



2022
Annual Report

***New Brunswick
Municipal Finance
Corporation***

2022 Annual Report

Published by:

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

August 2023

Design Management:

Communications New Brunswick

Printing and Binding:

Printing Services, NBISA

ISBN 978-1-4605-3696-4

ISSN 0847-2440

Printed in New Brunswick

Table of Contents

New Brunswick Municipal Finance Corporation	
Legislation.....	1
Purpose.....	1
Administration.....	1
Directors.....	2
Officers of the Corporation.....	2
Fiscal Year.....	2
Protection for Investors.....	3
Financing Activity in 2022.....	3
Schedules of Loans to Municipalities – Cities and Towns.....	6
Schedules of Loans to Municipalities – Villages.....	7
Schedules of Loans to Municipalities – Villages Continued and Rural Communities	8
Schedules of Loans to Municipalities – Municipal Enterprises, Regional Service Commissions and Regional Municipalities.....	9
Financial Statements.....	10
Statement of Financial Position.....	14
Statement of Comprehensive Income, Statement of Changes in Equity.....	15
Statement of Cash Flows.....	16
Notes to Financial Statements.....	17

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
Charbel Awad	Acting Deputy Minister, Environment and Local Government Province of New Brunswick
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 2022

In 2022, 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 CB

Principal Amount	\$21,394,000
Date of Issue	June 20, 2022
Date of Maturity	June 20, 2023-2042
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2023	1,557,000	3.005
2024	1,605,000	3.261
2025	1,658,000	3.416
2026	1,718,000	3.526
2027	1,777,000	3.639
2028	1,402,000	3.765
2029	1,456,000	3.872
2030	1,489,000	3.972
2031	1,548,000	4.026
2032	1,602,000	4.083
2033	517,000	4.182
2034	540,000	4.217
2035	564,000	4.257
2036	588,000	4.312
2037	612,000	4.358
2038	402,000	4.388
2039	420,000	4.418
2040	441,000	4.433
2041	459,000	4.447
2042	1,039,000	4.462

Series CC

Principal Amount	\$38,263,000
Date of Issue	December 05, 2022
Date of Maturity	December 05, 2023-2042
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2023	3,392,000	4.700
2024	3,527,000	4.220
2025	3,654,000	4.103
2026	3,785,000	3.987
2027	3,850,000	3.953
2028	2,177,000	3.992
2029	2,250,000	4.056
2030	2,294,000	4.102
2031	2,363,000	4.151
2032	2,441,000	4.266
2033	1,146,000	4.412
2034	1,175,000	4.507
2035	1,205,000	4.592
2036	1,241,000	4.657
2037	1,281,000	4.709
2038	386,000	4.744
2039	406,000	4.774
2040	424,000	4.804
2041	445,000	4.823
2042	821,000	4.848

Schedule of Loans to Municipalities – Cities and Towns

	Principal Outstanding Dec. 31, 2021	2022		Principal Outstanding Dec. 31, 2022
		Principal Repaid	New Loans	
Cities				
Bathurst	\$26,540,000	\$3,871,000	\$2,021,000	\$24,690,000
Campbellton	7,617,000	1,004,000	306,000	6,919,000
Dieppe	61,365,000	6,762,000	625,000	55,228,000
Edmundston	51,717,000	6,724,000	3,214,000	48,207,000
Fredericton	32,228,000	2,999,000	0	29,229,000
Miramichi	26,358,000	3,266,000	4,337,000	27,429,000
Moncton	172,614,000	27,541,000	11,097,000	156,170,000
Saint John	210,722,000	23,333,000	7,250,000	194,639,000
Total	\$589,161,000	\$75,500,000	\$28,850,000	\$542,511,000
Towns				
Beresford	\$3,958,000	\$392,000	\$2,751,000	\$6,317,000
Bouctouche	6,985,000	527,000	600,000	7,058,000
Caraquet	9,793,000	1,455,000	2,015,000	10,353,000
Dalhousie	2,444,000	314,000	700,000	2,830,000
Florenceville-Bristol	424,000	40,000	0	384,000
Grand Bay-Westfield	2,714,000	299,000	0	2,415,000
Grand-Sault/Grand Falls	9,547,000	1,045,000	5,916,000	14,418,000
Hampton	2,956,000	343,000	0	2,613,000
Hartland	1,003,000	178,000	0	825,000
Lamèque	5,393,000	302,000	100,000	5,191,000
Nackawic	867,000	105,000	0	762,000
Oromocto	5,725,000	811,000	0	4,914,000
Quispamsis	20,767,000	2,129,000	2,081,000	20,719,000
Richibucto	1,615,000	122,000	0	1,493,000
Riverview	29,504,000	2,193,000	2,987,000	30,298,000
Rothesay	12,310,000	1,139,000	0	11,171,000
Sackville	10,260,000	1,221,000	310,000	9,349,000
Saint-Léonard	3,814,000	378,000	190,000	3,626,000
Saint-Quentin	973,000	216,000	60,000	817,000
Shediac	14,755,000	1,430,000	0	13,325,000
Shippagan	5,757,000	956,000	641,000	5,442,000
St. George	1,681,000	199,000	0	1,482,000
St. Stephen	7,266,000	742,000	0	6,524,000
Sussex	1,754,000	391,000	295,000	1,658,000
Town of Saint Andrews	5,319,000	382,000	365,000	5,302,000
Woodstock	2,189,000	446,000	700,000	2,443,000
Total	\$169,773,000	\$17,755,000	\$19,711,000	\$171,729,000

Schedule of Loans to Municipalities – Villages

	Principal Outstanding Dec. 31, 2021	2022		Principal Outstanding Dec. 31, 2022
		Principal Repaid	New Loans	
Villages				
Alma	\$946,000	\$70,000	\$34,000	\$910,000
Atholville	2,692,000	249,000	50,000	2,493,000
Balmoral	2,559,000	374,000	0	2,185,000
Bas-Caraquet	175,000	32,000	0	143,000
Bath	450,000	75,000	10,000	385,000
Belledune	2,260,000	183,000	0	2,077,000
Bertrand	691,000	98,000	0	593,000
Blacks Harbour	572,000	87,000	0	485,000
Blackville	1,749,000	119,000	0	1,630,000
Cap-Pelé	5,189,000	493,000	158,000	4,854,000
Centreville	238,000	46,000	0	192,000
Charlo	1,234,000	141,000	150,000	1,243,000
Chipman	409,000	78,000	0	331,000
Doaktown	1,885,000	273,000	148,000	1,760,000
Dorchester	454,000	81,000	0	373,000
Drummond	650,000	110,000	400,000	940,000
Eel River Crossing	403,000	32,000	0	371,000
Fredericton Junction	1,897,000	183,000	0	1,714,000
Gagetown	756,000	58,000	0	698,000
Grand Manan	664,000	109,000	0	555,000
Grande-Anse	1,000,000	45,000	0	955,000
Hillsborough	2,744,000	134,000	0	2,610,000
Lac Baker	237,000	19,000	300,000	518,000
Le Goulet	71,000	23,000	0	48,000
Maisonnette	48,000	16,000	0	32,000
McAdam	162,000	28,000	500,000	634,000
Meductic	35,000	17,000	0	18,000
Memramcook	7,871,000	460,000	0	7,411,000
Millville	281,000	22,000	0	259,000

Schedule of Loans to Municipalities – Villages Continued and Rural Communities

	Principal Outstanding Dec. 31, 2021	2022		Principal Outstanding Dec. 31, 2022
		Principal Repaid	New Loans	
Villages Continued				
Minto	\$1,481,000	\$161,000	\$0	\$1,320,000
Neguac	4,092,000	219,000	1,009,000	4,882,000
New Maryland	6,173,000	690,000	0	5,483,000
Nigadoo	381,000	29,000	180,000	532,000
Norton	170,000	89,000	0	81,000
Paquetville	1,997,000	122,000	0	1,875,000
Petit-Rocher	801,000	97,000	2,267,000	2,971,000
Petitcodiac	1,318,000	108,000	0	1,210,000
Plaster Rock	1,551,000	109,000	0	1,442,000
Pointe-Verte	431,000	70,000	0	361,000
Port Elgin	1,222,000	56,000	0	1,166,000
Rexton	1,520,000	151,000	0	1,369,000
Riverside-Albert	922,000	69,000	0	853,000
Rivière-Verte	801,000	112,000	45,000	734,000
Rogersville	1,112,000	187,000	0	925,000
Saint-Antoine	5,492,000	416,000	85,000	5,161,000
Saint-Isidore	935,000	87,000	0	848,000
Saint-Louis de Kent	1,908,000	133,000	0	1,775,000
Saint-Léolin	15,000	5,000	0	10,000
Sainte-Anne-de-Madawaska	51,000	51,000	0	0
Sainte-Marie-Saint-Raphaël	250,000	38,000	0	212,000
Salisbury	1,020,000	138,000	0	882,000
St. Martins	160,000	27,000	0	133,000
Stanley	298,000	41,000	0	257,000
Sussex Corner	236,000	47,000	0	189,000
Tide Head	674,000	50,000	0	624,000
Tracy	74,000	8,000	0	66,000
Total	\$73,407,000	\$6,965,000	\$5,336,000	\$71,778,000

Rural Communities

Beaubassin-est	\$414,000	\$63,000	\$0	\$351,000
Hanwell	2,106,000	80,000	0	2,026,000
Harvey	107,000	95,000	70,000	82,000
Haut-Madawaska	5,245,000	1,254,000	1,165,000	5,156,000
Kedgwick	2,480,000	230,000	30,000	2,280,000
Saint-André	2,234,000	121,000	0	2,113,000
Upper Miramichi	249,000	39,000	0	210,000
Total	\$12,835,000	\$1,882,000	\$1,265,000	\$12,218,000

Schedule of Loans to Municipalities – Municipal Enterprises

	Principal Outstanding Dec. 31, 2021	2022		Principal Outstanding Dec. 31, 2022
		Principal Repaid	New Loans	
Municipal Enterprises				
Greater Shediac Sewerage Commission	\$4,393,000	\$195,000	\$0	\$4,198,000
Kennebecasis Regional Joint Board of Police Commissioners	539,000	143,000	0	396,000
Total	\$4,932,000	\$338,000	\$0	\$4,594,000
Regional Service Commissions				
North-West Regional Service Commission #1	\$2,000,000	\$283,000	\$370,000	\$2,087,000
Restigouche Regional Service Commission #2	790,000	145,000	0	645,000
Chaleur Regional Service #3	7,404,000	780,000	0	6,624,000
Acadian Peninsula Regional Service #4	3,083,000	362,000	289,000	3,010,000
Southeast Regional Service Commission #7	13,848,000	2,122,000	0	11,726,000
Fundy Regional Service Commission #9	680,000	680,000	1,465,000	1,465,000
Capital Region Service Commission #11	3,093,000	1,155,000	0	1,938,000
Western Valley Regional Service Commission #12	117,000	117,000	0	0
Total	\$31,015,000	\$5,644,000	\$2,124,000	\$27,495,000
Regional Municipalities				
Tracadie	\$14,795,000	\$2,320,000	\$2,371,000	\$14,846,000
Total	\$14,795,000	\$2,320,000	\$2,371,000	\$14,846,000
Grand Total	\$895,918,000	\$110,404,000	\$59,657,000	\$845,171,000

FINANCIAL STATEMENTS

NEW BRUNSWICK

MUNICIPAL FINANCE CORPORATION

31 DECEMBER 2022

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

Statement of financial position
December 31
In Canadian dollars

	Note	2022	2021
Assets			
Cash and cash equivalents	3.3, 8	\$ 451,192	\$ 412,141
Accrued investment income receivable		-	61
Accrued interest receivable from municipalities and municipal enterprises		2,132,646	2,061,572
Loans to municipalities and municipal enterprises	4	839,511,191	889,472,232
Total assets		842,095,029	891,946,006
Liabilities			
Accounts payable		327,616	3,502
Accrued interest payable on debenture debt		2,132,646	2,102,208
Debenture debt	4	839,511,191	889,472,232
Total liabilities		841,971,453	891,577,942
Equity			
Retained earnings		123,576	368,064
Total equity		123,576	368,064
Total liabilities and equity		\$ 842,095,029	\$ 891,946,006

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

Approved by the Board of Directors and authorized for issue on July 17th, 2023.

..... Director

..... Director

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION

Statement of comprehensive income

For the year ended 31 December

In Canadian dollars

	Note	2022	2021
Revenue			
Interest income	3.1	<u>\$ 25,051,875</u>	<u>\$ 26,723,797</u>
		<u>25,051,875</u>	<u>26,723,797</u>
Expense			
Interest expense		<u>24,968,747</u>	<u>26,565,306</u>
Other expenses	6	<u>327,616</u>	<u>305,533</u>
		<u>25,296,363</u>	<u>26,870,839</u>
Total comprehensive loss		<u>\$ (244,488)</u>	<u>\$ (147,042)</u>

Statement of changes in equity

For the year ended 31 December

In Canadian dollars

	2022	2021
Retained earnings, 1 January	<u>\$ 368,064</u>	<u>\$ 515,106</u>
Total comprehensive loss	<u>\$ (244,488)</u>	<u>\$ (147,042)</u>
Retained earnings, 31 December	<u>\$ 123,576</u>	<u>\$ 368,064</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

	2022	2021
Operating activities		
Cash received from operations	\$ 89,487	\$ 167,211
Cash paid from operations	(54,139)	(96,500)
Interest received from investments	3,703	1,747
Interest paid on debenture debt	(23,807,316)	(25,764,647)
Interest received from municipalities and municipal enterprises	23,807,316	25,805,283
Cash flows from operating activities	39,051	113,094
Financing activities		
Proceeds on sale of debentures	59,222,482	110,652,048
Principal paid on debenture debt	(110,404,000)	(161,378,000)
Cash flows from financing activities	(51,181,518)	(50,725,952)
Investing activities		
Loans to municipalities and municipal enterprises	(59,222,482)	(110,875,282)
Principal repayments made by municipalities and municipal enterprises	110,404,000	161,378,000
Cash flows from investing activities	51,181,518	50,502,718
Increase (decrease) in cash and cash equivalents	39,051	(110,140)
Cash and cash equivalents at beginning of year	412,141	522,281
Cash and cash equivalents at end of year	\$ 451,192	\$ 412,141

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2022

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 2022

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
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2022

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
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2022

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
31 DECEMBER 2022

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
31 DECEMBER 2022

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
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2022

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
2023	115,918,000	2.59%
2024	99,081,000	2.34%
2025	89,568,000	2.44%
2026	79,961,000	2.61%
2027	73,516,000	2.81%
Years 1 - 5	458,044,000	2.55%
Years 6 - 10	236,900,000	2.97%
Years 11 - 25	150,227,000	3.47%
	\$845,171,000	2.83%
Unamortized discount	(5,659,809)	
	\$839,511,191	

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2022

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

Series	Date of Issue	Maturity Date	Interest Rates	Original Amount	Outstanding	
					31 Dec. 2022	31 Dec. 2021
*AZ	22 Dec. 2008	22 Dec. 2009 to 2023	2.10% to 5.55%	63,750,000	11,222,000	13,643,000
FCM 10097	31 Mar. 2011	31 Mar. 2012 to 2031	2.06%	4,000,000	1,800,000	2,000,000
FCM 10092	28 May 2012	28 May 2013 to 2027	2.00%	2,000,000	735,000	873,000
FCM 10353	28 May 2012	28 May 2013 to 2032	2.00%	961,000	528,000	575,000
*BG	4 Jun. 2012	4 Jun. 2013 to 2027	1.65% to 3.80%	47,591,000	5,682,000	10,948,000
FCM 11052	16 Aug. 2012	16 Aug. 2013 to 2032	2.00%	4,978,000	2,735,000	2,980,000
BH	30 Nov. 2012	30 Nov. 2013 to 2032	1.35% to 3.80%	69,541,000	22,633,000	27,291,000
FCM 10346	3 Dec. 2012	3 Dec. 2013 to 2032	2.00%	9,223,000	5,066,000	5,520,000
BI	14 Jun. 2013	14 Jun. 2014 to 2033	1.35% to 4.00%	73,647,000	29,216,000	34,083,000
BJ	20 Nov. 2013	20 Nov. 2014 to 2033	1.25% to 4.40%	52,370,000	18,032,000	21,544,000
FCM 10096	27 Mar. 2014	27 Mar. 2015 to 2034	2.00%	10,000,000	6,000,000	6,500,000
BK	15 May 2014	15 May 2015 to 2034	1.15% to 4.15%	47,517,000	18,154,000	21,594,000
BL	8 Dec. 2014	8 Dec. 2015 to 2034	1.20% to 3.70%	80,661,000	33,857,000	38,367,000
FCM 9856	8 Jan. 2015	8 Jan. 2016 to 2025	1.75%	149,000	48,000	63,000
*BM	6 Jul. 2015	6 Jul. 2016 to 2035	0.95% to 3.50%	56,882,000	24,831,000	28,698,000
*BN	18 Dec. 2015	18 Dec. 2016 to 2035	1.05% to 3.90%	50,274,000	17,347,000	20,747,000
*BO	6 Jun. 2016	6 Jun. 2017 to 2036	1.45% to 3.75%	44,013,000	23,275,000	26,138,000
*BP	7 Dec. 2016	7 Dec. 2017 to 2036	1.20% to 3.80%	87,456,000	44,035,000	49,366,000
*BQ	1 Jun. 2017	1 Jun. 2018 to 2037	1.20% to 3.55%	30,106,000	15,791,000	18,733,000
*BR	12 Dec. 2017	12 Dec. 2018 to 2037	1.65% to 3.30%	59,804,000	35,144,000	40,229,000
*BS	12 Dec. 2017	12 Dec. 2018 to 2047	1.65% to 3.40%	45,000,000	37,500,000	39,000,000
FCM 13138	22 Mar. 2018	22 Mar. 2019 to 2038	4.00%	575,000	493,000	515,000
*BT	29 May 2018	29 May 2019 to 2038	2.10% to 3.70%	104,593,000	78,447,000	85,209,000
*BU	21 Dec. 2018	21 Dec. 2019 to 2038	2.55% to 3.70%	63,283,000	42,464,000	47,837,000
*BV	14 May 2019	14 May 2020 to 2039	2.05% to 3.35%	32,324,000	22,289,000	25,668,000
FCM 10098	8 Jul. 2019	8 Jul. 2020 to 2029	3.41%	1,428,000	999,000	1,142,000
*BW	21 Nov. 2019	21 Nov. 2020 to 2039	1.95% to 2.95%	108,443,000	73,873,000	85,587,000
*BX	25 May. 2020	25 May. 2020 to 2040	0.9% to 2.95%	42,104,000	31,816,000	36,981,000
*BY	26 Nov. 2020	26 Nov. 2020 to 2040	0.5% to 2.6%	102,923,000	82,263,000	92,614,000
*BZ	17 Jun. 2021	17 Jun. 2021 to 2041	0.3% to 2.95%	56,035,000	49,566,000	56,035,000
*CA	22 Nov. 2021	22 Nov. 2021 to 2041	0.86% to 2.96%	55,438,000	49,673,000	55,438,000
*CB	22 Jun. 2022	22 Jun. 2023 to 2042	3.01% to 4.46%	21,394,000	21,394,000	-
*CC	5 Dec. 2022	5 Dec. 2023 to 2042	3.95% to 4.85%	38,263,000	38,263,000	-
				\$ 1,466,726,000	\$ 845,171,000	\$ 895,918,000
					Unamortized discount	(6,445,768)
						\$ 839,511,191
						\$ 889,472,232

* These debentures were sold directly to funds administered by the Province of New Brunswick and total \$704,875,000 outstanding at 31 December 2022 (2021 - \$732,871,000).

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2022

5 Financial instruments

5.1 Fair value

The Corporation's financial instruments include the following:

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Loans and receivables				
Cash and cash equivalents	\$ 451,192	\$ 451,192	\$ 412,141	\$ 412,141
Accrued interest receivable	2,132,646	2,132,646	2,061,572	2,061,572
Accrued investment income receivable	-	-	61	61
Loans to municipalities and municipal enterprises	839,511,191	792,988,562	889,472,232	922,832,320
Financial liabilities				
Accounts payable	\$ 327,616	\$ 327,616	\$ 3,502	\$ 3,502
Accrued interest payable on debenture debt	2,132,646	2,132,646	2,102,208	2,102,208
Debenture debt	839,511,191	792,988,562	889,472,232	922,832,320

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

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

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

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

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

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2022

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:

	2022	2021
Cash and cash equivalents	\$ 451,192	\$ 412,141
Accrued investment income receivable	-	61
Accrued interest receivable	2,132,646	2,061,572
Loans to municipalities and municipal enterprises	839,511,191	889,472,232
	\$ 842,095,029	\$ 891,946,006

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

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2022

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 2022	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Cash and cash equivalents	\$ 451,192	\$ 451,192	\$ 451,192	\$ -	\$ -
Accrued interest receivable	2,132,646	2,132,646	2,132,646	-	-
Loans to municipalities and municipal enterprises	839,511,191	845,171,000	115,918,000	342,126,000	387,127,000
	\$ 842,095,029	\$ 847,754,838	\$ 118,501,838	\$ 342,126,000	\$ 387,127,000

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

31 December 2022	Carrying amount	Contractual amount	1 yr or less	2 - 5 yrs	more than 5 yrs
Accounts payable	\$ 327,616	\$ 327,616	\$ 327,616	\$ -	\$ -
Accrued interest payable on debenture debt	2,132,646	2,132,646	2,132,646	-	-
Debenture debt	839,511,191	845,171,000	115,918,000	342,126,000	387,127,000
	\$ 841,971,453	\$ 847,631,262	\$ 118,378,262	\$ 342,126,000	\$ 387,127,000

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2022

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.

	2022	2021
Administration fee paid to the Province of New Brunswick	\$ 325,400	\$ 303,400
Bank charges	2,216	2,133
	\$ 327,616	\$ 305,533

7 Additional cash flow information

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

	2022	2021
Debenture debt, Opening Balance	\$ 889,472,232	\$938,874,245
Proceeds on sale of debentures (net of issue expenses)	59,311,968	110,819,257
Principal paid on debenture debt	(110,404,000)	(161,378,000)
Amortization of discount	1,130,991	1,156,730
Debenture debt, Closing Balance	\$ 839,511,191	\$889,472,232

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2022

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 2022, funds administered by the Province of New Brunswick held \$708,958,000 (2021 - \$736,954,000) of the Corporation's outstanding debt.

Cash and cash equivalents at 31 December 2022 includes \$nil (2021 - \$272,681) in Province of New Brunswick Treasury Bills.

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 2022 was nil (2021 - 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.