



2014

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 six directors appointed by the Lieutenant-Governor in Council.

Directors

Jean-Marc Dupuis	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
Marco Daigle	Treasurer City of Edmundston

Officers of the Corporation

Jean-Marc Dupuis	President
Leonard Lee-White	Vice President
Catherine Mosher	Secretary-Treasurer

Administration is provided by officials of the Province of New Brunswick.

Fiscal Year

The fiscal year of the Corporation is from January 1 to December 31.

Protection for Investors

Before applying to the Corporation for financing of a capital expense, all municipalities and municipal enterprises, except for the City of Saint John, must obtain the prior approval of the Minister of Local Government to incur the capital expense under the terms of the *Municipal Capital Borrowing Act*.

Under the provisions of the Act, the Lieutenant-Governor in Council may guarantee the payment of the principal, premium, if any, and interest on any securities issued by the Corporation.

The Act also obligates the Minister of Local Government to pay to the Corporation, upon request, any amounts payable to the Corporation by municipalities or municipal enterprises that are in default.

Financing Activity in 2014

In 2014, the Corporation sold two issues of debentures on the Canadian bond market and one debenture issue privately to the Federation of Canadian Municipalities. 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 public series were issued in the form of a fully registered global serial certificates registered in the name of The Canadian Depository for Securities Limited (“CDS”) and is held by CDS.

The details of the issues are as follows:

Series FCM 10096	
Principal Amount	\$10,000,000
Date of Issue	March 27, 2014
Date of Maturity	March 27 2015-2034

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2015	500,000	2.000
2016	500,000	2.000
2017	500,000	2.000
2018	500,000	2.000
2019	500,000	2.000
2020	500,000	2.000
2021	500,000	2.000
2022	500,000	2.000
2023	500,000	2.000
2024	500,000	2.000
2025	500,000	2.000
2026	500,000	2.000
2027	500,000	2.000
2028	500,000	2.000
2029	500,000	2.000
2030	500,000	2.000
2031	500,000	2.000
2032	500,000	2.000
2033	500,000	2.000
2034	500,000	2.000

Series BK

Principal Amount	\$47,517,000
Date of Issue	May 15, 2014
Date of Maturity	May 15, 2015-2034
Underwriters	A syndicate managed by: RBC Capital Markets CIBC World Markets Inc.
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2015	3,766,000	1.150
2016	3,804,000	1.350
2017	3,835,000	1.650
2018	3,884,000	2.000
2019	3,950,000	2.350
2020	3,317,000	2.600
2021	3,367,000	2.900
2022	3,440,000	3.100
2023	3,458,000	3.300
2024	3,458,000	3.450
2025	1,394,000	3.550
2026	1,417,000	3.650
2027	1,415,000	3.700
2028	1,440,000	3.800
2029	1,453,000	3.900
2030	545,000	3.950
2031	570,000	4.000
2032	592,000	4.050
2033	617,000	4.100
2034	1,795,000	4.150

Series BL

Principal Amount	\$80,661,000
Date of Issue	December 8, 2014
Date of Maturity	December 8, 2015-2034
Underwriters	A syndicate managed by: CIBC World Markets Inc. RBC Capital Markets
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2015	\$6,877,000.00	1.200%
2016	\$6,928,000.00	1.400%
2017	\$6,500,000.00	1.650%
2018	\$6,572,000.00	1.900%
2019	\$6,670,000.00	2.150%
2020	\$4,331,000.00	2.400%
2021	\$4,416,000.00	2.600%
2022	\$4,510,000.00	2.800%
2023	\$4,609,000.00	2.950%
2024	\$4,717,000.00	3.100%
2025	\$1,847,000.00	3.250%
2026	\$1,887,000.00	3.300%
2027	\$1,931,000.00	3.400%
2028	\$1,979,000.00	3.450%
2029	\$2,023,000.00	3.500%
2030	\$1,414,000.00	3.550%
2031	\$1,456,000.00	3.600%
2032	\$1,495,000.00	3.650%
2033	\$1,539,000.00	3.700%
2034	\$8,960,000.00	3.700%

Schedule of Loans to Municipalities – Cities and Towns

	Principal Outstanding Dec. 31, 2013	2014		Principal Outstanding Dec. 31, 2014
		Principal Repaid	New Loans	
Cities				
Bathurst	\$ 31,858,000	\$5,222,000	\$5,816,000	\$32,452,000
Campbellton	11,114,000	1,889,000	2,053,000	11,278,000
Dieppe	82,249,000	11,678,000	6,115,000	76,686,000
Edmundston	64,110,000	6,621,000	6,758,000	64,247,000
Fredericton	61,280,000	3,176,000	0	58,104,000
Miramichi	28,517,000	5,589,000	3,433,000	26,361,000
Moncton	142,840,000	25,095,000	31,436,000	149,181,000
Saint John	197,001,000	24,004,000	37,900,000	210,897,000
Total	\$618,969,000	83,274,000	93,511,000	629,206,000
Towns				
Beresford	\$3,930,000	\$605,000	\$550,000	\$3,875,000
Boucoucher	5,046,000	259,000	0	4,787,000
Caraquet	5,952,000	933,000	1,051,000	6,070,000
Dalhousie	4,852,000	795,000	423,000	4,480,000
Florenceville-Bristol	1,036,000	120,000	0	916,000
Grand Bay-Westfield	3,037,000	272,000	415,000	3,180,000
Grand-Sault/Grand Falls	15,324,000	3,002,000	1,465,000	13,787,000
Hampton	3,831,000	573,000	0	3,258,000
Hartland	992,000	147,000	0	845,000
Lamèque	2,074,000	265,000	20,000	1,829,000
Nackawic	750,000	82,000	0	668,000
Oromocto	748,000	82,000	537,000	1,203,000
Quispamsis	27,975,000	2,492,000	6,052,000	31,535,000
Richibucto	808,000	95,000	300,000	1,013,000
Riverview	25,294,000	4,960,000	0	20,334,000
Rothesay	7,400,000	1,538,000	4,453,000	10,315,000
Sackville	13,450,000	1,325,000	3,142,000	15,267,000
Saint Andrews	4,065,000	584,000	200,000	3,681,000
Saint-Léonard	2,724,000	352,000	800,000	3,172,000
Saint-Quentin	1,642,000	282,000	200,000	1,560,000
Shediac	6,089,000	1,060,000	1,260,000	6,289,000
Shippagan	5,661,000	766,000	484,000	5,379,000
St. George	349,000	52,000	300,000	597,000
St. Stephen	5,647,000	1,687,000	1,631,000	5,591,000
Sussex	3,257,000	382,000	50,000	2,925,000
Tracadie-Sheila	7,164,000	740,000	2,005,000	8,429,000
Woodstock	4,137,000	903,000	0	3,234,000
Total	163,234,000	24,353,000.00	25,338,000	164,219,000

Schedule of Loans to Municipalities – Villages

	Principal Outstanding Dec. 31, 2013	2014		Principal Outstanding Dec. 31, 2014
		Principal Repaid	New Loans	
Villages				
Alma	\$1,382,000	\$1,002,000	\$946,000	\$1,326,000
Atholville	2,594,000	954,000	1,574,000	3,214,000
Baker Brook	387,000	200,000	363,000	550,000
Balmoral	2,362,000	590,000	490,000	2,262,000
Bas-Caraquet	266,000	53,000	0	213,000
Bath	424,000	85,000	55,000	394,000
Belledune	2,617,000	735,000	323,000	2,205,000
Bertrand	823,000	79,000	14,000	758,000
Blacks Harbour	914,000	361,000	271,000	824,000
Blackville	431,000	22,000	1,750,000	2,159,000
Canterbury	148,000	22,000	0	126,000
Cap-Pelé	2,176,000	291,000	93,000	1,978,000
Centreville	195,000	49,000	0	146,000
Charlo	1,243,000	104,000	0	1,139,000
Chipman	298,000	91,000	0	207,000
Clair	4,072,000	202,000	40,000	3,910,000
Doaktown	2,009,000	149,000	482,000	2,342,000
Dorchester	797,000	64,000	0	733,000
Drummond	648,000	90,000	45,000	603,000
Eel River Crossing	432,000	57,000	0	375,000
Fredericton Junction	1,031,000	73,000	0	958,000
Gagetown	282,000	43,000	0	239,000
Grand Manan	1,365,000	130,000	0	1,235,000
Grande-Anse	266,000	69,000	0	197,000
Harvey	213,000	16,000	0	197,000
Hillsborough	294,000	72,000	0	222,000
Lac Baker	246,000	40,000	68,000	274,000
Le Goulet	234,000	18,000	0	216,000
Maisonnette	162,000	13,000	0	149,000
McAdam	206,000	75,000	0	131,000
Meductic	160,000	15,000	0	145,000
Memramcook	6,824,000	333,000	0	6,491,000
Millville	115,000	27,000	0	88,000

Schedule of Loans to Municipalities – Villages Continued and Rural Communities

	Principal Outstanding Dec. 31, 2013	2014		Principal Outstanding Dec. 31, 2014
		Principal Repaid	New Loans	
Villages Continued				
Minto	2,323,000	192,000	0	2,131,000
Neguac	640,000	93,000	0	547,000
New Maryland	6,953,000	805,000	0	6,148,000
Nigadoo	414,000	87,000	0	327,000
Norton	33,000	33,000	320,000	320,000
Paquetville	1,202,000	189,000	0	1,013,000
Petit-Rocher	1,505,000	198,000	41,000	1,348,000
Petitcodiac	1,487,000	90,000	0	1,397,000
Plaster Rock	2,042,000	108,000	0	1,934,000
Pointe-Verte	140,000	12,000	0	128,000
Port Elgin	248,000	45,000	0	203,000
Rexton	694,000	108,000	1,493,000	2,079,000
Riverside-Albert	842,000	70,000	0	772,000
Rivière-Verte	1,037,000	68,000	283,000	1,252,000
Rogersville	2,082,000	172,000	150,000	2,060,000
Saint-Antoine	4,065,000	181,000	71,000	3,955,000
Saint-François-de- Madawaska	906,000	72,000	398,000	1,232,000
Saint-Isidore	445,000	53,000	0	392,000
Saint-Louis-de-Kent	1,323,000	89,000	155,000	1,389,000
Saint-Léolin	77,000	13,000	43,000	107,000
Sainte-Anne-de-Madawaska	922,000	96,000	0	826,000
Saint-Marie-Saint Raphaël	351,000	153,000	0	198,000
Salisbury	871,000	94,000	0	777,000
St. Martins	341,000	25,000	0	316,000
Stanley	127,000	20,000	304,000	411,000
Sussex Corner	792,000	96,000	0	696,000
Tide Head	64,000	24,000	0	40,000
Total	\$ 67,542,000	9,310,000	9,772,000	68,004,000
Rural Communities				
Beaubassin-Est	\$283,000	\$16,000	\$688,000	\$955,000
Kedgwick	843,000	234,000	157,000	766,000
Saint-André	512,000	234,000	0	278,000
Upper Miramichi	185,000	8,000	0	177,000
Total	\$1,823,000	492,000	845,000	2,176,000

Schedule of Loans to Municipalities – Municipal Enterprises

	Principal Outstanding Dec. 31, 2013	2014		Principal Outstanding Dec. 31, 2014
		Principal Repaid	New Loans	
Municipal Enterprises				
Comité Mixte de Service de Police B.N.P.P.	10,000	5,000	0	5,000
Commission d'Égouts Sanitaire d'Allardville	23,000	5,000	0	18,000
Greater Shediac Sewerage Commission	4,395,000	114,000	1,240,000	5,521,000
Kennebecasis Regional Joint Board of Police Commissioners	1,552,000	595,000	493,000	1,450,000
Total	5,980,000	719,000	1,733,000	6,994,000
Regional Service Commissions				
Northwest RSC #1	\$1,180,000	\$386,000	\$0	\$794,000
Restigouche RSC #2	225,000	30,000	0	195,000
Chaleur RSC #3	2,508,000	186,000	2,516,000	4,838,000
Acadian Peninsula RSC #4	1,200,000	49,000	0	1,151,000
Southeast RSC #7	538,000	538,000	3,500,000	3,500,000
Fundy RSC #9	2,649,000	1,380,000	521,000	1,790,000
RSC #11	5,261,000	633,000	442,000	5,070,000
Total	13,561,000	3,202,000	6,979,000	17,338,000
Grand Total	\$871,109,000	\$121,350,000	\$138,178,000	\$887,937,000

FINANCIAL STATEMENTS

**NEW BRUNSWICK
MUNICIPAL FINANCE CORPORATION**

31 DECEMBER 2014



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, 2014, 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, 2014, and the statements of comprehensive income, changes in equity, and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Kim MacPherson, CPA, CA
Auditor General

Fredericton, NB
June 4, 2015

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

Statement of financial position


In Canadian dollars

	Note	31 December 2014	31 December 2013
Assets			
Cash and cash equivalents	3.2.4, 7	\$ 993,886	\$ 1,062,297
Accrued interest receivable from municipalities and municipal enterprises		2,965,716	3,123,911
Accrued investment income receivable		642	659
Loans to municipalities and municipal enterprises	4	879,252,896	863,570,932
Total assets		883,213,140	867,757,799
Liabilities			
Accounts payable		2,448	3,157
Accrued interest payable on debenture debt		2,965,716	3,123,911
Debenture debt	4	879,252,896	863,570,932
Total liabilities		882,221,060	866,698,000
Equity			
Retained earnings		992,080	1,059,799
Total equity		992,080	1,059,799
Total liabilities and equity		\$ 883,213,140	\$ 867,757,799

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

Approved by the Board and authorized for issue on June 04, 2015

.....  Director

.....  Director

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

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

	Note	2014	2013
Revenue			
Interest income	3.1	\$ 34,277,813	34,514,700
Subsidy received on debenture debt		<u>1,403,140</u>	-
		<u>35,680,953</u>	<u>34,514,700</u>
Expense			
Interest expense		34,073,987	34,302,381
Other expenses	6	271,545	268,157
Subsidy paid on loans to municipalities and municipal enterprises		<u>1,403,140</u>	-
		<u>35,748,672</u>	<u>34,570,538</u>
Total comprehensive loss		<u>\$ (67,719)</u>	<u>(55,838)</u>

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

	2014	2013
Retained earnings, 1 January	\$ 1,059,799	1,115,637
Total comprehensive loss	<u>(67,719)</u>	<u>(55,838)</u>
Retained earnings, 31 December	<u>\$ 992,080</u>	<u>1,059,799</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

	2014	2013
Operating activities		
Cash received from operations	\$ 192,267	\$ 189,025
Cash paid from operations	(272,254)	(267,553)
Interest paid on debenture debt	(33,017,065)	(33,389,571)
Interest received from municipalities and municipal enterprises	33,017,065	33,381,184
Interest received from investments	11,576	13,418
	(68,411)	(73,497)
Financing activities		
Proceeds on sale of debentures	137,027,719	124,582,995
Principal paid on debenture debt	(121,350,000)	(100,664,000)
	15,677,719	23,918,995
Investing activities		
Loans to municipalities and municipal enterprises	(137,027,719)	(124,582,995)
Principal repayments made by municipalities and municipal enterprises	121,350,000	100,293,003
Proceeds from maturity of long term investments	-	405,000
	(15,677,719)	(23,884,992)
Cash flows from operating activities		
	(68,411)	(39,494)
Decrease in cash and cash equivalents		
Cash and cash equivalents at beginning of year	1,062,297	1,101,791
	\$ 993,886	\$ 1,062,297
Cash and cash equivalents at end of year		

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

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2014**

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 judgment 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.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2014

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.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2014

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.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
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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 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 that can be reliably estimated.

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, 2014 and has not been applied in preparing these financial statements. IFRS 9 – Financial Instruments, is effective for fiscal years beginning on or after January 1, 2018. The extent of the impact of these standards has not yet been determined.

4 Loans to municipalities and municipal enterprises and debenture debt

Loans to municipalities and municipal enterprises are made on the security of their debentures due in annual installments for periods up to a maximum of thirty years. The terms of the loans are identical to the terms of the debenture debt. These loans are initially measured at fair value and subsequently reflected at amortized cost using the effective interest method. Lending rates on loans are fixed for 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)

Maturity Date	Principal Repayment	Weighted Average Coupon
2015	\$120,374,000	3.33%
2016	125,956,000	3.56%
2017	93,563,000	3.52%
2018	78,951,000	3.55%
2019	108,982,000	3.96%
Years 1 - 5	527,826,000	3.58%
Years 6 - 10	254,107,000	3.66%
Years 11- 20	106,004,000	3.52%
	\$887,937,000	3.60%
Unamortized discount	(8,684,104)	
	\$879,252,896	

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. 2014	31 Dec. 2013
"AQ"	8 July 2004	8 July 2005 to 2014	2.75% to 5.50%	27,040,000	-	7,307,000
"AR"	16 Dec. 2004	16 Dec. 2005 to 2014	2.75% to 4.80%	78,919,000	-	29,794,000
**AS"	7 July 2005	7 July 2006 to 2015	2.85% to 4.35%	21,781,000	6,743,000	8,411,000
"AT"	7 Dec. 2005	7 Dec. 2006 to 2015	3.75% to 4.375%	75,023,000	26,575,000	32,183,000
**AU"	13 Jun. 2006	13 Jun. 2007 to 2016	4.15% to 4.70%	29,249,000	9,160,000	11,704,000
**AV"	1 Dec. 2006	1 Dec. 2007 to 2016	4.15% to 4.45%	105,451,000	49,914,000	57,300,000
**AW"	25 May 2007	25 May 2008 to 2017	4.30% to 4.55%	28,104,000	11,504,000	14,091,000
**AX"	23 Nov. 2007	23 Nov. 2008 to 2017	4.45% to 4.85%	56,691,000	27,477,000	31,639,000
**AY"	16 May 2008	16 May 2009 to 2018	3.30% to 4.85%	53,383,000	28,042,000	32,706,000
**AZ"	22 Dec. 2008	22 Dec. 2009 to 2023	2.10% to 5.55%	63,750,000	37,657,000	41,595,000
"BA"	11 Jun. 2009	11 Jun. 2010 to 2019	0.95% to 5.00%	70,562,000	42,064,000	47,993,000
"BB"	6 Nov. 2009	6 Nov. 2010 to 2019	1.00% to 4.50%	82,551,000	57,118,000	62,404,000
"BC"	2 Jun. 2010	2 Jun. 2011 to 2020	1.50% to 4.55%	56,080,000	38,416,000	42,959,000
"BD"	19 Nov. 2010	19 Nov. 2011 to 2020	1.50% to 3.85%	69,690,000	50,633,000	55,519,000
"FCM 10097"	31 Mar. 2011	31 Mar. 2012 to 2031	2.06%	4,000,000	3,400,000	3,600,000
**BE"	27 May 2011	27 May 2012 to 2021	1.65% to 4.25%	115,683,000	92,225,000	99,993,000
"BF"	5 Dec. 2011	5 Dec. 2012 to 2021	1.35% to 3.45%	50,813,000	38,160,000	41,765,000
"FCM 10092"	28 May 2012	28 May 2013 to 2027	2.00%	2,000,000	1,767,000	1,885,000
"FCM 10353"	28 May 2012	28 May 2013 to 2032	2.00%	961,000	881,000	921,000
**BG"	4 Jun. 2012	4 Jun. 2013 to 2027	1.65% to 3.80%	47,591,000	38,279,000	42,974,000
"FCM 11052"	16 Aug. 2012	16 Aug. 2013 to 2032	2.00%	4,978,000	4,564,000	4,773,000
"BH"	30 Nov. 2012	30 Nov. 2013 to 2032	1.35% to 3.80%	69,541,000	59,875,000	64,733,000
"FCM 10346"	3 Dec. 2012	3 Dec. 2013 to 2032	2.00%	9,223,000	8,456,000	8,843,000
"BI"	14 Jun. 2013	14 Jun. 2014 to 2033	1.35% to 4.00%	73,647,000	68,547,000	73,647,000
"BJ"	20 Nov. 2013	20 Nov. 2014 to 2033	1.25% to 4.40%	52,370,000	48,302,000	52,370,000
"FCM 10096"	27 Mar. 2014	27 Mar. 2015 to 2034	2.00%	10,000,000	10,000,000	-
"BK"	15 May 2014	15 May 2015 to 2034	1.15% to 4.15%	47,517,000	47,517,000	-
"BL"	8 Dec. 2014	8 Dec. 2015 to 2034	1.20% to 3.70%	80,661,000	80,661,000	-
					\$ 887,937,000	\$ 871,109,000
Unamortized discount					(8,684,104)	(7,538,068)
					\$ 879,252,896	\$ 863,570,932

* These debentures were sold directly to funds administered by the Province of New Brunswick and total \$260,190,000 outstanding at 31 December 2014 (2013 - \$303,859,000). A portion of series "BE" (\$40,811,000) was sold publicly (2013 - \$43,861,000).

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
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4 Loans to municipalities and municipal enterprises and debenture debt (continued)

	31 Dec. 2014	31 Dec. 2013
Debt consists of:		
Debt	887,937,000	871,109,000
Debt unamortized discount	(8,684,104)	(7,538,068)
	\$ 879,252,896	\$ 863,570,932
Loans to municipalities consists of:		
Loans	887,937,000	871,109,000
Loans unamortized discount	(8,684,104)	(7,538,068)
	\$ 879,252,896	\$ 863,570,932

5 Financial instruments

5.1 Fair value

The Corporation's financial instruments include the following:

	2014 Carrying Amount	2014 Fair Value	2013 Carrying Amount	2013 Fair Value
Financial Assets held for trading				
Cash and cash equivalents	\$ 993,886	\$ 993,886	\$ 1,062,297	\$ 1,062,297
Loans and receivables				
Accrued interest receivable	2,965,716	2,965,716	3,123,911	3,123,911
Accrued investment income receivable	642	642	659	659
Loans to municipalities and municipal enterprises	879,252,896	937,305,036	863,570,932	899,963,906
Financial liabilities				
Accounts payable	2,448	2,448	3,157	3,157
Accrued interest payable on debenture debt	2,965,716	2,965,716	3,123,911	3,123,911
Debenture debt	\$ 879,252,896	\$ 937,305,036	\$ 863,570,932	\$ 899,963,906

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 debenture debt and loans to municipalities and municipal enterprises 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.

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
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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:

	31 Dec. 2014	31 Dec. 2013
Cash and cash equivalents	\$ 993,886	\$ 1,062,297
Accrued interest receivable	2,965,716	3,123,911
Accrued investment income receivable	642	659
Loans to municipalities and municipal enterprises	879,252,896	863,570,932
	\$ 883,213,140	\$ 867,757,799

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

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

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

5.2.3 Liquidity risk

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

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
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5 Financial instruments (continued)

31 December 2014	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Cash and cash equivalents	\$ 993,886	\$ 993,886	\$ 993,886	\$ -	\$ -
Accrued interest receivable	2,965,716	2,965,716	2,965,716	-	-
Accrued investment income receivable	642	642	642	-	-
Loans to municipalities and municipal enterprises	879,252,896	887,937,000	120,374,000	407,452,000	360,111,000
	\$ 883,213,140	\$ 891,897,244	\$ 124,334,244	\$ 407,452,000	\$ 360,111,000

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

31 December 2014	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Accounts payable	\$ 2,448	\$ 2,448	\$ 2,448	\$ -	\$ -
Accrued interest payable on debenture debt	2,965,716	2,965,716	2,965,716	-	-
Debenture debt	879,252,896	887,937,000	120,374,000	407,452,000	360,111,000
	\$ 882,221,060	\$ 890,905,164	\$ 123,342,164	\$ 407,452,000	\$ 360,111,000

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.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
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6 Other expenses

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

	2014	2013
Administration fee paid to the Province of New Brunswick	\$ 269,000	\$ 265,000
Bank charges	2,545	3,157
	\$ 271,545	\$ 268,157

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 2014, funds administered by the Province of New Brunswick held \$276,393,000 (2013 - \$319,962,000) of the Corporation's outstanding debt. Of that total, \$260,190,000 (2013 - \$303,859,000) was sold directly to the funds.

Cash and cash equivalents at 31 December 2014 includes \$841,024 (2013 - \$840,752) 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.