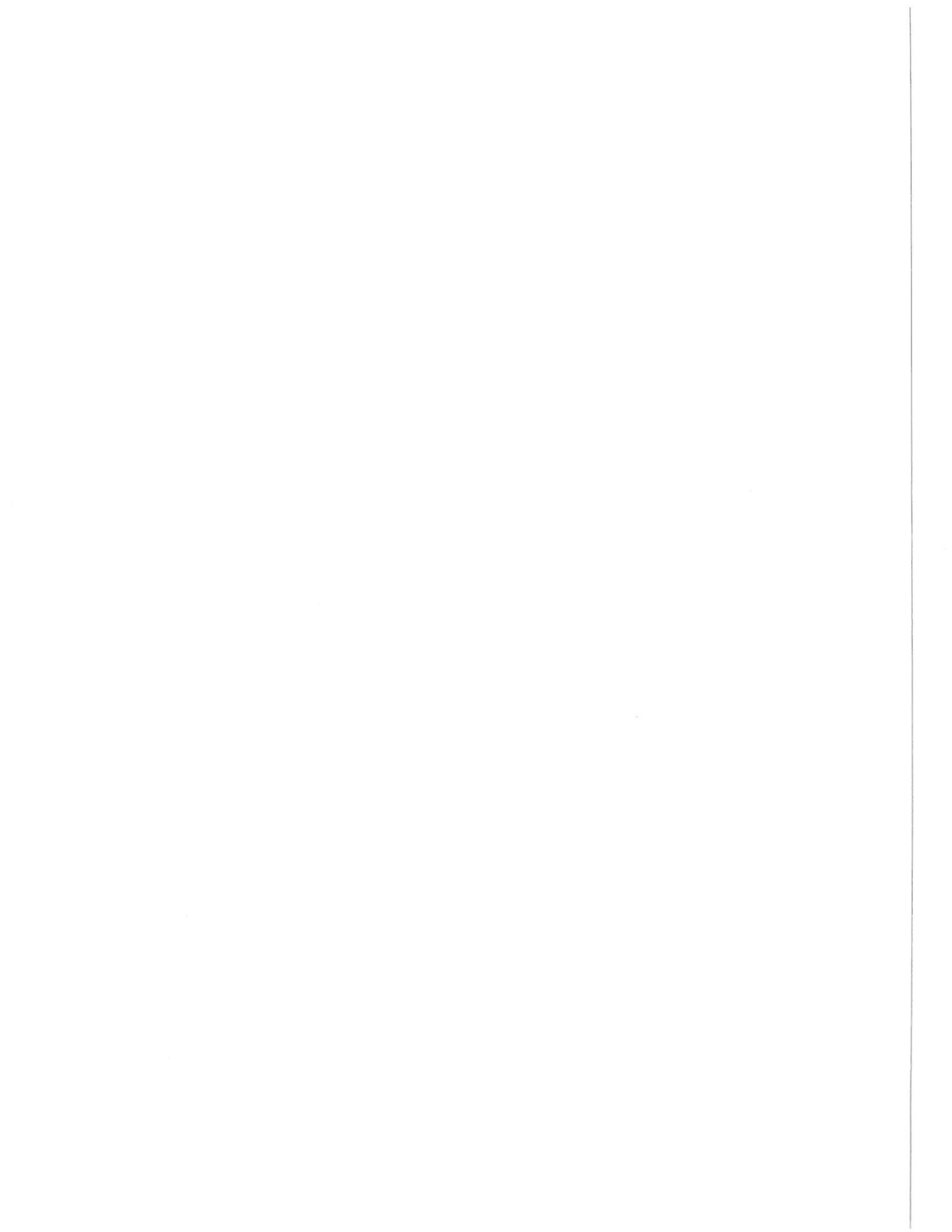




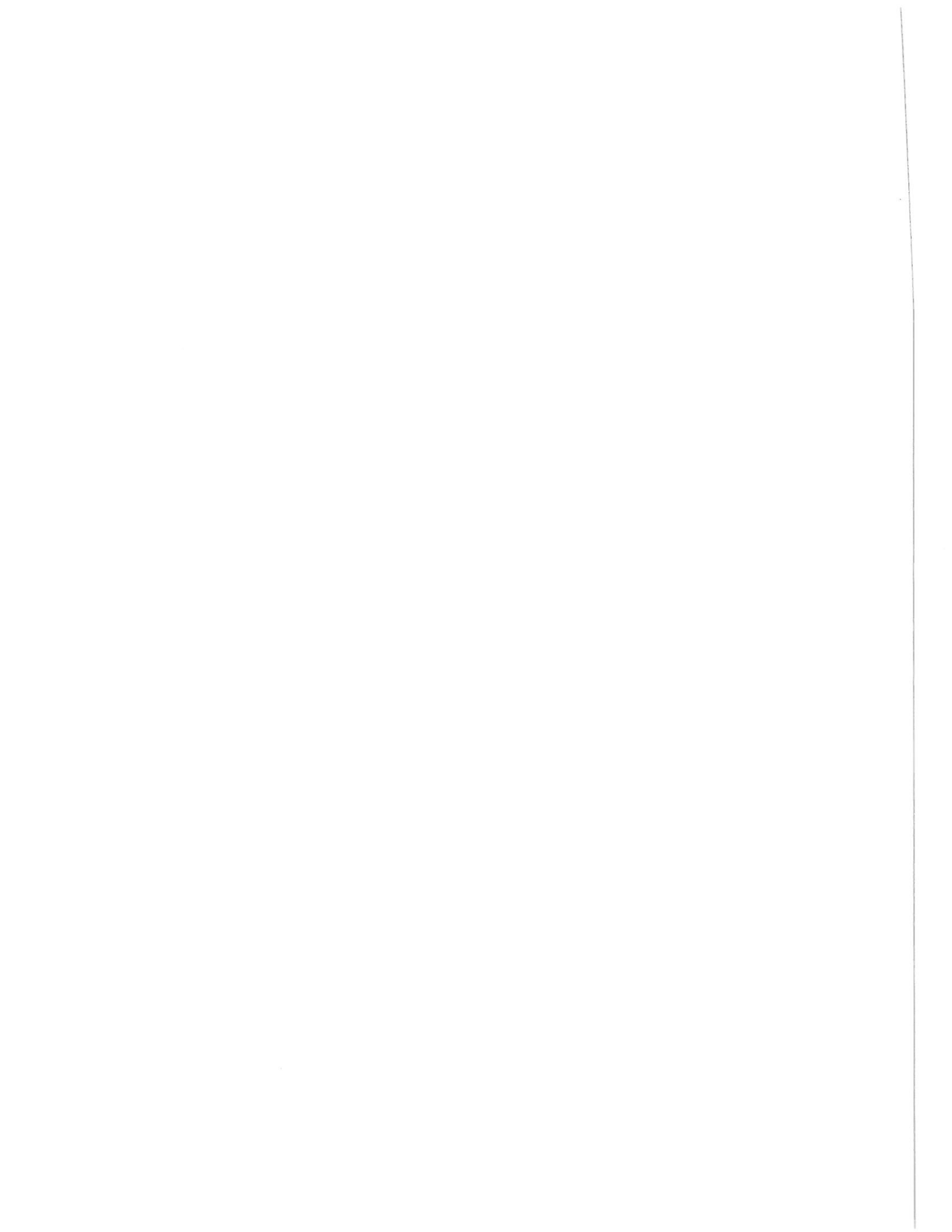
**2016**  
***Annual Report***

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



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# New Brunswick Municipal Finance Corporation

## Legislation

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

## Purpose

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

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

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

## Administration

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

## **Directors**

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 2016**

In 2016, 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:

## Schedule of Loans to Municipalities – Cities and Towns

	2016			Principal Outstanding Dec. 31, 2016
	Principal Outstanding Dec. 31, 2015	Principal Repaid	New Loans	
<b>Cities</b>				
Bathurst	\$28,495,000	\$3,728,000	\$2,723,000	\$27,490,000
Campbellton	10,900,000	1,758,000	1,286,000	10,428,000
Dieppe	82,089,000	16,090,000	15,273,000	81,272,000
Edmundston	60,595,000	7,607,000	19,208,000	72,196,000
Fredericton	54,820,000	13,332,000	0	41,488,000
Miramichi	25,835,000	3,177,000	1,467,000	24,125,000
Moncton	143,862,000	25,511,000	14,196,000	132,547,000
Saint John	208,092,000	25,651,000	23,470,000	205,911,000
<b>Total</b>	<b>\$614,688,000</b>	<b>\$96,854,000</b>	<b>\$77,623,000</b>	<b>\$595,457,000</b>
<b>Towns</b>				
Beresford	\$3,197,000	\$585,000	\$0	\$2,612,000
Bouctouche	5,388,000	321,000	675,000	5,742,000
Caraquet	6,175,000	1,035,000	1,471,000	6,611,000
Dalhousie	3,755,000	623,000	100,000	3,232,000
Florenceville-Bristol	793,000	120,000	0	673,000
Grand Bay-Westfield	2,891,000	299,000	0	2,592,000
Grand-Sault/Grand Falls	13,016,000	2,353,000	991,000	11,654,000
Hampton	2,828,000	473,000	0	2,355,000
Hartland	866,000	337,000	194,000	723,000
Lamèque	1,891,000	278,000	3,226,000	4,839,000
Nackawic	581,000	75,000	0	506,000
Oromocto	2,527,000	271,000	0	2,256,000
Quispamsis	29,115,000	3,577,000	1,732,000	27,270,000
Richibucto	887,000	134,000	325,000	1,078,000
Riverview	17,199,000	5,070,000	10,000,000	22,129,000
Rothsay	11,880,000	1,136,000	3,250,000	13,994,000
Sackville	15,488,000	1,424,000	713,000	14,777,000
Saint Andrews	3,307,000	677,000	1,068,000	3,698,000
Saint-Léonard	3,589,000	333,000	0	3,256,000
Saint-Quentin	1,663,000	295,000	165,000	1,533,000
Shediac	6,899,000	1,047,000	3,300,000	9,152,000
Shippagan	4,903,000	762,000	0	4,141,000
St. George	592,000	63,000	1,682,000	2,211,000
St. Stephen	4,916,000	714,000	3,841,000	8,043,000
Sussex	2,554,000	384,000	0	2,170,000
Woodstock	3,573,000	355,000	0	3,218,000
<b>Total</b>	<b>\$150,473,000</b>	<b>\$22,741,000</b>	<b>\$32,733,000</b>	<b>\$160,465,000</b>



## Schedule of Loans to Municipalities – Villages

	2016			Principal Outstanding Dec. 31, 2016
	Principal Outstanding Dec. 31, 2015	Principal Repaid	New Loans	
<b>Villages</b>				
Alma	\$1,263,000	\$119,000	\$162,000	\$1,306,000
Atholville	2,917,000	381,000	78,000	2,614,000
Baker Brook	1,029,000	112,000	0	917,000
Balmoral	2,279,000	200,000	675,000	2,754,000
Bas-Caraquet	159,000	58,000	0	101,000
Bath	342,000	54,000	525,000	813,000
Belledune	1,776,000	741,000	331,000	1,366,000
Bertrand	692,000	127,000	108,000	673,000
Blacks Harbour	750,000	75,000	0	675,000
Blackville	2,420,000	112,000	0	2,308,000
Canterbury	103,000	24,000	0	79,000
Cap-Pelé	2,605,000	409,000	294,000	2,490,000
Centreville	98,000	11,000	0	87,000
Charlo	1,504,000	111,000	0	1,393,000
Chipman	371,000	62,000	0	309,000
Clair	3,742,000	222,000	15,000	3,535,000
Doaktown	2,171,000	175,000	0	1,996,000
Dorchester	666,000	421,000	353,000	598,000
Drummond	518,000	88,000	335,000	765,000
Eel River Crossing	317,000	60,000	0	257,000
Fredericton Junction	881,000	80,000	0	801,000
Gagetown	195,000	128,000	86,000	153,000
Grand Manan	1,339,000	173,000	0	1,166,000
Grande-Anse	151,000	33,000	40,000	158,000
Harvey	181,000	17,000	0	164,000
Hillsborough	147,000	47,000	0	100,000
Lac Baker	227,000	51,000	0	176,000
Le Goulet	197,000	19,000	0	178,000
Maisonnette	136,000	13,000	0	123,000
McAdam	200,000	24,000	0	176,000
Meductic	130,000	15,000	0	115,000
Memramcook	6,295,000	1,592,000	4,067,000	8,770,000
Millville	60,000	29,000	0	31,000

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

	Principal Outstanding Dec. 31, 2015	2016		Principal Outstanding Dec. 31, 2016
		Principal Repaid	New Loans	
<b>Villages Continued</b>				
Minto	\$1,945,000	\$792,000	\$601,000	\$1,754,000
Neguac	918,000	269,000	1,135,000	1,784,000
New Maryland	6,150,000	477,000	624,000	6,297,000
Nigadoo	236,000	93,000	0	143,000
Norton	532,000	61,000	0	471,000
Paquetville	825,000	192,000	0	633,000
Petit-Rocher	1,182,000	133,000	0	1,049,000
Petitcodiac	1,405,000	116,000	0	1,289,000
Plaster Rock	1,854,000	83,000	0	1,771,000
Pointe-Verte	116,000	13,000	209,000	312,000
Port Elgin	156,000	47,000	0	109,000
Rexton	1,918,000	134,000	160,000	1,944,000
Riverside-Albert	701,000	74,000	65,000	692,000
Rivière-Verte	1,177,000	77,000	0	1,100,000
Rogersville	1,893,000	173,000	0	1,720,000
Saint-Antoine	5,756,000	286,000	400,000	5,870,000
Saint-François-de-Madawaska	1,130,000	104,000	0	1,026,000
Saint-Isidore	338,000	28,000	0	310,000
Saint-Louis-de-Kent	1,281,000	429,000	320,000	1,172,000
Saint-Léolin	90,000	17,000	17,000	90,000
Sainte-Anne-de-Madawaska	728,000	100,000	0	628,000
Saint-Marie-Saint Raphaël	126,000	74,000	18,000	70,000
Salisbury	829,000	623,000	678,000	884,000
St. Martins	290,000	26,000	0	264,000
Stanley	362,000	49,000	0	313,000
Sussex Corner	630,000	47,000	0	583,000
Tide Head	25,000	5,000	0	20,000
<b>Total</b>	<b>\$68,454,000</b>	<b>\$10,305,000</b>	<b>\$11,296,000</b>	<b>\$69,445,000</b>
<b>Rural Communities</b>				
Beaubassin-Est	\$878,000	\$78,000	\$0	\$800,000
Kedgwick	1,466,000	100,000	568,000	1,934,000
Saint-André	2,534,000	112,000	0	2,422,000
Upper Miramichi	169,000	8,000	0	161,000
<b>Total</b>	<b>\$5,047,000</b>	<b>\$298,000</b>	<b>\$568,000</b>	<b>\$5,317,000</b>

## Schedule of Loans to Municipalities – Municipal Enterprises

	Principal Outstanding Dec. 31, 2015	2016		Principal Outstanding Dec. 31, 2016
		Principal Repaid	New Loans	
<b>Municipal Enterprises</b>				
Commission des égouts d'Allardville	\$12,000	\$6,000	\$0	\$6,000
Greater Shediac Sewerage Commission	5,375,000	150,000	0	5,225,000
Kennebecasis Regional Joint Board of Police Commissioners	1,338,000	128,000	0	1,210,000
<b>Total</b>	<b>\$6,725,000</b>	<b>\$284,000</b>	<b>\$0</b>	<b>\$6,441,000</b>
<b>Regional Service Commissions</b>				
Northwest Regional Service Commission #1	\$401,000	\$401,000	\$1,000,000	\$1,000,000
Restigouche Regional Service Commission #2	165,000	31,000	0	134,000
Chaleur Regional Service Commission #3	4,429,000	417,000	0	4,012,000
Acadian Peninsula Regional Service Commission #4	2,318,000	289,000	0	2,029,000
Greater Miramichi Regional Service Commission #5	902,000	176,000	0	726,000
Southeast Regional Service Commission #7	7,262,000	1,364,000	5,380,000	11,278,000
Fundy Regional Service Commission #9	1,200,000	488,000	0	712,000
Regional Service Commission #11	4,338,000	1,398,000	1,365,000	4,305,000
<b>Total</b>	<b>\$21,015,000</b>	<b>\$4,564,000</b>	<b>\$7,745,000</b>	<b>\$24,196,000</b>
<b>Regional Municipalities</b>				
Tracadie	\$8,466,000	\$975,000	\$1,504,000	\$8,995,000
<b>Total</b>	<b>\$8,466,000</b>	<b>\$975,000</b>	<b>\$1,504,000</b>	<b>\$8,995,000</b>
<b>Grand Total</b>	<b>\$874,868,000</b>	<b>\$136,021,000</b>	<b>\$131,469,000</b>	<b>\$870,316,000</b>



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FINANCIAL STATEMENTS

**NEW BRUNSWICK  
MUNICIPAL FINANCE CORPORATION**

31 DECEMBER 2016

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AUDITOR GENERAL  
OF NEW BRUNSWICK

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
New Brunswick Municipal Finance Corporation

I have audited the accompanying financial statements of the New Brunswick Municipal Finance Corporation, which comprise the statement of financial position as at December 31, 2016, and the statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of the New Brunswick Municipal Finance Corporation as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*Kim MacPherson*

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

Fredericton, NB  
May 23, 2017

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

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**

**Statement of financial position**

**December 31**

*In Canadian dollars*

	Note	2016	2015
<b>Assets</b>			
Cash and cash equivalents	3.2.4, 7	\$ 797,513	\$ 882,121
Accrued investment income receivable		347	325
Accrued interest receivable from municipalities and municipal enterprises		2,968,494	3,145,076
Loans to municipalities and municipal enterprises	4	<u>862,712,564</u>	<u>866,808,337</u>
 Total assets		 <u>866,478,918</u>	 <u>870,835,859</u>
<b>Liabilities</b>			
Accounts payable		2,026	2,032
Accrued interest payable on debenture debt		2,968,494	3,145,076
Debenture debt	4	<u>862,712,564</u>	<u>866,808,337</u>
 Total liabilities		 <u>865,683,084</u>	 <u>869,955,445</u>
<b>Equity</b>			
Retained earnings		<u>795,834</u>	<u>880,414</u>
 Total equity		 <u>795,834</u>	 <u>880,414</u>
 Total liabilities and equity		 <u>\$ 866,478,918</u>	 <u>\$ 870,835,859</u>

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

Approved by the Board of Directors and authorized for issue on May 23, 2017

.....  Director

.....  Director

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## NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

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

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	Note	2016	2015
<b>Revenue</b>			
Interest income	3.1	\$ 31,267,260	\$ 32,880,797
Subsidy received on debenture debt	3.2.6	-	4,994
		<b>31,267,260</b>	<b>32,885,791</b>
<b>Expense</b>			
Interest expense		31,073,814	32,720,128
Other expenses	6	278,026	272,335
Subsidy paid on loans to municipalities and municipal enterprises		-	4,994
		<b>31,351,840</b>	<b>32,997,457</b>
<b>Total comprehensive loss</b>		<b>\$ (84,580)</b>	<b>\$ (111,666)</b>

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

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	2016	2015
Retained earnings, 1 January	\$ 880,414	\$ 992,080
Total comprehensive loss	(84,580)	(111,666)
Retained earnings, 31 December	<b>\$ 795,834</b>	<b>\$ 880,414</b>

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



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## NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

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

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	2016	2015
<b>Operating activities</b>		
Cash received from operations	\$ 197,203	\$ 160,734
Cash paid from operations	(288,032)	(282,751)
Interest received from investments	6,221	10,252
Interest paid on debenture debt	(30,079,237)	(31,324,975)
Interest received from municipalities and municipal enterprises	<u>30,079,237</u>	<u>31,324,975</u>
Cash flows from operating activities	<u>(84,608)</u>	<u>(111,765)</u>
<b>Financing activities</b>		
Proceeds on sale of debentures	130,556,864	106,557,906
Principal paid on debenture debt	<u>(136,021,000)</u>	<u>(120,374,000)</u>
Cash flows from financing activities	<u>(5,464,136)</u>	<u>(13,816,094)</u>
<b>Investing activities</b>		
Loans to municipalities and municipal enterprises	(130,556,864)	(106,557,906)
Principal repayments made by municipalities and municipal enterprises	<u>136,021,000</u>	<u>120,374,000</u>
Cash flows from investing activities	<u>5,464,136</u>	<u>13,816,094</u>
Decrease in cash and cash equivalents	(84,608)	(111,765)
Cash and cash equivalents at beginning of year	<u>882,121</u>	<u>993,886</u>
Cash and cash equivalents at end of year	<u>\$ 797,513</u>	<u>\$ 882,121</u>

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

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2016**

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**1 Reporting entity**

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

**2 Basis of presentation**

**2.1 Statement of compliance**

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

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

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

**2.4 Use of estimates and judgements**

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

**2.4.1 Key sources of estimates**

Significant items in these financial statements that have been measured using estimates are the fair value at initial recognition of subsidized financing (see note 3.2.6), and the fair value of loans to municipalities and debenture debt, disclosed in note 5.1. Actual results may differ from management's best estimates as additional information becomes available. Estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

**2.4.2 Critical judgements**

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

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
31 DECEMBER 2016**

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**3 Summary of significant accounting policies**

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

**3.1 Revenue recognition**

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

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

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

**3.2 Financial instruments**

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

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

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

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

**3.2.1 Financial assets at fair value through profit or loss**

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

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**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**31 DECEMBER 2016**

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

**3.2.2 Loans and receivables**

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

**3.2.3 Held-to-maturity investments**

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

**3.2.4 Cash and cash equivalents**

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

**3.2.5 Financial liabilities measured at amortized cost**

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

**3.2.6 Subsidies received and paid**

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

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

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

**3.3 Impairment of financial assets**

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

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

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

**3.4 New standards and interpretations not yet adopted**

IFRS 9 – Financial Instruments, is not yet effective for the year ended December 31, 2016 and has not been applied in preparing these financial statements. IFRS 9 – Financial Instruments, is effective for fiscal years beginning on or after January 1, 2018.

**4 Loans to municipalities and municipal enterprises and debenture debt**

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

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

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

<b>Maturity Date</b>	<b>Principal Repayment</b>	<b>Weighted Average Coupon</b>
2017	\$114,651,000	3.10%
2018	99,922,000	3.10%
2019	130,177,000	3.58%
2020	104,977,000	3.30%
2021	109,659,000	3.46%
Years 1 - 5	559,386,000	3.32%
Years 6 - 10	179,587,000	3.16%
Years 11- 20	131,343,000	3.52%
	\$870,316,000	3.32%
Unamortized discount	(7,603,436)	
	<b>\$862,712,564</b>	

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

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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. 2016	31 Dec. 2015
* AU	13 Jun. 2006	13 Jun. 2007 to 2016	4.15% to 4.70%	29,249,000	\$ -	\$ 6,533,000
* AV	1 Dec. 2006	1 Dec. 2007 to 2016	4.15% to 4.45%	105,451,000	-	42,321,000
* AW	25 May 2007	25 May 2008 to 2017	4.30% to 4.55%	28,104,000	<b>5,974,000</b>	8,800,000
* AX	23 Nov. 2007	23 Nov. 2008 to 2017	4.45% to 4.85%	56,691,000	<b>18,661,000</b>	23,154,000
* AY	16 May 2008	16 May 2009 to 2018	3.30% to 4.85%	53,383,000	<b>19,896,000</b>	24,045,000
* AZ	22 Dec. 2008	22 Dec. 2009 to 2023	2.10% to 5.55%	63,750,000	<b>29,361,000</b>	33,575,000
BA	11 Jun. 2009	11 Jun. 2010 to 2019	0.95% to 5.00%	70,562,000	<b>31,620,000</b>	36,921,000
BB	6 Nov. 2009	6 Nov. 2010 to 2019	1.00% to 4.50%	82,551,000	<b>48,066,000</b>	52,648,000
BC	2 Jun. 2010	2 Jun. 2011 to 2020	1.50% to 4.55%	56,080,000	<b>29,524,000</b>	33,764,000
BD	19 Nov. 2010	19 Nov. 2011 to 2020	1.50% to 3.85%	69,690,000	<b>41,650,000</b>	45,770,000
FCM 10097	31 Mar. 2011	31 Mar. 2012 to 2031	2.06%	4,000,000	<b>3,000,000</b>	3,200,000
* BE	27 May 2011	27 May 2012 to 2021	1.65% to 4.25%	115,683,000	<b>76,247,000</b>	84,331,000
BF	5 Dec. 2011	5 Dec. 2012 to 2021	1.35% to 3.45%	50,813,000	<b>30,841,000</b>	34,530,000
FCM 10092	28 May 2012	28 May 2013 to 2027	2.00%	2,000,000	<b>1,524,000</b>	1,647,000
FCM 10353	28 May 2012	28 May 2013 to 2032	2.00%	961,000	<b>798,000</b>	840,000
* BG	4 Jun. 2012	4 Jun. 2013 to 2027	1.65% to 3.80%	47,591,000	<b>28,618,000</b>	33,487,000
FCM 11052	16 Aug. 2012	16 Aug. 2013 to 2032	2.00%	4,978,000	<b>4,134,000</b>	4,351,000
BH	30 Nov. 2012	30 Nov. 2013 to 2032	1.35% to 3.80%	69,541,000	<b>50,030,000</b>	54,975,000
FCM 10346	3 Dec. 2012	3 Dec. 2013 to 2032	2.00%	9,223,000	<b>7,658,000</b>	8,061,000
BI	14 Jun. 2013	14 Jun. 2014 to 2033	1.35% to 4.00%	73,647,000	<b>58,192,000</b>	83,394,000
BJ	20 Nov. 2013	20 Nov. 2014 to 2033	1.25% to 4.40%	52,370,000	<b>40,010,000</b>	44,181,000
FCM 10096	27 Mar. 2014	27 Mar. 2015 to 2034	2.00%	10,000,000	<b>9,000,000</b>	9,500,000
BK	15 May 2014	15 May 2015 to 2034	1.15% to 4.15%	47,517,000	<b>39,947,000</b>	43,751,000
BL	8 Dec. 2014	8 Dec. 2015 to 2034	1.20% to 3.70%	80,661,000	<b>66,856,000</b>	73,784,000
FCM 9856	8 Jan. 2015	8 Jan. 2016 to 2025	1.75%	149,000	<b>135,000</b>	149,000
* BM	6 Jul. 2015	6 Jul. 2016 to 2035	0.95% to 3.50%	56,882,000	<b>52,171,000</b>	56,882,000
* BN	18 Dec. 2015	18 Dec. 2016 to 2035	1.05% to 3.90%	50,274,000	<b>44,934,000</b>	50,274,000
* BO	6 Jun. 2016	6 Jun. 2017 to 2036	1.45% to 3.75%	44,013,000	<b>44,013,000</b>	-
* BP	7 Dec. 2016	7 Dec. 2017 to 2036	1.20% to 3.80%	87,456,000	<b>87,456,000</b>	-
					<b>\$ 870,316,000</b>	<b>\$ 874,868,000</b>
Unamortized discount					<b>(7,603,436)</b>	<b>(8,059,663)</b>
					<b>\$ 862,712,564</b>	<b>\$ 866,808,337</b>

\* These debentures were sold directly to funds administered by the Province of New Brunswick and total \$372,866,000 outstanding at 31 December 2016 (2015 - \$325,704,000). A portion of series "BE" (\$34,465,000) was sold publicly (2015 - \$37,698,000).

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

	31 Dec. 2016	31 Dec. 2015
Debt consists of:		
Debt	\$ 870,316,000	\$ 874,868,000
Debt unamortized discount	(7,603,436)	(8,059,663)
	<b>\$ 862,712,564</b>	<b>\$ 866,808,337</b>
Loans to municipalities consists of:		
Loans	\$ 870,316,000	\$ 874,868,000
Loans unamortized discount	(7,603,436)	(8,059,663)
	<b>\$ 862,712,564</b>	<b>\$ 866,808,337</b>

**5 Financial instruments**

**5.1 Fair value**

The Corporation's financial instruments include the following:

	2016 Carrying Amount	2016 Fair Value	2015 Carrying Amount	2015 Fair Value
Financial Assets held for trading				
Cash and cash equivalents	\$ 797,513	\$ 797,513	\$ 882,121	\$ 882,121
Loans and receivables				
Accrued interest receivable	2,968,494	2,968,494	3,145,076	3,145,076
Accrued investment income receivable	347	347	325	325
Loans to municipalities and municipal enterprises	862,712,564	899,828,026	866,808,337	917,593,175
Financial liabilities				
Accounts payable	2,026	2,026	2,032	2,032
Accrued interest payable on debenture debt	2,968,494	2,968,494	3,145,076	3,145,076
Debenture debt	\$ 862,712,564	\$ 899,828,026	\$ 866,808,337	\$ 917,593,175

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



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**5 Financial instruments (continued)**

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

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

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

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

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

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

**5.2 Financial risk management**

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

**5.2.1 Interest rate risk**

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

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

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**5 Financial instruments (continued)**

**5.2.2 Credit risk**

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

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

	<b>31 Dec. 2016</b>	<b>31 Dec. 2015</b>
Cash and cash equivalents	\$ 797,513	\$ 882,121
Accrued investment income receivable	347	325
Accrued interest receivable	2,968,494	3,145,076
Loans to municipalities and municipal enterprises	862,712,564	866,808,337
	<b>\$ 866,478,918</b>	<b>\$ 870,835,859</b>

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

The Corporation's cash equivalent portfolio is limited to Treasury Bills issued by the Government of Canada, or any provincial government of Canada, as well as deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued or endorsed by any Canadian chartered bank.

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

**5.2.3 Liquidity risk**

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

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

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**5 Financial instruments (continued)**

<b>31 December 2016</b>	<b>Carrying amount</b>	<b>Contractual amount</b>	<b>1 yr or less</b>	<b>2 - 5 yrs</b>	<b>more than 5 yrs</b>
Cash and cash equivalents	\$ 797,513	\$ 797,513	\$ 797,513	\$ -	\$ -
Accrued interest receivable	2,968,494	2,968,494	2,968,494	-	-
Accrued investment income receivable	347	347	347	-	-
Loans to municipalities and municipal enterprises	862,712,564	870,316,000	114,651,000	444,735,000	310,930,000
	<b>\$ 866,478,918</b>	<b>\$ 874,082,354</b>	<b>\$ 118,417,354</b>	<b>\$ 444,735,000</b>	<b>\$ 310,930,000</b>

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

<b>31 December 2016</b>	<b>Carrying amount</b>	<b>Contractual amount</b>	<b>1 yr or less</b>	<b>2 - 5 yrs</b>	<b>more than 5 yrs</b>
Accounts payable	\$ 2,026	\$ 2,026	\$ 2,026	\$ -	\$ -
Accrued interest payable on debenture debt	2,968,494	2,968,494	2,968,494	-	-
Debenture debt	862,712,564	870,316,000	114,651,000	444,735,000	310,930,000
	<b>\$ 865,683,084</b>	<b>\$ 873,286,520</b>	<b>\$ 117,621,520</b>	<b>\$ 444,735,000</b>	<b>\$ 310,930,000</b>

The Corporation's payment terms on loans to municipalities and municipal enterprises are equal to the terms of the debenture debt, and cash resources are monitored to ensure obligations are met. The amount of principal to be received from loans to municipalities and municipal enterprises and the amount of principal to be paid on debenture debt by year is disclosed in note 4.

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

**5.2.4 Currency risk**

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

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**6 Other expenses**

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

	<b>2016</b>	<b>2015</b>
Administration fee paid to the Province of New Brunswick	\$ 276,000	\$ 270,300
Bank charges	<b>2,026</b>	2,035
	<b>\$ 278,026</b>	<b>\$ 272,335</b>

**7 Related party transactions**

The Corporation is controlled by the Province of New Brunswick. These financial statements include the results of transactions with various Province of New Brunswick departments related to the corporation by virtue of common control. Certain services are provided by departments in the normal course of operations and are recorded in these financial statements. The administrative fees paid by the Corporation to the Province of New Brunswick are based on amounts agreed upon by the Board of Directors, and are disclosed in note 6.

As at 31 December 2016, funds administered by the Province of New Brunswick held \$386,949,000 (2015 - \$341,907,000) of the Corporation's outstanding debt. Of that total, \$372,866,000 (2015 - \$325,704,000) was sold directly to the funds.

Cash and cash equivalents at 31 December 2016 includes \$695,135 (2015 - \$695,079) in Province of New Brunswick Treasury Bills sold directly to the Corporation.

**8 Capital management**

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

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