

2021
Annual Report

New Brunswick
Municipal Finance
Corporation

2021 Annual Report

Published by:

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

March 2023

Design Management:

Communications New Brunswick

Printing and Binding:

Printing Services, NBISA

ISBN 978-1-4605-3429-8

ISSN 0847-2440

Printed in New Brunswick

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New Brunswick Municipal Finance Corporation

Legislation

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

Purpose

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

The Act prohibits a municipality or municipal enterprise from issuing and selling securities other than to the New Brunswick Municipal Finance Corporation, the Government of Canada, the Province of New Brunswick, a reserve fund established by the municipality under section 101 or 115 of the *Local Governance Act*, a sinking fund established by the municipality under section 7 of the *Municipal Debenture Act* or a trust fund of which it is a trustee.

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

Administration

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

Directors

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

Officers of the Corporation

Cheryl Hansen	President
Peter Kieley	Vice President
Trish Duguay	Secretary-Treasurer

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

Fiscal Year

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

Protection for Investors

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

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

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

Financing Activity in 2021

In 2021, the Corporation placed two issues of debentures privately. All issues were guaranteed as to principal and interest by the Province of New Brunswick. The proceeds, after allowing for expenses of issue, were loaned to municipalities and municipal enterprises against the security of debentures payable to the Corporation.

The details of the issues are as follows:

Series BZ

Principal Amount	\$56,035,000
Date of Issue	June 17, 2021
Date of Maturity	June 17, 2022-2041
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2022	6,469,000	0.300
2023	6,490,000	0.500
2024	6,518,000	0.800
2025	6,555,000	1.050
2026	6,602,000	1.350
2027	3,476,000	1.550
2028	3,518,000	1.750
2029	3,566,000	1.950
2030	3,617,000	2.150
2031	3,637,000	2.300
2032	569,000	2.400
2033	581,000	2.500
2034	599,000	2.550
2035	613,000	2.600
2036	619,000	2.700
2037	318,000	2.750
2038	327,000	2.800
2039	337,000	2.850
2040	346,000	2.900
2041	1,278,000	2.950

Series CA

Principal Amount	\$55,438,000
Date of Issue	November 22, 2021
Date of Maturity	November 22, 2022-2041
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2022	5,765,000	0.855
2023	5,809,000	1.151
2024	5,863,000	1.430
2025	5,928,000	1.646
2026	6,012,000	1.786
2027	3,534,000	1.932
2028	3,587,000	2.037
2029	3,491,000	2.156
2030	3,549,000	2.262
2031	3,611,000	2.378
2032	1,104,000	2.483
2033	1,119,000	2.562
2034	1,137,000	2.637
2035	1,157,000	2.707
2036	1,178,000	2.762
2037	480,000	2.811
2038	495,000	2.856
2039	509,000	2.901
2040	524,000	2.936
2041	586,000	2.961

Schedule of Loans to Municipalities – Cities and Towns

	Principal Outstanding Dec. 31, 2020	2021		Principal Outstanding Dec. 31, 2021
		Principal Repaid	New Loans	
Cities				
Bathurst	\$28,466,000	\$4,958,000	\$3,032,000	\$26,540,000
Campbellton	8,410,000	1,360,000	567,000	7,617,000
Dieppe	68,982,000	10,343,000	2,726,000	61,365,000
Edmundston	59,094,000	16,850,000	9,473,000	51,717,000
Fredericton	28,954,000	2,690,000	5,964,000	32,228,000
Miramichi	25,334,000	4,016,000	5,040,000	26,358,000
Moncton	186,398,000	28,199,000	14,415,000	172,614,000
Saint John	228,350,000	45,958,000	28,330,000	210,722,000
Total	\$633,988,000	\$114,374,000	\$69,547,000	\$589,161,000
Towns				
Beresford	\$4,341,000	\$383,000	\$0	\$3,958,000
Bouctouche	6,982,000	497,000	500,000	6,985,000
Caraquet	9,251,000	1,373,000	1,915,000	9,793,000
Dalhousie	2,106,000	824,000	1,162,000	2,444,000
Florenceville-Bristol	460,000	460,000	424,000	424,000
Grand Bay-Westfield	2,444,000	341,000	611,000	2,714,000
Grand-Sault/Grand Falls	9,097,000	1,293,000	1,743,000	9,547,000
Hampton	3,324,000	368,000	0	2,956,000
Hartland	785,000	142,000	360,000	1,003,000
Lamèque	5,427,000	284,000	250,000	5,393,000
Nackawic	979,000	112,000	0	867,000
Oromocto	6,579,000	854,000	0	5,725,000
Quispamsis	22,249,000	7,168,000	5,686,000	20,767,000
Richibucto	1,733,000	118,000	0	1,615,000
Riverview	28,713,000	2,509,000	3,300,000	29,504,000
Rothesay	13,458,000	2,104,000	956,000	12,310,000
Sackville	11,227,000	1,603,000	636,000	10,260,000
Saint-Léonard	3,806,000	1,049,000	1,057,000	3,814,000
Saint-Quentin	910,000	187,000	250,000	973,000
Shediac	14,027,000	1,272,000	2,000,000	14,755,000
Shippagan	6,447,000	690,000	0	5,757,000
St. George	1,923,000	242,000	0	1,681,000
St. Stephen	6,459,000	640,000	1,447,000	7,266,000
Sussex	2,183,000	429,000	0	1,754,000
Town of Saint Andrews	5,070,000	506,000	755,000	5,319,000
Woodstock	2,272,000	373,000	290,000	2,189,000
Total	\$172,252,000	\$25,821,000	\$23,342,000	\$169,773,000

Schedule of Loans to Municipalities – Villages

	Principal Outstanding Dec. 31, 2020	2021		Principal Outstanding Dec. 31, 2021
		Principal Repaid	New Loans	
Villages				
Alma	\$1,021,000	\$172,000	\$97,000	\$946,000
Atholville	2,952,000	260,000	0	2,692,000
Balmoral	2,742,000	522,000	339,000	2,559,000
Bas-Caraquet	207,000	32,000	0	175,000
Bath	513,000	63,000	0	450,000
Belledune	2,505,000	502,000	257,000	2,260,000
Bertrand	800,000	109,000	0	691,000
Blacks Harbour	659,000	87,000	0	572,000
Blackville	1,865,000	116,000	0	1,749,000
Cap-Pelé	5,372,000	434,000	251,000	5,189,000
Centreville	284,000	46,000	0	238,000
Charlo	1,387,000	689,000	536,000	1,234,000
Chipman	484,000	75,000	0	409,000
Doaktown	2,006,000	121,000	0	1,885,000
Dorchester	322,000	68,000	200,000	454,000
Drummond	549,000	283,000	384,000	650,000
Eel River Crossing	452,000	49,000	0	403,000
Fredericton Junction	2,076,000	386,000	207,000	1,897,000
Gagetown	830,000	74,000	0	756,000
Grand Manan	770,000	106,000	0	664,000
Grande-Anse	1,075,000	75,000	0	1,000,000
Hillsborough	2,877,000	133,000	0	2,744,000
Lac Baker	263,000	26,000	0	237,000
Le Goulet	94,000	23,000	0	71,000
Maisonnette	63,000	15,000	0	48,000
McAdam	188,000	26,000	0	162,000
Meductic	52,000	17,000	0	35,000
Memramcook	8,323,000	452,000	0	7,871,000
Millville	303,000	22,000	0	281,000

Schedule of Loans to Municipalities – Villages Continued and Rural Communities

	Principal Outstanding Dec. 31, 2020	2021		Principal Outstanding Dec. 31, 2021
		Principal Repaid	New Loans	
Villages Continued				
Minto	\$1,639,000	\$158,000	\$0	\$1,481,000
Neguac	4,339,000	247,000	0	4,092,000
New Maryland	4,794,000	1,971,000	3,350,000	6,173,000
Nigadoo	409,000	105,000	77,000	381,000
Norton	256,000	86,000	0	170,000
Paquetville	552,000	72,000	1,517,000	1,997,000
Petit-Rocher	895,000	94,000	0	801,000
Petitcodiac	1,423,000	105,000	0	1,318,000
Plaster Rock	1,604,000	97,000	44,000	1,551,000
Pointe-Verte	500,000	69,000	0	431,000
Port Elgin	1,048,000	46,000	220,000	1,222,000
Rexton	1,689,000	169,000	0	1,520,000
Riverside-Albert	1,001,000	79,000	0	922,000
Rivière-Verte	910,000	109,000	0	801,000
Rogersville	1,295,000	183,000	0	1,112,000
Saint-Antoine	5,897,000	798,000	393,000	5,492,000
Saint-Isidore	1,019,000	84,000	0	935,000
Saint-Louis de Kent	833,000	90,000	1,165,000	1,908,000
Saint-Léolin	23,000	8,000	0	15,000
Sainte-Anne-de-Madawaska	247,000	196,000	0	51,000
Sainte-Marie-Saint-Raphaël	291,000	41,000	0	250,000
Salisbury	1,157,000	137,000	0	1,020,000
St. Martins	186,000	26,000	0	160,000
Stanley	156,000	34,000	176,000	298,000
Sussex Corner	282,000	46,000	0	236,000
Tide Head	723,000	49,000	0	674,000
Tracy	82,000	8,000	0	74,000
Total	\$74,284,000	\$10,090,000	\$9,213,000	\$73,407,000
Rural Communities				
Beaubassin-est	\$474,000	\$60,000	\$0	\$414,000
Hanwell	2,184,000	78,000	0	2,106,000
Harvey	117,000	10,000	0	107,000
Haut-Madawaska	5,771,000	621,000	95,000	5,245,000
Kedgwick	1,567,000	176,000	1,089,000	2,480,000
Saint-André	2,124,000	179,000	289,000	2,234,000
Upper Miramichi	412,000	163,000	0	249,000
Total	\$12,649,000	\$1,287,000	\$1,473,000	\$12,835,000

Schedule of Loans to Municipalities – Municipal Enterprises

	Principal Outstanding Dec. 31, 2020	2021		Principal Outstanding Dec. 31, 2021
		Principal Repaid	New Loans	
Municipal Enterprises				
Greater Shediac Sewerage Commission	\$4,572,000	\$2,048,000	\$1,869,000	\$4,393,000
Kennebecasis Regional Joint Board of Police Commissioners	679,000	140,000	0	539,000
Total	\$5,251,000	\$2,188,000	\$1,869,000	\$4,932,000
Regional Service Commissions				
Northwest Regional Service Commission #1	\$206,000	\$206,000	\$2,000,000	\$2,000,000
Restigouche Regional Service Commission #2	932,000	142,000	0	790,000
Chaleur Regional Service Commission #3	8,164,000	918,000	158,000	7,404,000
Acadian Peninsula Regional Service Commission #4	3,440,000	357,000	0	3,083,000
Southeast Regional Service Commission #7	14,655,000	2,017,000	1,210,000	13,848,000
Fundy Regional Service Commission #9	1,346,000	666,000	0	680,000
Regional Service Commission #11	3,890,000	1,312,000	515,000	3,093,000
Western Valley Regional Service Commission #12	231,000	114,000	0	117,000
Total	\$32,864,000	\$5,732,000	\$3,883,000	\$31,015,000
Regional Municipalities				
Tracadie	\$14,535,000	\$1,886,000	\$2,146,000	\$14,795,000
Total	\$14,535,000	\$1,886,000	\$2,146,000	\$14,795,000
Grand Total	\$945,823,000	\$161,378,000	\$111,473,000	\$895,918,000

FINANCIAL STATEMENTS

**NEW BRUNSWICK
MUNICIPAL FINANCE CORPORATION**

31 DECEMBER 2021

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of New Brunswick Municipal Finance Corporation (the Entity), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and the results of its financial performance, changes in equity, and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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



Janice Leahy, CPA, CA, CIA
Deputy Auditor General

Fredericton, New Brunswick, Canada
November 23, 2022

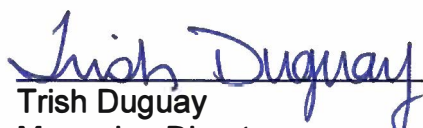



Management Report

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

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

It is the responsibility of the Board of Directors to oversee management's performance of its financial reporting responsibilities and to review and approve the financial statements. These financial statements for the year ended December 31, 2021 are approved by the Board of Directors.


Trish Duguay
Managing Director,
Banking & Cash Management


Peter Kjeley
Assistant Deputy Minister,
Finance and Treasury Board

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

Statement of financial position
December 31
In Canadian dollars

	Note	2021	2020
Assets			
Cash and cash equivalents	3.3, 8	\$ 412,141	\$ 522,281
Accrued investment income receivable		61	528
Accrued interest receivable from municipalities and municipal enterprises		2,061,572	2,498,914
Loans to municipalities and municipal enterprises	4	889,472,232	938,874,245
Total assets		891,946,006	941,895,968
Liabilities			
Accounts payable		3,502	7,703
Accrued interest payable on debenture debt		2,102,208	2,498,914
Debenture debt	4	889,472,232	938,874,245
Total liabilities		891,577,942	941,380,862
Equity			
Retained earnings		368,064	515,106
Total equity		368,064	515,106
Total liabilities and equity		\$ 891,946,006	\$ 941,895,968

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

Approved by the Board of Directors and authorized for issue on November 23, 2022.


 Director


 Director

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

Statement of comprehensive income

For the year ended 31 December

In Canadian dollars

	Note	2021	2020
Revenue			
Interest income	3.1	\$ 26,723,797	\$ 29,768,867
		<u>26,723,797</u>	<u>29,768,867</u>
Expense			
Interest expense		26,565,306	29,552,320
Other expenses	6	305,533	295,547
		<u>26,870,839</u>	<u>29,847,867</u>
Total comprehensive loss		\$ (147,042)	\$ (79,000)

Statement of changes in equity

For the year ended 31 December

In Canadian dollars

	2021	2020
Retained earnings, 1 January	\$ 515,106	\$ 594,106
Total comprehensive loss	\$ (147,042)	\$ (79,000)
Retained earnings, 31 December	<u>\$ 368,064</u>	<u>\$ 515,106</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

	2021	2020
Operating activities		
Cash received from operations	\$ 167,211	\$ 217,540
Cash paid from operations	(96,500)	(299,914)
Interest received from investments	1,747	8,986
Interest paid on debenture debt	(25,764,647)	(28,548,940)
Interest received from municipalities and municipal enterprises	25,805,283	28,548,940
Cash flows from operating activities	<u>113,094</u>	<u>(73,388)</u>
Financing activities		
Proceeds on sale of debentures	110,652,048	143,872,148
Principal paid on debenture debt	(161,378,000)	(140,666,000)
Cash flows from financing activities	<u>(50,725,952)</u>	<u>3,206,148</u>
Investing activities		
Loans to municipalities and municipal enterprises	(110,875,282)	(143,872,148)
Principal repayments made by municipalities and municipal enterprises	161,378,000	140,666,000
Cash flows from investing activities	<u>50,502,718</u>	<u>(3,206,148)</u>
Increase (decrease) in cash and cash equivalents	(110,140)	(73,388)
Cash and cash equivalents at beginning of year	522,281	595,669
Cash and cash equivalents at end of year	<u>\$ 412,141</u>	<u>\$ 522,281</u>

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 2021

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 2021**

3 Summary of significant accounting policies

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

3.1 Revenue recognition

The Corporation records income on all financial assets using the effective interest method as outlined in Note 3.2 below. Any gains or losses realized on the sale of financial assets prior to maturity are recognized in profit or loss during the period in which they are sold.

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

In cases of subsidized financing, the difference between the fair value of the debenture issue and the proceeds received is recorded as revenue in the year in which the related debenture is issued as disclosed in Note 9 below.

3.2 Financial instruments

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

3.2.1 Classification and measurement of financial assets

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

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

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

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

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

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

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

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

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

Business model assessment

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

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

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

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

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

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

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

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

Reclassifications

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

3.2.2 Financial liabilities

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

3.2.3 Derecognition

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

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

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

3.3 Cash and cash equivalents

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

3.4 Impairment of financial assets

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

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

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

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

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

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

Measurement of ECL

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

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
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4 Loans to municipalities and municipal enterprises and debenture debt

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

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

Maturity Date	Principal Repayment	Weighted Average Coupon
2022	103,935,000	2.29%
2023	104,479,000	2.65%
2024	87,431,000	2.36%
2025	77,701,000	2.46%
2026	67,856,000	2.63%
Years 1 - 5	441,402,000	2.47%
Years 6 - 10	239,236,000	2.85%
Years 11 - 26	215,280,000	2.84%
	\$895,918,000	2.66%
Unamortized discount	(6,445,768)	
	\$889,472,232	

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
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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. 2021	31 Dec. 2020
*AZ	22 Dec. 2008	22 Dec. 2009 to 2023	2.10% to 5.55%	63,750,000	13,643,000	15,980,000
FCM 10097	31 Mar. 2011	31 Mar. 2012 to 2031	2.06%	4,000,000	2,000,000	2,200,000
*BE	27 May 2011	27 May 2012 to 2021	1.65% to 4.25%	115,683,000	-	45,546,000
BF	5 Dec. 2011	5 Dec. 2012 to 2021	1.35% to 3.45%	50,813,000	-	17,737,000
FCM 10092	28 May 2012	28 May 2013 to 2027	2.00%	2,000,000	873,000	1,008,000
FCM 10353	28 May 2012	28 May 2013 to 2032	2.00%	961,000	575,000	621,000
*BG	4 Jun. 2012	4 Jun. 2013 to 2027	1.65% to 3.80%	47,591,000	10,948,000	14,271,000
FCM 11052	16 Aug. 2012	16 Aug. 2013 to 2032	2.00%	4,978,000	2,980,000	3,220,000
BH	30 Nov. 2012	30 Nov. 2013 to 2032	1.35% to 3.80%	69,541,000	27,291,000	31,858,000
FCM 10346	3 Dec. 2012	3 Dec. 2013 to 2032	2.00%	9,223,000	5,520,000	5,965,000
BI	14 Jun. 2013	14 Jun. 2014 to 2033	1.35% to 4.00%	73,647,000	34,083,000	38,856,000
BJ	20 Nov. 2013	20 Nov. 2014 to 2033	1.25% to 4.40%	52,370,000	21,544,000	24,957,000
FCM 10096	27 Mar. 2014	27 Mar. 2015 to 2034	2.00%	10,000,000	6,500,000	7,000,000
BK	15 May 2014	15 May 2015 to 2034	1.15% to 4.15%	47,517,000	21,594,000	24,961,000
BL	8 Dec. 2014	8 Dec. 2015 to 2034	1.20% to 3.70%	80,661,000	38,367,000	42,783,000
FCM 9856	8 Jan. 2015	8 Jan. 2016 to 2025	1.75%	149,000	63,000	78,000
*BM	6 Jul. 2015	6 Jul. 2016 to 2035	0.95% to 3.50%	56,882,000	28,698,000	32,502,000
*BN	18 Dec. 2015	18 Dec. 2016 to 2035	1.05% to 3.90%	50,274,000	20,747,000	24,075,000
*BO	6 Jun. 2016	6 Jun. 2017 to 2036	1.45% to 3.75%	44,013,000	26,138,000	29,808,000
*BP	7 Dec. 2016	7 Dec. 2017 to 2036	1.20% to 3.80%	87,456,000	49,366,000	57,163,000
*BQ	1 Jun. 2017	1 Jun. 2018 to 2037	1.20% to 3.55%	30,106,000	18,733,000	21,634,000
*BR	12 Dec. 2017	12 Dec. 2018 to 2037	1.65% to 3.30%	59,804,000	40,229,000	45,219,000
*BS	12 Dec. 2017	12 Dec. 2018 to 2047	1.65% to 3.40%	45,000,000	39,000,000	40,500,000
FCM 13138	22 Mar. 2018	22 Mar. 2019 to 2038	4.00%	575,000	515,000	536,000
*BT	29 May 2018	29 May 2019 to 2038	2.10% to 3.70%	104,593,000	85,209,000	91,811,000
*BU	21 Dec. 2018	21 Dec. 2019 to 2038	2.55% to 3.70%	63,283,000	47,837,000	53,099,000
*BV	14 May 2019	14 May 2020 to 2039	2.05% to 3.35%	32,324,000	25,668,000	29,016,000
FCM 10098	8 Jul. 2019	8 Jul. 2020 to 2029	3.41%	1,428,000	1,142,000	1,285,000
*BW	21 Nov. 2019	21 Nov. 2020 to 2039	1.95% to 2.95%	108,443,000	85,587,000	97,107,000
*BX	25 May. 2020	25 May. 2020 to 2040	0.9% to 2.95%	42,104,000	36,981,000	42,104,000
*BY	26 Nov. 2020	26 Nov. 2020 to 2040	0.5% to 2.6%	102,923,000	92,614,000	102,923,000
*BZ	17 Jun. 2021	17 Jun. 2021 to 2041	0.3% to 2.95%	56,035,000	56,035,000	-
*CA	22 Nov. 2021	22 Nov. 2021 to 2041	0.86% to 2.96%	55,438,000	55,438,000	-
				\$ 1,317,065,000	\$ 895,918,000	\$ 945,823,000
				Unamortized discount	(6,445,768)	(6,948,755)
					\$ 889,472,232	\$ 938,874,245

* These debentures were sold directly to funds administered by the Province of New Brunswick and total \$732,871,000 outstanding at 31 December 2021 (2020 - \$720,653,000).

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
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5 Financial instruments

5.1 Fair value

The Corporation's financial instruments include the following:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables				
Cash and cash equivalents	\$ 412,141	\$ 412,141	\$ 522,281	\$ 522,281
Accrued interest receivable	2,061,572	2,061,572	2,498,914	2,498,914
Accrued investment income receivable	61	61	528	528
Loans to municipalities and municipal enterprises	889,472,232	922,832,320	938,874,245	1,020,336,001
Financial liabilities				
Accounts payable	\$ 3,502	\$ 3,502	\$ 7,703	\$ 7,703
Accrued interest payable on debenture debt	2,102,208	2,102,208	2,498,914	2,498,914
Debenture debt	889,472,232	922,832,320	938,874,245	1,020,336,001

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
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5 Financial instruments (continued)

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

5.2 Financial risk management

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

5.2.1 Interest rate risk

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

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

5.2.2 Credit risk

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

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

	2021	2020
Cash and cash equivalents	\$ 412,141	\$ 522,281
Accrued investment income receivable	61	528
Accrued interest receivable	2,061,572	2,498,914
Loans to municipalities and municipal enterprises	889,472,232	938,874,245
	\$ 891,946,006	\$ 941,895,968

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
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5 Financial instruments (continued)

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

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

5.2.3 Liquidity risk

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

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

31 December 2021	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Cash and cash equivalents	\$ 412,141	\$ 412,141	\$ 412,141	\$ -	\$ -
Accrued interest receivable	2,061,572	2,061,572	2,061,572	-	-
Accrued investment income receivable	61	61	61	-	-
Loans to municipalities and municipal enterprises	889,472,232	895,918,000	103,935,000	337,467,000	454,516,000
	\$ 891,946,006	\$ 898,391,774	\$ 106,408,774	\$ 337,467,000	\$ 454,516,000

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

31 December 2021	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Accounts payable	\$ 3,502	\$ 3,502	\$ 3,502	\$ -	\$ -
Accrued interest payable on debenture debt	2,102,208	2,102,208	2,102,208	-	-
Debenture debt	889,472,232	895,918,000	103,935,000	337,467,000	454,516,000
	\$ 891,577,942	\$ 898,023,710	\$ 106,040,710	\$ 337,467,000	\$ 454,516,000

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
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5 Financial instruments (continued)

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

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

5.2.4 Currency risk

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

6 Other expenses

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

	2021	2020
Administration fee paid to the Province of New Brunswick	\$ 303,400	\$ 293,200
Bank charges	2,133	2,347
	\$ 305,533	\$ 295,547

7 Additional cash flow information

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

	2021	2020
Debenture debt, Opening Balance	\$ 938,874,245	\$934,232,807
Proceeds on sale of debentures (net of issue expenses)	110,819,257	144,089,688
Principal paid on debenture debt	(161,378,000)	(140,666,000)
Amortization of discount	1,156,730	1,217,750
Debenture debt, Closing Balance	\$ 889,472,232	\$938,874,245

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
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8 Related party transactions

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

As at 31 December 2021, funds administered by the Province of New Brunswick held \$736,954,000 (2020 - \$724,736,000) of the Corporation's outstanding debt.

Cash and cash equivalents at 31 December 2021 includes \$272,681 (2020 - \$374,104) in Province of New Brunswick Treasury Bills sold directly to the Corporation with a settlement date of 6 December 2021 and maturing 6 December 2022.

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

9 Subsidies received and paid

Qualified financing, through the Corporation, has been made available to municipalities and municipal enterprises by the Federation of Canadian Municipalities ("FCM"). The corporation receives the financing from FCM and provides it to the qualifying municipalities and municipal enterprises at the identical terms. The balance in 2021 was nil (2020 - nil)

10 Capital management

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

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