,826,000
Sussex	1,847,000	359,000	430,000	1,918,000
Tantramar	9,722,000	1,292,000	149,000	8,579,000
Town of Saint Andrews	5,302,000	399,000	920,000	5,823,000
Vallée-des-Rivières	3,626,000	385,000	1,109,000	4,350,000
Woodstock	2,443,000	496,000	0	1,947,000
Île-de-Lamèque	5,403,000	348,000	160,000	5,215,000
Total	\$201,315,000	\$20,657,000	\$17,002,000	\$197,660,000

Schedule of Loans to Municipalities – Villages

	Principal Outstanding Dec. 31, 2022	2023		Principal Outstanding Dec. 31, 2023
		Principal Repaid	New Loans	
Villages				
Arcadia	\$698,000	\$59,000	\$300,000	\$939,000
Belledune	2,077,000	185,000	0	1,892,000
Bois-Joli	2,556,000	420,000	0	2,136,000
Doaktown	1,760,000	131,000	0	1,629,000
Five Rivers	1,369,000	128,000	550,000	1,791,000
Fredericton Junction	1,714,000	186,000	0	1,528,000
Fundy Albert	4,373,000	501,000	212,000	4,084,000
Fundy-St. Martins	133,000	27,000	0	106,000
Grand Lake	1,651,000	242,000	388,000	1,797,000
Grand Manan	555,000	74,000	0	481,000
Lakeland Ridges	18,000	18,000	125,000	125,000
McAdam	634,000	53,000	0	581,000
Memramcook	7,411,000	449,000	0	6,962,000
Neguac	4,882,000	258,000	192,000	4,816,000
New Maryland	5,483,000	702,000	0	4,781,000
Nouvelle-Arcadie	925,000	195,000	0	730,000
Salisbury	882,000	142,000	0	740,000
Three Rivers	1,210,000	477,000	1,446,000	2,179,000
Tobique Valley	1,442,000	762,000	649,000	1,329,000
Tracy	66,000	8,000	0	58,000
Valley Waters	81,000	26,000	500,000	555,000
Total	\$39,920,000	\$5,043,000	\$4,362,000	\$39,239,000

Schedule of Loans to Municipalities – Villages Continued and Rural Communities

	Principal Outstanding Dec. 31, 2022	2023		Principal Outstanding Dec. 31, 2023
		Principal Repaid	New Loans	
Regional Municipalities				
Tracadie	\$14,846,000	\$1,741,000	\$878,000	\$13,983,000
Total	\$14,846,000	\$1,741,000	\$878,000	\$13,983,000
Rural Communities				
Eastern Charlotte	\$1,967,000	\$251,000	\$0	\$1,716,000
Hanwell	2,026,000	83,000	0	1,943,000
Harvey	82,000	12,000	0	70,000
Kedgwick	2,280,000	201,000	0	2,079,000
Miramichi River Valley	1,630,000	311,000	188,000	1,507,000
Nackawic Millville	1,021,000	206,000	0	815,000
Nashwaak	257,000	43,000	0	214,000
Strait Shores	1,166,000	55,000	0	1,111,000
Upper Miramichi	210,000	40,000	0	170,000
Total	\$10,639,000	\$1,202,000	\$188,000	\$9,625,000

Schedule of Loans to Municipalities – Municipal Enterprises

	Principal Outstanding Dec. 31, 2022	2023		Principal Outstanding Dec. 31, 2023
		Principal Repaid	New Loans	
Municipal Enterprises				
Greater Shediac Sewerage Commission	\$4,198,000	\$199,000	\$0	\$3,999,000
Kennebecasis Regional Joint Board of Police Commissioners	396,000	146,000	0	250,000
Total	\$4,594,000	\$345,000	\$0	\$4,249,000
Regional Service Commissions				
North-West Regional Service Commission #1	\$2,087,000	\$351,000	\$0	\$1,736,000
Restigouche Regional Service Commission #2	645,000	149,000	0	496,000
Chaleur Regional Service #3	6,624,000	775,000	690,000	6,539,000
Acadian Peninsula Regional Service #4	3,010,000	394,000	70,000	2,686,000
Southeast Regional Service Commission #7	11,726,000	1,902,000	3,375,000	13,199,000
Fundy Regional Service Commission #9	1,465,000	280,000	2,000,000	3,185,000
Capital Region Service Commission #11	1,938,000	1,093,000	1,887,000	2,732,000
Total	\$27,495,000	\$4,944,000	\$8,022,000	\$30,573,000
Grand Total	\$845,171,000	\$115,918,000	\$44,119,000	\$773,372,000

FINANCIAL STATEMENTS

NEW BRUNSWICK
MUNICIPAL FINANCE CORPORATION

31 DECEMBER 2023



INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Board of Directors of the New Brunswick Municipal Finance Corporation

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of New Brunswick Municipal Finance Corporation (the Entity), which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2023, and the results of its financial performance, changes in equity, and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Paul Martin, FCPA, FCA
Auditor General

Fredericton, New Brunswick, Canada
June 19, 2024



Management Report

The preparation of financial information is an integral part of management's responsibilities, and the accompanying financial statements are the responsibility of the management of the Corporation. This responsibility includes the selection of appropriate accounting policies and making judgements and estimates consistent with International Financial Reporting Standards (IFRS).

The Corporation maintains accounting systems and related controls to provide management and the Board of Directors with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with IFRS.

It is the responsibility of the Board of Directors to oversee managements performance of its financial reporting responsibilities and to review and approve the financial statements. These financial statements for the year ended December 31, 2023 are approved by the Board of Directors.

A handwritten signature in blue ink that reads "Trish Duguay".

Trish Duguay
Managing Director,
Banking & Cash Management

A handwritten signature in blue ink that reads "pk".

Peter Kieley
Assistant Deputy Minister,
Finance and Treasury Board



NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

Statement of financial position
December 31
In Canadian dollars

	Note		2023		2022
Assets					
Cash and cash equivalents	3.3	\$	190,787	\$	451,192
Accrued interest receivable from municipalities and municipal enterprises			1,991,864		2,132,646
Loans to municipalities and municipal enterprises	4		768,465,120		839,511,191
Total assets			770,647,771		842,095,029
Liabilities					
Accounts payable			107,328		327,616
Accrued interest payable on debenture debt			1,991,864		2,132,646
Debenture debt	4		768,465,120		839,511,191
Total liabilities			770,564,312		841,971,453
Equity					
Retained earnings			83,459		123,576
Total equity			83,459		123,576
Total liabilities and equity		\$	770,647,771	\$	842,095,029

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

Approved by the Board of Directors and authorized for issue on June 19, 2024.


 Director


 Director

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

Statement of comprehensive income

For the year ended 31 December

In Canadian dollars

	Note	2023	2022
Revenue			
Interest income	3.1	\$ 24,740,024	\$ 25,051,875
		24,740,024	25,051,875
Expense			
Interest expense		24,677,813	24,968,747
Other expenses	6	102,328	327,616
		24,780,141	25,296,363
Total comprehensive loss		\$ (40,117)	\$ (244,488)

Statement of changes in equity

For the year ended 31 December

In Canadian dollars

	2023	2022
Retained earnings, 1 January	\$ 123,576	\$ 368,064
Total comprehensive loss	\$ (40,117)	\$ (244,488)
Retained earnings, 31 December	\$ 83,459	\$ 123,576

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

	2023	2022
Operating activities		
Cash received from operations	\$ 61,179	\$ 89,487
Cash paid from operations	(327,616)	(54,139)
Interest received from investments	6,032	3,703
Interest paid on debenture debt	(23,820,567)	(23,807,316)
Interest received from municipalities and municipal enterprises	<u>23,820,567</u>	<u>23,807,316</u>
Cash flows from operating activities	<u>(260,405)</u>	39,051
Financing activities		
Proceeds on sale of debentures	43,807,722	59,222,482
Principal paid on debenture debt	<u>(115,918,000)</u>	<u>(110,404,000)</u>
Cash flows from financing activities	<u>(72,110,278)</u>	<u>(51,181,518)</u>
Investing activities		
Loans to municipalities and municipal enterprises	(43,807,722)	(59,222,482)
Principal repayments made by municipalities and municipal enterprises	<u>115,918,000</u>	<u>110,404,000</u>
Cash flows from investing activities	<u>72,110,278</u>	<u>51,181,518</u>
Increase (decrease) in cash and cash equivalents	(260,405)	39,051
Cash and cash equivalents at beginning of year	<u>451,192</u>	<u>412,141</u>
Cash and cash equivalents at end of year	<u>\$ 190,787</u>	<u>\$ 451,192</u>

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2023

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 Corporation’s head office is in Fredericton, New Brunswick. 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, except for financial assets and financial liabilities which are measured at fair value or amortized cost as described in note 3.

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 determination of estimates for 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 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.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2023

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 as outlined in Note 3.2 below. 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 as disclosed in Note 9 below.

3.2 Financial instruments

Financial assets and financial liabilities are recognized when the Corporation becomes a party to the contractual provisions of the financial instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

3.2.1 Classification and measurement of financial assets

On initial recognition, a financial asset is classified as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) or FVTPL.

The Corporation measures its financial assets at amortized cost only if both of the following criteria are met:

- the financial asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

The Corporation measures its debt instruments at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2023

3 Summary of significant accounting policies (continued)

On initial recognition of an equity instrument that is not held for trading, the Corporation may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

The Corporation measures its financial assets at FVTPL unless they are measured at amortized cost or at fair value through other comprehensive income as described above.

In addition, on initial recognition, the Corporation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Corporation makes an assessment of the objective of a business model in which an asset is held at the portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Corporation's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Corporation's stated objective for managing the financial assets is achieved and how cash flows are realized.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, "principal" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2023

3 Summary of significant accounting policies (continued)

In assessing whether the contractual cash flows are SPPI, the Corporation considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Corporation considers:

- contingent events that would change the amount and timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- features that limit the Corporation's claim to cash flows from specified assets (e.g. non-recourse loans).

The Corporation has determined that its business model objective for its cash and cash equivalents, accrued investment income receivable, accrued interest receivable from municipalities and municipal enterprises and loans to municipalities and municipal enterprises is to collect the contractual cash flows, and therefore measures them subsequently at amortized costs using the effective interest method. The Corporation performs the SPPI test for financial assets held within the held-to-collect model to ensure that they have contractual cash flows which are consistent with a basic lending arrangement.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Corporation changes its business model for managing financial assets.

3.2.2 Financial liabilities

Financial liabilities are subsequently measured at their amortized cost using the effective interest rate method, less impairment losses. This includes accounts payable, accrued interest payable on debenture debt and debenture debt.

3.2.3 Derecognition

The Corporation derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Corporation neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

The Corporation derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
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3 Summary of significant accounting policies (continued)

3.3 Cash and cash equivalents

Cash and cash equivalents includes deposits held at call with banks, and other short-term, highly liquid investments with maturities of less than one-year.

3.4 Impairment of financial assets

The Corporation recognizes loss allowances for expected credit losses (ECL) on financial instruments that are not measured at FVTPL.

The Corporation measures loss allowances at an amount equal to lifetime ECL, except for the following for which they are measured as 12-month ECL:

- debt investment securities that are determined to have low credit risk at the reporting date; and
- other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Corporation considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of “investment grade”. The Corporation does not apply the low credit risk exemption to any other financial instruments.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

Measurement of ECL

ECL are a probability weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Corporation expects to receive); and
- financial assets that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
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3 Summary of significant accounting policies (continued)

At each reporting date, the Corporation assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit impaired. A financial asset is “credit impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial assets is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amounts of the assets, if applicable.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in other comprehensive income.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
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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:

Maturity Date	Principal Repayment	Weighted Average Coupon
2024	103,271,000	2.46%
2025	93,977,000	2.55%
2026	84,580,000	2.71%
2027	77,611,000	2.90%
2028	67,375,000	2.92%
Years 1 - 5	426,814,000	2.68%
Years 6 - 10	214,480,000	3.16%
Years 11 - 24	132,078,000	3.57%
	\$773,372,000	2.97%
Unamortized discount	(4,906,880)	
	\$768,465,120	

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

Series	Date of Issue	Maturity Date	Interest Rates	Original Amount	Outstanding	
					31 Dec. 2023	31 Dec. 2022
*AZ	22 Dec. 2008	22 Dec. 2009 to 2023	2.10% to 5.55%	63,750,000	-	11,222,000
FCM 10097	31 Mar. 2011	31 Mar. 2012 to 2031	2.06%	4,000,000	1,600,000	1,800,000
FCM 10092	28 May 2012	28 May 2013 to 2027	2.00%	2,000,000	594,000	735,000
FCM 10353	28 May 2012	28 May 2013 to 2032	2.00%	961,000	480,000	528,000
*BG	4 Jun. 2012	4 Jun. 2013 to 2027	1.65% to 3.80%	47,591,000	5,124,000	5,682,000
FCM 11052	16 Aug. 2012	16 Aug. 2013 to 2032	2.00%	4,978,000	2,485,000	2,735,000
BH	30 Nov. 2012	30 Nov. 2013 to 2032	1.35% to 3.80%	69,541,000	20,036,000	22,633,000
FCM 10346	3 Dec. 2012	3 Dec. 2013 to 2032	2.00%	9,223,000	4,603,000	5,066,000
BI	14 Jun. 2013	14 Jun. 2014 to 2033	1.35% to 4.00%	73,647,000	24,279,000	29,216,000
BJ	20 Nov. 2013	20 Nov. 2014 to 2033	1.25% to 4.40%	52,370,000	14,395,000	18,032,000
FCM 10096	27 Mar. 2014	27 Mar. 2015 to 2034	2.00%	10,000,000	5,500,000	6,000,000
BK	15 May 2014	15 May 2015 to 2034	1.15% to 4.15%	47,517,000	14,696,000	18,154,000
BL	8 Dec. 2014	8 Dec. 2015 to 2034	1.20% to 3.70%	80,661,000	29,248,000	33,857,000
FCM 9856	8 Jan. 2015	8 Jan. 2016 to 2025	1.75%	149,000	32,000	48,000
*BM	6 Jul. 2015	6 Jul. 2016 to 2035	0.95% to 3.50%	56,882,000	20,941,000	24,831,000
*BN	18 Dec. 2015	18 Dec. 2016 to 2035	1.05% to 3.90%	50,274,000	13,872,000	17,347,000
*BO	6 Jun. 2016	6 Jun. 2017 to 2036	1.45% to 3.75%	44,013,000	20,391,000	23,275,000
*BP	7 Dec. 2016	7 Dec. 2017 to 2036	1.20% to 3.80%	87,456,000	38,597,000	44,035,000
*BQ	1 Jun. 2017	1 Jun. 2018 to 2037	1.20% to 3.55%	30,106,000	13,416,000	15,791,000
*BR	12 Dec. 2017	12 Dec. 2018 to 2037	1.65% to 3.30%	59,804,000	31,345,000	35,144,000
*BS	12 Dec. 2017	12 Dec. 2018 to 2047	1.65% to 3.40%	45,000,000	36,000,000	37,500,000
FCM 13138	22 Mar. 2018	22 Mar. 2019 to 2038	4.00%	575,000	470,000	493,000
*BT	29 May 2018	29 May 2019 to 2038	2.10% to 3.70%	104,593,000	71,515,000	78,447,000
*BU	21 Dec. 2018	21 Dec. 2019 to 2038	2.55% to 3.70%	63,283,000	37,109,000	42,464,000
*BV	14 May 2019	14 May 2020 to 2039	2.05% to 3.35%	32,324,000	18,884,000	22,289,000
FCM 10098	8 Jul. 2019	8 Jul. 2020 to 2029	3.41%	1,428,000	856,000	999,000
*BW	21 Nov. 2019	21 Nov. 2020 to 2039	1.95% to 2.95%	108,443,000	62,656,000	73,873,000
*BX	25 May. 2020	25 May. 2020 to 2040	0.9% to 2.95%	42,104,000	26,610,000	31,816,000
*BY	26 Nov. 2020	26 Nov. 2020 to 2040	0.5% to 2.6%	102,923,000	71,871,000	82,263,000
*BZ	17 Jun. 2021	17 Jun. 2021 to 2041	0.3% to 2.95%	56,035,000	43,076,000	49,566,000
*CA	22 Nov. 2021	22 Nov. 2021 to 2041	0.86% to 2.96%	55,438,000	43,864,000	49,673,000
*CB	22 Jun. 2022	22 Jun. 2023 to 2042	3.01% to 4.46%	21,394,000	19,837,000	21,394,000
*CC	5 Dec. 2022	5 Dec. 2023 to 2042	3.95% to 4.85%	38,263,000	34,871,000	38,263,000
*CD	21 Jun. 2023	21 Jun. 2024 to 2043	4.05% to 5.12%	15,780,000	15,780,000	-
*CE	4 Dec. 2023	4 Dec. 2024 to 2043	4.51% to 5.25%	28,339,000	28,339,000	-
				\$ 1,510,845,000	\$ 773,372,000	\$ 845,171,000
					Unamortized discount	(4,906,880) (5,659,809)
						\$ 768,465,120 \$ 839,511,191

* These debentures were sold directly to funds administered by the Province of New Brunswick and total \$654,098,000 outstanding at 31 December 2023 (2022 - \$704,875,000).

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2023

5 Financial instruments

5.1 Fair value

The Corporation's financial instruments include the following:

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables				
Cash and cash equivalents	\$ 190,787	\$ 190,787	\$ 451,192	\$ 451,192
Accrued interest receivable	1,991,864	1,991,864	2,132,646	2,132,646
Loans to municipalities and municipal enterprises	768,465,120	736,495,222	839,511,191	792,988,562
Financial liabilities				
Accounts payable	\$ 107,328	\$ 107,328	\$ 327,616	\$ 327,616
Accrued interest payable on debenture debt	1,991,864	1,991,864	2,132,646	2,132,646
Debenture debt	768,465,120	736,495,222	839,511,191	792,988,562

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.

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.

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

The fair value of loans to municipalities and municipal enterprises and debenture debt are derived from level 2 inputs. 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. No level 3 inputs have been used to determine fair value.

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.

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:

	2023	2022
Cash and cash equivalents	\$ 190,787	\$ 451,192
Accrued interest receivable	1,991,864	2,132,646
Loans to municipalities and municipal enterprises	768,465,120	839,511,191
	\$ 770,647,771	\$ 842,095,029

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

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

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 that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

31 December 2023	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Cash and cash equivalents	\$ 190,787	\$ 190,787	\$ 190,787	\$ -	\$ -
Accrued interest receivable	\$ 1,991,864	1,991,864	1,991,864	-	-
Loans to municipalities and municipal enterprises	\$ 768,465,120	773,372,000	103,271,000	323,543,000	346,558,000
	\$ 770,647,771	\$ 775,554,651	\$ 105,453,651	\$ 323,543,000	\$ 346,558,000

The Corporation's financial liabilities (excluding future costs of financing) classified by period in which they are due are:

31 December 2023	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Accounts payable	\$ 107,328	\$ 107,328	\$ 107,328	\$ -	\$ -
Accrued interest payable on debenture debt	1,991,864	1,991,864	1,991,864	-	-
Debenture debt	768,465,120	773,372,000	103,271,000	323,543,000	346,558,000
	\$ 770,564,312	\$ 775,471,192	\$ 105,370,192	\$ 323,543,000	\$ 346,558,000

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
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5 Financial instruments (continued)

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.

6 Other expenses

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

	2023	2022
Administration fee paid to the Province of New Brunswick	\$ 100,000	\$ 325,400
Bank charges	2,328	2,216
	\$ 102,328	\$ 327,616

7 Additional cash flow information

A reconciliation between the opening and closing debenture debt balance is provided below.

	2023	2022
Debenture debt, Opening Balance	\$ 839,511,191	\$889,472,232
Proceeds on sale of debentures (net of issue expenses)	43,873,900	59,311,968
Principal paid on debenture debt	(115,918,000)	(110,404,000)
Amortization of discount	998,029	1,130,991
Debenture debt, Closing Balance	\$ 768,465,120	\$839,511,191

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
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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 of Directors, and are disclosed in note 6.

As at 31 December 2023, funds administered by the Province of New Brunswick held \$672,845,000 (2022 - \$708,958,000) of the Corporation's outstanding debt.

The Corporation has no employees. Its operation is managed by staff of the Province of New Brunswick.

9 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"). The corporation receives the financing from FCM and provides it to the qualifying municipalities and municipal enterprises at the identical terms. The balance in 2023 was nil (2022 - nil)

10 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.