



***2017
Annual Report***

***New Brunswick
Municipal Finance
Corporation***

2017 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

Nicole Picot	Deputy Minister Finance Province of New Brunswick
Leonard Lee-White	Assistant Deputy Minister Treasury Division Province of New Brunswick
Richard Luton	Managing Director Capital Markets Treasury Division Province of New Brunswick
Kelli Simmonds	Deputy Minister, Environment and Local Government
Stéphane Thériault	Director of Finance – Treasurer City of Dieppe

Officers of the Corporation

Nicole Picot	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 2017

In 2017, 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 BQ

Principal Amount	\$30,106,000
Date of Issue	June 1, 2017
Date of Maturity	June 1, 2018-2037
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2018	2,791,000	1.200
2019	2,823,000	1.350
2020	2,858,000	1.450
2021	2,901,000	1.650
2022	2,942,000	1.850
2023	2,375,000	2.050
2024	2,419,000	2.250
2025	2,389,000	2.450
2026	2,440,000	2.600
2027	2,475,000	2.700
2028	639,000	2.850
2029	647,000	3.000
2030	652,000	3.100
2031	665,000	3.200
2032	677,000	3.300
2033	59,000	3.350
2034	60,000	3.400
2035	64,000	3.450
2036	65,000	3.500
2037	165,000	3.550

Series BR

Principal Amount	\$59,804,000
Date of Issue	December 12, 2017
Date of Maturity	December 12, 2018-2037
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2018	4,828,000	1.650
2019	4,840,000	1.850
2020	4,917,000	2.050
2021	4,990,000	2.200
2022	5,085,000	2.350
2023	3,799,000	2.500
2024	3,879,000	2.600
2025	3,969,000	2.700
2026	4,060,000	2.800
2027	4,157,000	2.900
2028	1,789,000	3.000
2029	1,839,000	3.050
2030	1,888,000	3.100
2031	1,937,000	3.150
2032	1,990,000	3.200
2033	719,000	3.200
2034	742,000	3.250
2035	764,000	3.250
2036	790,000	3.300
2037	2,822,000	3.300

Series BS

Principal Amount	\$45,000,000
Date of Issue	December 12, 2017
Date of Maturity	December 12, 2018-2037
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2018	1,500,000	1.650
2019	1,500,000	1.850
2020	1,500,000	2.050
2021	1,500,000	2.200
2022	1,500,000	2.350
2023	1,500,000	2.500
2024	1,500,000	2.600
2025	1,500,000	2.700
2026	1,500,000	2.800
2027	1,500,000	2.900
2028	1,500,000	3.000
2029	1,500,000	3.050
2030	1,500,000	3.100
2031	1,500,000	3.150
2032	1,500,000	3.200
2033	1,500,000	3.200
2034	1,500,000	3.250
2035	1,500,000	3.250
2036	1,500,000	3.300
2037	1,500,000	3.300
2038	1,500,000	3.350
2039	1,500,000	3.350
2040	1,500,000	3.350
2041	1,500,000	3.350
2042	1,500,000	3.400
2043	1,500,000	3.400
2044	1,500,000	3.400
2045	1,500,000	3.400
2046	1,500,000	3.400
2047	1,500,000	3.400

Schedule of Loans to Municipalities – Cities and Towns

	Principal Outstanding Dec. 31, 2016	2017		Principal Outstanding Dec. 31, 2017
		Principal Repaid	New Loans	
Cities				
Bathurst	\$ 27,490,000	\$ 3,355,000	\$ 2,858,000	\$ 26,993,000
Campbellton	10,428,000	1,668,000	374,000	9,134,000
Dieppe	81,272,000	12,457,000	15,173,000	83,988,000
Edmundston	72,196,000	7,515,000	3,197,000	67,878,000
Fredericton	41,488,000	2,694,000	0	38,794,000
Miramichi	24,125,000	2,970,000	1,604,000	22,759,000
Moncton	132,547,000	24,382,000	15,385,000	123,550,000
Saint John	205,911,000	24,219,000	58,570,000	240,262,000
Total	\$595,457,000	\$79,260,000	\$97,161,000	\$613,358,000
Towns				
Beresford	\$ 2,612,000	\$ 499,000	\$ 3,870,000	\$ 5,983,000
Bouctouche	5,742,000	368,000	0	5,374,000
Caraquet	6,611,000	1,035,000	1,215,000	6,791,000
Dalhousie	3,232,000	595,000	0	2,637,000
Florenceville-Bristol	673,000	112,000	0	561,000
Grand Bay-Westfield	2,592,000	883,000	576,000	2,285,000
Grand-Sault/Grand Falls	11,654,000	1,558,000	1,898,000	11,994,000
Hampton	2,355,000	639,000	1,556,000	3,272,000
Hartland	723,000	206,000	119,000	636,000
Lamèque	4,839,000	320,000	875,000	5,394,000
Nackawic	506,000	77,000	300,000	729,000
Oromocto	2,256,000	275,000	0	1,981,000
Quispamsis	27,270,000	2,269,000	1,750,000	26,751,000
Richibucto	1,078,000	149,000	92,000	1,021,000
Riverview	22,129,000	4,045,000	4,100,000	22,184,000
Rothesay	13,994,000	1,321,000	1,298,000	13,971,000
Sackville	14,777,000	1,436,000	409,000	13,750,000
Saint Andrews	3,698,000	440,000	1,162,000	4,420,000
Saint-Léonard	3,256,000	277,000	390,000	3,369,000
Saint-Quentin	1,533,000	302,000	140,000	1,371,000
Shediac	9,152,000	1,078,000	590,000	8,664,000
Shippagan	4,141,000	803,000	445,000	3,783,000
St. George	2,211,000	163,000	200,000	2,248,000
St. Stephen	8,043,000	955,000	395,000	7,483,000
Sussex	2,170,000	398,000	0	1,772,000
Woodstock	3,218,000	366,000	0	2,852,000
Total	\$160,465,000	\$20,569,000	\$21,380,000	\$161,276,000

Schedule of Loans to Municipalities – Villages

	Principal Outstanding Dec. 31, 2016	2017		Principal Outstanding Dec. 31, 2017
		Principal Repaid	New Loans	
Villages				
Alma	\$ 1,306,000	\$ 68,000	\$ 0	\$ 1,238,000
Atholville	2,614,000	312,000	0	2,302,000
Baker Brook	917,000	108,000	0	809,000
Balmoral	2,754,000	242,000	585,000	3,097,000
Bas-Caraquet	101,000	48,000	0	53,000
Bath	813,000	86,000	0	727,000
Belledune	1,366,000	341,000	0	1,025,000
Bertrand	673,000	76,000	0	597,000
Blacks Harbour	675,000	133,000	54,000	596,000
Blackville	2,308,000	114,000	0	2,194,000
Canterbury	79,000	25,000	0	54,000
Cap-Pelé	2,490,000	285,000	2,300,000	4,505,000
Centreville	87,000	12,000	340,000	415,000
Charlo	1,393,000	113,000	0	1,280,000
Chipman	309,000	48,000	463,000	724,000
Clair	3,535,000	467,000	274,000	3,342,000
Doaktown	1,996,000	166,000	0	1,830,000
Dorchester	598,000	72,000	0	526,000
Drummond	765,000	89,000	160,000	836,000
Eel River Crossing	257,000	51,000	0	206,000
Fredericton Junction	801,000	83,000	0	718,000
Gagetown	153,000	42,000	325,000	436,000
Grand Manan	1,166,000	94,000	0	1,072,000
Grande-Anse	158,000	41,000	0	117,000
Harvey	164,000	17,000	0	147,000
Hillsborough	100,000	49,000	277,000	328,000
Lac Baker	176,000	50,000	311,000	437,000
Le Goulet	178,000	20,000	0	158,000
Maisonnette	123,000	14,000	0	109,000
McAdam	176,000	24,000	0	152,000
Meductic	115,000	15,000	0	100,000
Memramcook	8,770,000	954,000	936,000	8,752,000
Millville	31,000	31,000	366,000	366,000

Schedule of Loans to Municipalities – Villages Continued and Rural Communities

	Principal Outstanding Dec. 31, 2016	2017		Principal Outstanding Dec. 31, 2017
		Principal Repaid	New Loans	
Villages Continued				
Minto	\$ 1,754,000	\$ 168,000	\$ 0	\$ 1,586,000
Neguac	1,784,000	144,000	0	1,640,000
New Maryland	6,297,000	549,000	376,000	6,124,000
Nigadoo	143,000	12,000	0	131,000
Norton	471,000	62,000	0	409,000
Paquetville	633,000	108,000	249,000	774,000
Petit-Rocher	1,049,000	476,000	698,000	1,271,000
Petitcodiac	1,289,000	98,000	375,000	1,566,000
Plaster Rock	1,771,000	865,000	882,000	1,788,000
Pointe-Verte	312,000	25,000	0	287,000
Port Elgin	109,000	49,000	0	60,000
Rexton	1,944,000	156,000	0	1,788,000
Riverside-Albert	692,000	90,000	0	602,000
Rivière-Verte	1,100,000	78,000	0	1,022,000
Rogersville	1,720,000	226,000	0	1,494,000
Saint-Antoine	5,870,000	906,000	597,000	5,561,000
Saint-François-de- Madawaska	1,026,000	292,000	185,000	919,000
Saint-Isidore	310,000	29,000	600,000	881,000
Saint-Louis-de-Kent	1,172,000	91,000	40,000	1,121,000
Saint-Léolin	90,000	20,000	0	70,000
Sainte-Anne-de-Madawaska	628,000	193,000	50,000	485,000
Saint-Marie-Saint Raphaël	70,000	7,000	347,000	410,000
Salisbury	884,000	96,000	0	788,000
St. Martins	264,000	26,000	0	238,000
Stanley	313,000	51,000	35,000	297,000
Sussex Corner	583,000	48,000	0	535,000
Tide Head	20,000	5,000	545,000	560,000
Total	\$69,445,000	\$9,160,000	\$11,370,000	\$71,655,000
Rural Communities				
Beaubassin-Est	\$ 800,000	\$ 80,000	\$ 0	\$ 720,000
Kedgwick	1,934,000	350,000	264,000	1,848,000
Saint-André	2,422,000	115,000	0	2,307,000
Upper Miramichi	161,000	8,000	398,000	551,000
Total	\$5,317,000	\$553,000	\$662,000	\$5,426,000

Schedule of Loans to Municipalities – Municipal Enterprises

	Principal Outstanding Dec. 31, 2016	2017		Principal Outstanding Dec. 31, 2017
		Principal Repaid	New Loans	
Municipal Enterprises				
Commission des égouts d'Allardville	\$ 6,000	\$ 6,000	\$0	\$ 0
Greater Shediac Sewerage Commission	5,225,000	154,000	0	5,071,000
Kennebecasis Regional Joint Board of Police Commissioners	1,210,000	130,000	0	1,080,000
Total	\$6,441,000	\$290,000	\$0	\$6,151,000
Regional Service Commissions				
Northwest Regional Service Commission #1	\$ 1,000,000	\$ 195,000	\$ 0	\$ 805,000
Restigouche Regional Service Commission #2	134,000	32,000	0	102,000
Chaleur Regional Service Commission #3	4,012,000	395,000	920,000	4,537,000
Acadian Peninsula Regional Service Commission #4	2,029,000	292,000	180,000	1,917,000
Greater Miramichi Regional Service Commission #5	726,000	177,000	0	549,000
Southeast Regional Service Commission #7	11,278,000	1,397,000	1,219,000	11,100,000
Fundy Regional Service Commission #9	712,000	498,000	0	214,000
Regional Service Commission #11	4,305,000	763,000	385,000	3,927,000
Total	\$24,196,000	\$3,749,000	\$2,704,000	\$23,151,000
Regional Municipalities				
Tracadie	\$8,995,000	\$1,070,000	\$1,633,000	\$9,558,000
Total	\$8,995,000	\$1,070,000	\$1,633,000	\$9,558,000
Grand Total	\$870,316,000	\$114,651,000	\$134,910,000	\$890,575,000

FINANCIAL STATEMENTS

**NEW BRUNSWICK
MUNICIPAL FINANCE CORPORATION**

31 DECEMBER 2017



INDEPENDENT AUDITOR'S REPORT

To the Chairperson and Members of the
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, 2017, and the statement of comprehensive income, statement of changes in equity, and statement of 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink that reads "Kim MacPherson". The signature is written in a cursive, flowing style.

Kim MacPherson, FCPA, CA, ICD.D
Auditor General

June 4, 2018

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

Statement of financial position
December 31
In Canadian dollars

	Note	2017	2016
Assets			
Cash and cash equivalents	3.2.2, 3.3, 8	\$ 711,173	\$ 797,513
Accrued investment income receivable		628	347
Accrued interest receivable from municipalities and municipal enterprises		2,823,269	2,968,494
Loans to municipalities and municipal enterprises	4	883,066,272	862,712,564
 Total assets		886,601,342	866,478,918
Liabilities			
Accounts payable		2,052	2,026
Accrued interest payable on debenture debt		2,823,269	2,968,494
Debenture debt	4	883,066,272	862,712,564
 Total liabilities		885,891,593	865,683,084
Equity			
Retained earnings		709,749	795,834
 Total equity		709,749	795,834
 Total liabilities and equity		\$ 886,601,342	\$ 866,478,918

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

Approved by the Board of Directors and authorized for issue on June 4, 2018



..... Director



..... Director

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

Statement of comprehensive income

For the year ended 31 December

In Canadian dollars

	Note	2017	2016
Revenue			
Interest income	3.1	<u>\$ 29,647,529</u>	<u>\$ 31,267,260</u>
Expense			
Interest expense		<u>29,449,230</u>	31,073,814
Other expenses	6	<u>284,384</u>	<u>278,026</u>
		<u>29,733,614</u>	<u>31,351,840</u>
Total comprehensive loss		<u>\$ (86,085)</u>	<u>\$ (84,580)</u>

Statement of changes in equity

For the year ended 31 December

In Canadian dollars

	2017	2016
Retained earnings, 1 January	<u>\$ 795,834</u>	<u>\$ 880,414</u>
Total comprehensive loss	<u>(86,085)</u>	<u>(84,580)</u>
Retained earnings, 31 December	<u>\$ 709,749</u>	<u>\$ 795,834</u>

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

	2017	2016
Operating activities		
Cash received from operations	\$ 202,365	\$ 197,203
Cash paid from operations	(294,358)	(288,032)
Interest received from investments	5,653	6,221
Interest paid on debenture debt	(28,430,230)	(30,079,237)
Interest received from municipalities and municipal enterprises	<u>28,430,230</u>	<u>30,079,237</u>
Cash flows from operating activities	<u>(86,340)</u>	<u>(84,608)</u>
Financing activities		
Proceeds on sale of debentures	133,638,118	130,556,864
Principal paid on debenture debt	<u>(114,651,000)</u>	<u>(136,021,000)</u>
Cash flows from financing activities	<u>18,987,118</u>	<u>(5,464,136)</u>
Investing activities		
Loans to municipalities and municipal enterprises	(133,638,118)	(130,556,864)
Principal repayments made by municipalities and municipal enterprises	<u>114,651,000</u>	<u>136,021,000</u>
Cash flows from investing activities	<u>(18,987,118)</u>	<u>5,464,136</u>
Decrease in cash and cash equivalents	(86,340)	(84,608)
Cash and cash equivalents at beginning of year	<u>797,513</u>	<u>882,121</u>
Cash and cash equivalents at end of year	<u>\$ 711,173</u>	<u>\$ 797,513</u>

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2017

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 2017

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 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 3.4 below.

3.2 Financial instruments

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

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

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

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

3.2.1 Financial assets at fair value through profit or loss

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2017

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 cash and cash equivalents, accrued investment income receivable, accrued interest receivable and 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 Available-for-sale

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the other categories. Subsequent to initial recognition, available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income. The Corporation has no financial assets classified as available-for-sale.

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.

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.

**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. Cash and Cash equivalents are recorded at amortized cost.

3.4 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.

3.5 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.

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

3.6 Changes in accounting policies

Amendments to IAS 7 - Disclosure initiative, require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments to IAS 7 became effective for the annual period beginning on January 1, 2017. The Corporation adopted these amendments and as a result, new disclosures have been added to the Corporation's financial statements.

3.7 New standards and interpretations not yet adopted

IFRS 9 Financial Instruments (2014) ("IFRS 9 (2014)")

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets and introduces additional changes relating to financial liabilities. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. IFRS 9 (2014) also introduces a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

This standard is effective for annual periods beginning on or after January 1, 2018. Based on its assessment, the Corporation does not believe this standard will have a material impact on its financial statements on the date of transition.

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
2018	\$109,041,000	2.97%
2019	139,340,000	3.46%
2020	114,252,000	3.18%
2021	119,050,000	3.35%
2022	55,261,000	2.83%
Years 1 - 5	536,944,000	3.21%
Years 6 - 10	195,626,000	3.12%
Years 11- 20	158,005,000	3.46%
	\$890,575,000	3.23%
Unamortized discount	(7,508,728)	
	\$883,066,272	

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
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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. 2017	31 Dec. 2016
* AW	25 May 2007	25 May 2008 to 2017	4.30% to 4.55%	28,104,000	\$ -	\$ 5,974,000
* AX	23 Nov. 2007	23 Nov. 2008 to 2017	4.45% to 4.85%	56,691,000	-	18,661,000
* AY	16 May 2008	16 May 2009 to 2018	3.30% to 4.85%	53,383,000	15,586,000	19,896,000
* AZ	22 Dec. 2008	22 Dec. 2009 to 2023	2.10% to 5.55%	63,750,000	24,981,000	29,361,000
BA	11 Jun. 2009	11 Jun. 2010 to 2019	0.95% to 5.00%	70,562,000	26,193,000	31,620,000
BB	6 Nov. 2009	6 Nov. 2010 to 2019	1.00% to 4.50%	82,551,000	43,371,000	48,066,000
BC	2 Jun. 2010	2 Jun. 2011 to 2020	1.50% to 4.55%	56,080,000	25,167,000	29,524,000
BD	19 Nov. 2010	19 Nov. 2011 to 2020	1.50% to 3.85%	69,690,000	37,417,000	41,650,000
FCM 10097	31 Mar. 2011	31 Mar. 2012 to 2031	2.06%	4,000,000	2,800,000	3,000,000
* BE	27 May 2011	27 May 2012 to 2021	1.65% to 4.25%	115,683,000	68,866,000	76,247,000
BF	5 Dec. 2011	5 Dec. 2012 to 2021	1.35% to 3.45%	50,813,000	27,665,000	30,841,000
FCM 10092	28 May 2012	28 May 2013 to 2027	2.00%	2,000,000	1,399,000	1,524,000
FCM 10353	28 May 2012	28 May 2013 to 2032	2.00%	961,000	755,000	798,000
* BG	4 Jun. 2012	4 Jun. 2013 to 2027	1.65% to 3.80%	47,591,000	23,643,000	28,618,000
FCM 11052	16 Aug. 2012	16 Aug. 2013 to 2032	2.00%	4,978,000	3,912,000	4,134,000
BH	30 Nov. 2012	30 Nov. 2013 to 2032	1.35% to 3.80%	69,541,000	45,091,000	50,030,000
FCM 10346	3 Dec. 2012	3 Dec. 2013 to 2032	2.00%	9,223,000	7,247,000	7,658,000
BI	14 Jun. 2013	14 Jun. 2014 to 2033	1.35% to 4.00%	73,647,000	53,191,000	58,192,000
BJ	20 Nov. 2013	20 Nov. 2014 to 2033	1.25% to 4.40%	52,370,000	35,792,000	40,010,000
FCM 10096	27 Mar. 2014	27 Mar. 2015 to 2034	2.00%	10,000,000	8,500,000	9,000,000
BK	15 May 2014	15 May 2015 to 2034	1.15% to 4.15%	47,517,000	36,112,000	39,947,000
BL	8 Dec. 2014	8 Dec. 2015 to 2034	1.20% to 3.70%	80,661,000	60,356,000	66,856,000
FCM 9856	8 Jan. 2015	8 Jan. 2016 to 2025	1.75%	149,000	121,000	135,000
* BM	6 Jul. 2015	6 Jul. 2016 to 2035	0.95% to 3.50%	56,882,000	47,423,000	52,171,000
* BN	18 Dec. 2015	18 Dec. 2016 to 2035	1.05% to 3.90%	50,274,000	39,562,000	44,934,000
* BO	6 Jun. 2016	6 Jun. 2017 to 2036	1.45% to 3.75%	44,013,000	40,526,000	44,013,000
* BP	7 Dec. 2016	7 Dec. 2017 to 2036	1.20% to 3.80%	87,456,000	79,989,000	87,456,000
* BQ	1 Jun. 2017	1 Jun. 2018 to 2037	1.20% to 3.55%	30,106,000	30,106,000	-
* BR	12 Dec. 2017	12 Dec. 2018 to 2037	1.65% to 3.30%	59,804,000	59,804,000	-
* BS	12 Dec. 2017	12 Dec. 2018 to 2047	1.65% to 3.40%	45,000,000	45,000,000	-
					\$ 890,575,000	\$ 870,316,000
Unamortized discount					(7,508,728)	(7,603,436)
					\$ 883,066,272	\$ 862,712,564

* These debentures were sold directly to funds administered by the Province of New Brunswick and total \$443,939,000 outstanding at 31 December 2017 (2016 - \$372,866,000). A portion of series "BE" (\$31,547,000) was sold publicly (2016 - \$34,465,000).

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NOTES TO FINANCIAL STATEMENTS
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5 Financial instruments

5.1 Fair value

The Corporation's financial instruments include the following:

	2017	2017	2016	2016
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables				
Cash and cash equivalents	\$ 711,173	\$ 711,173	\$ 797,513	\$ 797,513
Accrued interest receivable	2,823,269	2,823,269	2,968,494	2,968,494
Accrued investment income receivable	628	628	347	347
Loans to municipalities and municipal enterprises	883,066,272	906,029,531	862,712,564	899,828,026
Financial liabilities				
Accounts payable	2,052	2,052	2,026	2,026
Accrued interest payable on debenture debt	2,823,269	2,823,269	2,968,494	2,968,494
Debenture debt	\$ 883,066,272	\$ 906,029,531	\$ 862,712,564	\$ 899,828,026

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:

	31 Dec.	31 Dec.
	2017	2016
Cash and cash equivalents	\$ 711,173	\$ 797,513
Accrued investment income receivable	628	347
Accrued interest receivable	2,823,269	2,968,494
Loans to municipalities and municipal enterprises	883,066,272	862,712,564
	\$ 886,601,342	\$ 866,478,918

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
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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 2017	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Cash and cash equivalents	\$ 711,173	\$ 711,173	\$ 711,173	\$ -	\$ -
Accrued interest receivable	2,823,269	2,823,269	2,823,269	-	-
Accrued investment income receivable	628	628	628	-	-
Loans to municipalities and municipal enterprises	883,066,272	890,575,000	109,041,000	427,903,000	353,631,000
	\$ 886,601,342	\$ 894,110,070	\$ 112,576,070	\$ 427,903,000	\$ 353,631,000

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

31 December 2017	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Accounts payable	\$ 2,052	\$ 2,052	\$ 2,052	\$ -	\$ -
Accrued interest payable on debenture debt	2,823,269	2,823,269	2,823,269	-	-
Debenture debt	883,066,272	890,575,000	109,041,000	427,903,000	353,631,000
	\$ 885,891,593	\$ 893,400,321	\$ 111,866,321	\$ 427,903,000	\$ 353,631,000

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.

	2017	2016
Administration fee paid to the Province of New Brunswick	\$ 282,000	\$ 276,000
Bank charges	2,384	2,026
	\$ 284,384	\$ 278,026

7 Additional cash flow information

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

	2017
Debenture debt, January 1, 2017	\$ 862,712,564
Proceeds on sale of debentures (net of issue expenses)	133,840,483
Principal paid on debenture debt	(114,651,000)
Amortization of discount	1,164,225
Debenture debt, December 31, 2017	\$ 883,066,272

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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 2017, funds administered by the Province of New Brunswick held \$458,022,000 (2016 - \$386,949,000) of the Corporation's outstanding debt. Of that total, \$443,939,000 (2016 - \$372,866,000) was sold directly to the funds.

Cash and cash equivalents at 31 December 2017 includes \$591,192 (2016 - \$695,135) in Province of New Brunswick Treasury Bills sold directly to the Corporation with a settlement date of December 5, 2017 and maturing December 5, 2018.

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

9 Capital management

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

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