

2018
Annual Report

New Brunswick
Municipal Finance
Corporation

2018 Annual Report

Published by:

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

June 2019

Design Management:

Communications New Brunswick

Printing and Binding:

Printing Services, NBISA

ISBN 978-1-4605-1881-6

ISSN 0847-2440

Printed in New Brunswick

2018
Annual Report

New Brunswick
Municipal Finance
Corporation

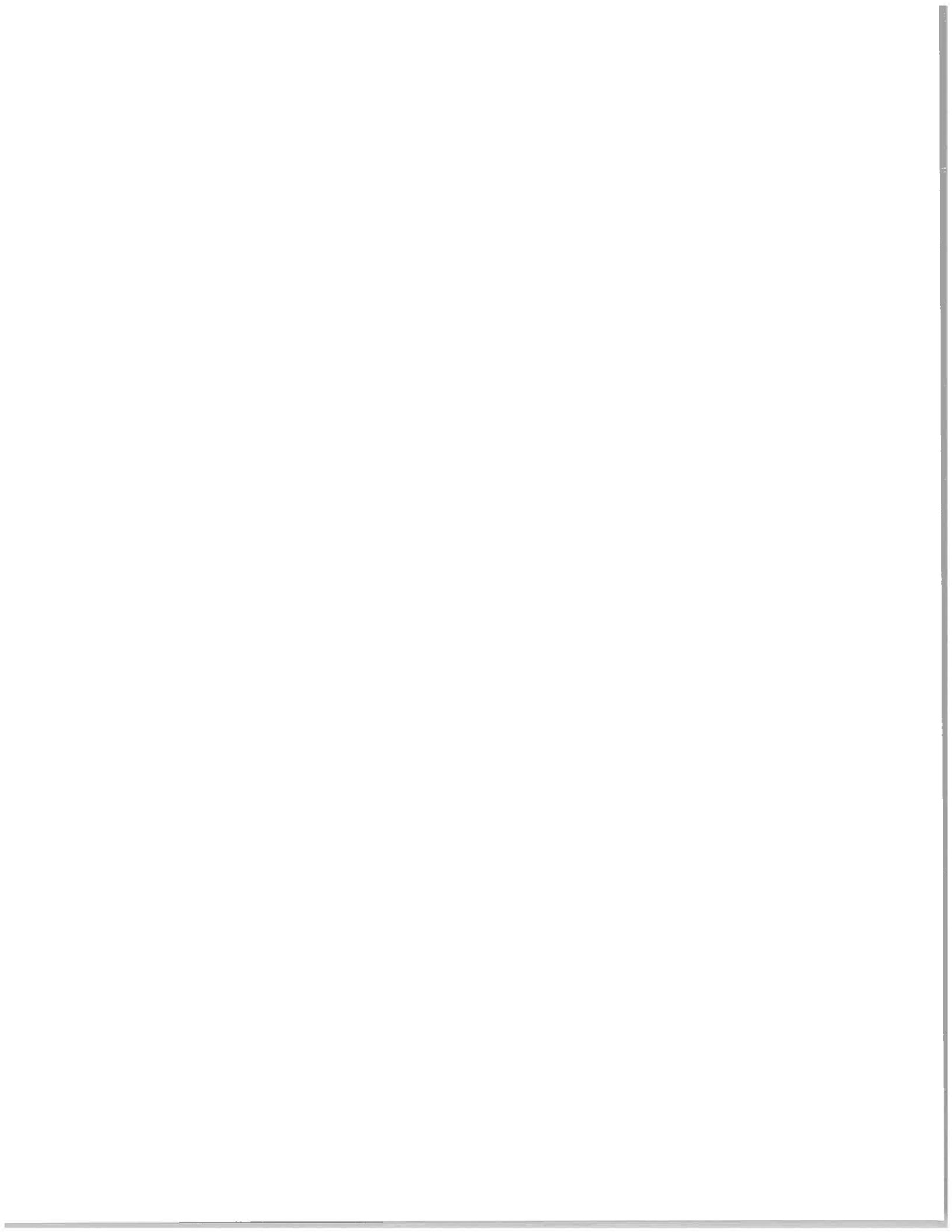
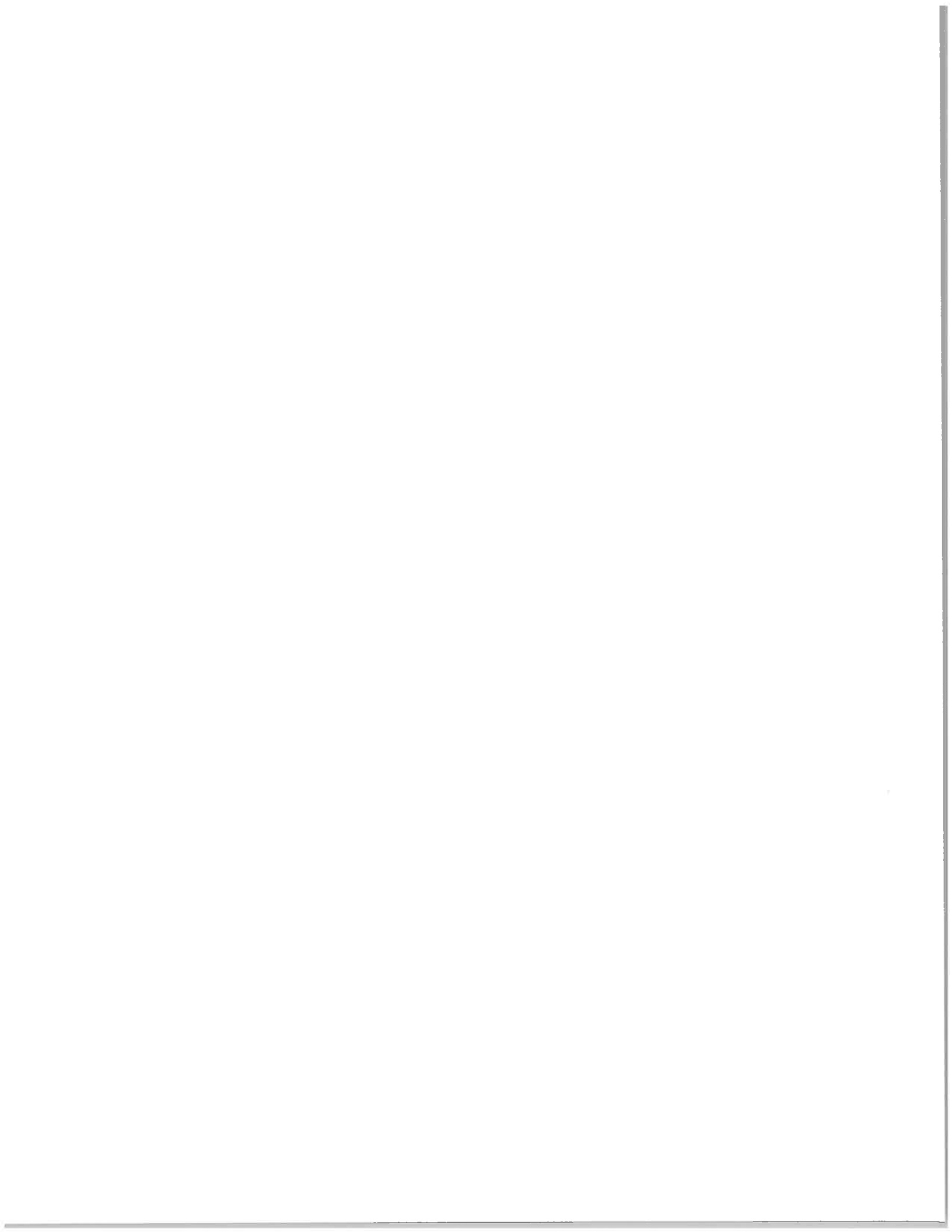


Table of Contents

New Brunswick Municipal Finance Corporation	
Legislation.....	1
Purpose.....	1
Administration.....	1
Directors.....	2
Officers of the Corporation.....	2
Fiscal Year.....	2
Protection for Investors.....	3
Financing Activity in 2018.....	3
Schedules of Loans to Municipalities – Cities and Towns.....	7
Schedules of Loans to Municipalities – Villages.....	8
Schedules of Loans to Municipalities – Villages Continued and Rural Communities	9
Schedules of Loans to Municipalities – Municipal Enterprises, Regional Service Commissions and Regional Municipalities.....	10
Financial Statements.....	11
Statement of Financial Position.....	15
Statement of Comprehensive Income, Statement of Changes in Equity.....	16
Statement of Cash Flows.....	17
Notes to Financial Statements.....	18



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 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
Cathy Graham	Comptroller City of Saint John

Officers of the Corporation

Cheryl Hansen	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 2018

In 2018, 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 13138

Principal Amount \$575,000
Date of Issue March 22, 2018
Date of Maturity March 22, 2019-2038
**Registrar and
Paying Agent** Minister of Finance,
Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2019	19,000	4.000
2020	20,000	4.000
2021	21,000	4.000
2022	22,000	4.000
2023	23,000	4.000
2024	23,000	4.000
2025	24,000	4.000
2026	25,000	4.000
2027	26,000	4.000
2028	27,000	4.000
2029	29,000	4.000
2030	30,000	4.000
2031	31,000	4.000
2032	32,000	4.000
2033	34,000	4.000
2034	35,000	4.000
2035	36,000	4.000
2036	38,000	4.000
2037	39,000	4.000
2038	41,000	4.000

Series BT

Principal Amount	\$104,593,000
Date of Issue	May 29, 2018
Date of Maturity	May 29, 2019-2038
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2019	6,325,000	2.100
2020	6,457,000	2.450
2021	6,602,000	2.650
2022	6,762,000	2.850
2023	6,932,000	3.000
2024	5,842,000	3.100
2025	6,023,000	3.250
2026	6,210,000	3.350
2027	6,412,000	3.400
2028	6,573,000	3.450
2029	2,187,000	3.500
2030	2,264,000	3.550
2031	2,345,000	3.550
2032	2,432,000	3.600
2033	2,512,000	3.600
2034	2,029,000	3.650
2035	2,105,000	3.650
2036	2,183,000	3.650
2037	2,265,000	3.700
2038	20,133,000	3.700

Series BU

Principal Amount	\$63,283,000
Date of Issue	December 21, 2018
Date of Maturity	December 21, 2019-2038
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2019	5,034,000	2.550
2020	5,150,000	2.600
2021	5,262,000	2.750
2022	5,373,000	2.850
2023	5,355,000	2.950
2024	4,284,000	3.050
2025	4,389,000	3.150
2026	4,467,000	3.250
2027	4,587,000	3.300
2028	4,717,000	3.400
2029	1,884,000	3.450
2030	1,921,000	3.450
2031	1,966,000	3.500
2032	2,011,000	3.550
2033	2,057,000	3.550
2034	662,000	3.600
2035	682,000	3.650
2036	665,000	3.650
2037	691,000	3.700
2038	2,126,000	3.700

Schedule of Loans to Municipalities – Cities and Towns

	Principal Outstanding Dec. 31, 2017	2018		Principal Outstanding Dec. 31, 2018
		Principal Repaid	New Loans	
Cities				
Bathurst	\$ 26,993,000	\$ 3,401,000	\$ 4,340,000	\$ 27,932,000
Campbellton	9,134,000	2,569,000	2,978,000	9,543,000
Dieppe	83,988,000	7,700,000	600,000	76,888,000
Edmundston	67,878,000	7,167,000	6,708,000	67,419,000
Fredericton	38,794,000	4,800,000	0	33,994,000
Miramichi	22,759,000	2,635,000	3,542,000	23,666,000
Moncton	123,550,000	23,567,000	87,770,000	187,753,000
Saint John	240,262,000	24,763,000	14,580,000	230,079,000
Total	\$613,358,000	\$76,602,000	\$120,518,000	\$657,274,000
Towns				
Beresford	\$ 5,983,000	\$ 649,000	\$ 0	\$ 5,334,000
Bouctouche	5,374,000	376,000	0	4,998,000
Caraquet	6,791,000	1,079,000	2,541,000	8,253,000
Dalhousie	2,637,000	1,640,000	1,331,000	2,328,000
Florenceville-Bristol	561,000	32,000	0	529,000
Grand Bay-Westfield	2,285,000	285,000	347,000	2,347,000
Grand-Sault/Grand Falls	11,994,000	1,477,000	745,000	11,262,000
Hampton	3,272,000	379,000	1,331,000	4,224,000
Hartland	636,000	90,000	289,000	835,000
Lamèque	5,394,000	355,000	540,000	5,579,000
Nackawic	729,000	108,000	0	621,000
Oromocto	1,981,000	280,000	0	1,701,000
Quispamsis	26,751,000	2,228,000	0	24,523,000
Richibucto	1,021,000	134,000	147,000	1,034,000
Riverview	22,184,000	3,018,000	4,500,000	23,666,000
Rothesay	13,971,000	1,569,000	1,387,000	13,789,000
Sackville	13,750,000	1,352,000	797,000	13,195,000
Saint Andrews	4,420,000	397,000	301,000	4,324,000
Saint-Léonard	3,369,000	311,000	470,000	3,528,000
Saint-Quentin	1,371,000	325,000	420,000	1,466,000
Shediac	8,664,000	871,000	7,385,000	15,178,000
Shippagan	3,783,000	517,000	1,152,000	4,418,000
St. George	2,248,000	186,000	0	2,062,000
St. Stephen	7,483,000	733,000	0	6,750,000
Sussex	1,772,000	379,000	227,000	1,620,000
Woodstock	2,852,000	375,000	476,000	2,953,000
Total	\$161,276,000	\$19,145,000	\$24,386,000	\$166,517,000

Schedule of Loans to Municipalities – Villages

	Principal Outstanding Dec. 31, 2017	2018		Principal Outstanding Dec. 31, 2018
		Principal Repaid	New Loans	
Villages				
Alma	\$ 1,238,000	\$ 71,000	\$ 0	\$ 1,167,000
Atholville	2,302,000	317,000	278,000	2,263,000
Balmoral	3,097,000	280,000	0	2,817,000
Bas-Caraquet	53,000	10,000	225,000	268,000
Bath	727,000	88,000	0	639,000
Belledune	1,025,000	236,000	0	789,000
Bertrand	597,000	79,000	421,000	939,000
Blacks Harbour	596,000	170,000	89,000	515,000
Blackville	2,194,000	108,000	0	2,086,000
Canterbury	54,000	27,000	0	27,000
Cap-Pelé	4,505,000	371,000	548,000	4,682,000
Centreville	415,000	43,000	0	372,000
Charlo	1,280,000	285,000	270,000	1,265,000
Chipman	724,000	86,000	0	638,000
Doaktown	1,830,000	103,000	50,000	1,777,000
Dorchester	526,000	73,000	0	453,000
Drummond	836,000	93,000	0	743,000
Eel River Crossing	206,000	54,000	0	152,000
Fredericton Junction	718,000	309,000	1,705,000	2,114,000
Gagetown	436,000	53,000	0	383,000
Grand Manan	1,072,000	97,000	0	975,000
Grande-Anse	117,000	29,000	0	88,000
Harvey	147,000	18,000	0	129,000
Hillsborough	328,000	76,000	1,500,000	1,752,000
Lac Baker	437,000	60,000	0	377,000
Le Goulet	158,000	20,000	0	138,000
Maisonnette	109,000	15,000	0	94,000
McAdam	152,000	26,000	140,000	266,000
Meductic	100,000	16,000	0	84,000
Memramcook	8,752,000	423,000	0	8,329,000
Millville	366,000	21,000	0	345,000

Schedule of Loans to Municipalities – Villages Continued and Rural Communities

	Principal Outstanding Dec. 31, 2017	2018		Principal Outstanding Dec. 31, 2018
		Principal Repaid	New Loans	
Villages Continued				
Minto	\$ 1,586,000	\$ 152,000	\$ 179,000	\$ 1,613,000
Neguac	1,640,000	148,000	1,623,000	3,115,000
New Maryland	6,124,000	566,000	525,000	6,083,000
Nigadoo	131,000	13,000	0	118,000
Norton	409,000	63,000	0	346,000
Paquetville	774,000	75,000	0	699,000
Petit-Rocher	1,271,000	144,000	0	1,127,000
Petitcodiac	1,566,000	114,000	0	1,452,000
Plaster Rock	1,788,000	87,000	0	1,701,000
Pointe-Verte	287,000	102,000	76,000	261,000
Port Elgin	60,000	25,000	1,125,000	1,160,000
Rexton	1,788,000	142,000	380,000	2,026,000
Riverside-Albert	602,000	92,000	608,000	1,118,000
Rivière-Verte	1,022,000	81,000	0	941,000
Rogersville	1,494,000	125,000	277,000	1,646,000
Saint-Antoine	5,561,000	321,000	0	5,240,000
Saint-Isidore	881,000	140,000	97,000	838,000
Saint-Louis-de-Kent	1,121,000	103,000	0	1,018,000
Saint-Léolin	70,000	17,000	0	53,000
Sainte-Anne-de-Madawaska	485,000	114,000	0	371,000
Saint-Marie-Saint Raphaël	410,000	38,000	0	372,000
Salisbury	788,000	97,000	297,000	988,000
St. Martins	238,000	28,000	0	210,000
Stanley	297,000	55,000	0	242,000
Sussex Corner	535,000	48,000	0	487,000
Tide Head	560,000	37,000	0	523,000
Total	\$66,585,000	\$6,584,000	\$10,413,000	\$70,414,000
Rural Communities				
Beaubassin-Est	\$ 720,000	\$ 80,000	\$ 0	\$ 640,000
Hanwell	0	0	1,100,000	1,100,000
Haut Madawaska	5,070,000	407,000	1,060,000	5,723,000
Kedgwick	1,848,000	161,000	20,000	1,707,000
Saint-André	2,307,000	116,000	0	2,191,000
Upper Miramichi	551,000	45,000	0	506,000
Total	\$10,496,000	\$809,000	\$2,180,000	\$11,867,000

Schedule of Loans to Municipalities – Municipal Enterprises

	Principal Outstanding Dec. 31, 2017	2018		Principal Outstanding Dec. 31, 2018
		Principal Repaid	New Loans	
Municipal Enterprises				
Greater Shediac Sewerage Commission	5,071,000	1,106,000	948,000	4,913,000
Kennebecasis Regional Joint Board of Police Commissioners	1,080,000	131,000	0	949,000
Total	\$6,151,000	\$1,237,000	\$948,000	\$5,862,000
Regional Service Commissions				
Northwest Regional Service Commission #1	\$ 805,000	\$ 197,000	\$ 0	\$ 608,000
Restigouche Regional Service Commission #2	102,000	33,000	0	69,000
Chaleur Regional Service Commission #3	4,537,000	486,000	4,960,000	9,011,000
Acadian Peninsula Regional Service Commission #4	1,917,000	319,000	60,000	1,658,000
Greater Miramichi Regional Service Commission #5	549,000	180,000	0	369,000
Southeast Regional Service Commission #7	11,100,000	1,319,000	900,000	10,681,000
Fundy Regional Service Commission #9	214,000	106,000	0	108,000
Regional Service Commission #11	3,927,000	787,000	1,020,000	4,160,000
Western Valley Regional Service Commission #12	0	0	450,000	450,000
Total	\$23,151,000	\$3,427,000	\$7,390,000	\$27,114,000
Regional Municipalities				
Tracadie	\$9,558,000	\$1,237,000	\$2,616,000	\$10,937,000
Total	\$9,558,000	\$1,237,000	\$2,616,000	\$10,937,000
Grand Total	\$890,575,000	\$109,041,000	\$168,451,000	\$949,985,000

FINANCIAL STATEMENTS

**NEW BRUNSWICK
MUNICIPAL FINANCE CORPORATION**

31 DECEMBER 2018



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

We have audited the financial statements of the New Brunswick Municipal Finance Corporation (the Entity), which comprise the statement of financial position as at December 31, 2018, and the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Our 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 our 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, we exercise professional judgment and maintain professional skepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We 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 we identify during our audit.



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

Fredericton, New Brunswick
May 31, 2019

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

Statement of financial position


December 31

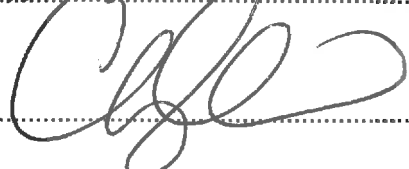
In Canadian dollars

	Note	2018	2017
Assets			
Cash and cash equivalents	3.2.2, 3.3, 8	\$ 897,682	\$ 711,173
Accrued investment income receivable		709	628
Accrued interest receivable from municipalities and municipal enterprises		2,862,987	2,823,269
Loans to municipalities and municipal enterprises	4	<u>942,400,947</u>	<u>883,066,272</u>
Total assets		<u>946,162,325</u>	<u>886,601,342</u>
Liabilities			
Accounts payable		225,347	2,052
Accrued interest payable on debenture debt		2,862,987	2,823,269
Debenture debt	4	<u>942,400,947</u>	<u>883,066,272</u>
Total liabilities		<u>945,489,281</u>	<u>885,891,593</u>
Equity			
Retained earnings		<u>673,044</u>	709,749
Total equity		<u>673,044</u>	<u>709,749</u>
Total liabilities and equity		<u>\$ 946,162,325</u>	<u>\$ 886,601,342</u>

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

Approved by the Board of Directors and authorized for issue on May 31, 2019.

.....  Director

.....  Director

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

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

	Note	2018	2017
Revenue			
Interest income	3.1	\$ 31,065,250	\$ 29,647,529
Subsidy received on debenture debt	3.2.5, 3.2.6	39,800	-
		31,105,050	29,647,529
Expense			
Interest expense		30,811,842	29,449,230
Other expenses	6	290,113	284,384
Subsidy paid on loans to municipalities and municipal enterprises		39,800	-
		31,141,755	29,733,614
Total comprehensive loss		\$ (36,705)	\$ (86,085)

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

	2018	2017
Retained earnings, 1 January	\$ 709,749	\$ 795,834
Total comprehensive loss	(36,705)	(86,085)
Retained earnings, 31 December	\$ 673,044	\$ 709,749

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

	2018	2017
Operating activities		
Cash received from operations	\$ 251,814	\$ 202,365
Cash paid from operations	(300,052)	(294,358)
Interest received from investments	11,513	5,653
Interest paid on debenture debt	(29,558,974)	(28,430,230)
Interest received from municipalities and municipal enterprises	<u>29,558,974</u>	<u>28,430,230</u>
Cash flows from operating activities	<u>(36,725)</u>	<u>(86,340)</u>
Financing activities		
Proceeds on sale of debentures	166,870,911	133,638,118
Principal paid on debenture debt	<u>(109,041,000)</u>	<u>(114,651,000)</u>
Cash flows from financing activities	<u>57,829,911</u>	<u>18,987,118</u>
Investing activities		
Loans to municipalities and municipal enterprises	(166,647,677)	(133,638,118)
Principal repayments made by municipalities and municipal enterprises	<u>109,041,000</u>	<u>114,651,000</u>
Cash flows from investing activities	<u>(57,606,677)</u>	<u>(18,987,118)</u>
Increase (decrease) in cash and cash equivalents	186,509	(86,340)
Cash and cash equivalents at beginning of year	<u>711,173</u>	<u>797,513</u>
Cash and cash equivalents at end of year	<u>\$ 897,682</u>	<u>\$ 711,173</u>

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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 2018

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 3.2.5 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 2018

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
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018**

3 Summary of significant accounting policies (continued)

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"). The Corporation receives the financing from FCM and provides it to the qualifying municipalities and municipal enterprises at the identical terms.

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 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
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

3 Summary of significant accounting policies (continued)

3.5 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.

3.6 New standards and interpretations adopted

Effective January 1, 2018, the Corporation adopted the following International Financial Reporting Standards:

IFRS 9 Financial Instruments (2014)

IFRS 9 (2014) introduced new requirements for the classification and measurement of financial assets and 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 amended the impairment model by introducing a new "expected credit loss" model for calculating impairment. IFRS 9 (2014) also introduced a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 established a comprehensive framework to determine whether, how much and when revenue is recognized.

No additional recognition or disclosures were required as a result of the adoption of these standards.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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
2019	\$150,718,000	3.37%
2020	125,879,000	3.12%
2021	130,935,000	3.29%
2022	67,418,000	2.83%
2023	68,307,000	3.29%
Years 1 - 5	543,257,000	3.22%
Years 6 - 10	214,960,000	3.11%
Years 11 - 30	191,768,000	3.52%
	\$949,985,000	3.25%
Unamortized discount	(7,584,053)	
	\$942,400,947	

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 2018

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

Series	Date of Issue	Maturity Date	Interest Rates	Original Amount	Outstanding	
					31 Dec. 2018	31 Dec. 2017
* AY	16 May 2008	16 May 2009 to 2018	3.30% to 4.85%	53,383,000	\$ -	\$ 15,586,000
* AZ	22 Dec. 2008	22 Dec. 2009 to 2023	2.10% to 5.55%	63,750,000	20,431,000	24,981,000
BA	11 Jun. 2009	11 Jun. 2010 to 2019	0.95% to 5.00%	70,562,000	20,559,000	26,193,000
BB	6 Nov. 2009	6 Nov. 2010 to 2019	1.00% to 4.50%	82,551,000	38,542,000	43,371,000
BC	2 Jun. 2010	2 Jun. 2011 to 2020	1.50% to 4.55%	56,080,000	20,677,000	25,167,000
BD	19 Nov. 2010	19 Nov. 2011 to 2020	1.50% to 3.85%	69,690,000	33,060,000	37,417,000
FCM 10097	31 Mar. 2011	31 Mar. 2012 to 2031	2.06%	4,000,000	2,600,000	2,800,000
* BE	27 May 2011	27 May 2012 to 2021	1.65% to 4.25%	115,683,000	61,299,000	68,866,000
BF	5 Dec. 2011	5 Dec. 2012 to 2021	1.35% to 3.45%	50,813,000	24,429,000	27,665,000
FCM 10092	28 May 2012	28 May 2013 to 2027	2.00%	2,000,000	1,271,000	1,399,000
FCM 10353	28 May 2012	28 May 2013 to 2032	2.00%	961,000	711,000	755,000
* BG	4 Jun. 2012	4 Jun. 2013 to 2027	1.65% to 3.80%	47,591,000	20,609,000	23,643,000
FCM 11052	16 Aug. 2012	16 Aug. 2013 to 2032	2.00%	4,978,000	3,686,000	3,912,000
BH	30 Nov. 2012	30 Nov. 2013 to 2032	1.35% to 3.80%	69,541,000	40,753,000	45,091,000
FCM 10346	3 Dec. 2012	3 Dec. 2013 to 2032	2.00%	9,223,000	6,828,000	7,247,000
BI	14 Jun. 2013	14 Jun. 2014 to 2033	1.35% to 4.00%	73,647,000	48,138,000	53,191,000
BJ	20 Nov. 2013	20 Nov. 2014 to 2033	1.25% to 4.40%	52,370,000	31,488,000	35,792,000
FCM 10096	27 Mar. 2014	27 Mar. 2015 to 2034	2.00%	10,000,000	8,000,000	8,500,000
BK	15 May 2014	15 May 2015 to 2034	1.15% to 4.15%	47,517,000	32,228,000	36,112,000
BL	8 Dec. 2014	8 Dec. 2015 to 2034	1.20% to 3.70%	80,661,000	53,784,000	60,356,000
FCM 9856	8 Jan. 2015	8 Jan. 2016 to 2025	1.75%	149,000	107,000	121,000
* BM	6 Jul. 2015	6 Jul. 2016 to 2035	0.95% to 3.50%	56,882,000	42,633,000	47,423,000
* BN	18 Dec. 2015	18 Dec. 2016 to 2035	1.05% to 3.90%	50,274,000	34,461,000	39,562,000
* BO	6 Jun. 2016	6 Jun. 2017 to 2036	1.45% to 3.75%	44,013,000	36,995,000	40,526,000
* BP	7 Dec. 2016	7 Dec. 2017 to 2036	1.20% to 3.80%	87,456,000	72,454,000	79,989,000
* BQ	1 Jun. 2017	1 Jun. 2018 to 2037	1.20% to 3.55%	30,106,000	27,315,000	30,106,000
* BR	12 Dec. 2017	12 Dec. 2018 to 2037	1.65% to 3.30%	59,804,000	54,976,000	59,804,000
* BS	12 Dec. 2017	12 Dec. 2018 to 2047	1.65% to 3.40%	45,000,000	43,500,000	45,000,000
FCM 13138	22 Mar. 2018	22 Mar. 2019 to 2038	4.00%	575,000	575,000	-
* BT	29 May 2018	29 May 2019 to 2038	2.10% to 3.70%	104,593,000	104,593,000	-
* BU	21 Dec. 2018	21 Dec. 2019 to 2038	2.55% to 3.70%	63,283,000	63,283,000	-
					\$ 949,985,000	\$ 890,575,000
Unamortized discount					(7,584,053)	(7,508,728)
					\$ 942,400,947	\$ 883,066,272

* These debentures were sold directly to funds administered by the Province of New Brunswick and total \$554,030,000 outstanding at 31 December 2018 (2017 - \$443,939,000). A portion of series "BE" (\$28,519,000) was sold publicly (2017 - \$31,547,000).

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

5 Financial instruments

5.1 Fair value

The Corporation's financial instruments include the following:

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables				
Cash and cash equivalents	\$ 897,682	\$ 897,682	\$ 711,173	\$ 711,173
Accrued interest receivable	2,862,987	2,862,987	2,823,269	2,823,269
Accrued investment income receivable	709	709	628	628
Loans to municipalities and municipal enterprises	942,400,947	958,313,381	883,066,272	906,029,531
Financial liabilities				
Accounts payable	225,347	225,347	2,052	2,052
Accrued interest payable on debenture debt	2,862,987	2,862,987	2,823,269	2,823,269
Debenture debt	\$ 942,400,947	\$ 958,313,381	\$ 883,066,272	\$ 906,029,531

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
31 DECEMBER 2018

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. 2018	31 Dec. 2017
Cash and cash equivalents	\$ 897,682	\$ 711,173
Accrued investment income receivable	709	628
Accrued interest receivable	2,862,987	2,823,269
Loans to municipalities and municipal enterprises	942,400,947	883,066,272
	\$ 946,162,325	\$ 886,601,342

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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 2018	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Cash and cash equivalents	\$ 897,682	\$ 897,682	\$ 897,682	\$ -	\$ -
Accrued interest receivable	2,862,987	2,862,987	2,862,987	-	-
Accrued investment income receivable	709	709	709	-	-
Loans to municipalities and municipal enterprises	942,400,947	949,985,000	150,718,000	392,539,000	406,728,000
	\$ 946,162,325	\$ 953,746,378	\$ 154,479,378	\$ 392,539,000	\$ 406,728,000

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

31 December 2018	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Accounts payable	\$ 225,347	\$ 225,347	\$ 225,347	\$ -	\$ -
Accrued interest payable on debenture debt	2,862,987	2,862,987	2,862,987	-	-
Debenture debt	942,400,947	949,985,000	150,718,000	392,539,000	406,728,000
	\$ 945,489,281	\$ 953,073,334	\$ 153,806,334	\$ 392,539,000	\$ 406,728,000

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018

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.

	2018	2017
Administration fee paid to the Province of New Brunswick	\$ 288,000	\$ 282,000
Bank charges	2,113	2,384
	\$ 290,113	\$ 284,384

7 Additional cash flow information

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

	2018	2017
Debenture debt, Opening Balance	\$ 883,066,272	\$862,712,564
Proceeds on sale of debentures (net of issue expenses)	167,162,525	133,840,483
Principal paid on debenture debt	(109,041,000)	(114,651,000)
Amortization of discount	1,213,150	1,164,225
Debenture debt, Closing Balance	\$ 942,400,947	\$883,066,272

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2018**

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 2018, funds administered by the Province of New Brunswick held \$568,113,000 (2017 - \$458,022,000) of the Corporation's outstanding debt. Of that total, \$554,030,000 (2017 - \$443,939,000) was sold directly to the funds.

Cash and cash equivalents at 31 December 2018 includes \$440,055 (2017 - \$591,192) in Province of New Brunswick Treasury Bills sold directly to the Corporation with a settlement date of December 5, 2018 and maturing December 5, 2019.

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.

