



2008

Annual Report

New Brunswick
Municipal Finance
Corporation

2008 Annual Report

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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

John E. Mallory	Deputy Minister Finance Province of New Brunswick
Leonard Lee-White	Assistant Deputy Minister Treasury Division Province of New Brunswick
C. Ann Flewelling	Director Corporate Policy & Risk Management Treasury Division Province of New Brunswick
Bonny Hoyt-Hallett	Deputy Minister Local Government Province of New Brunswick
Marven Grant	Treasurer/Director of Finance City of Fredericton
Rino Laforge	Treasurer Town of Grand Falls

Officers of the Corporation

John E. Mallory	President
Leonard Lee-White	Vice President
Dan Rae	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 2008

In 2008, the Corporation sold two issues of debentures, which were guaranteed as to principal and interest by the Province of New Brunswick. Both issues were placed privately. 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 AY

Principal Amount	\$53,383,000
Date of Issue	May 16, 2008
Date of Maturity	May 16, 2009-2018
Underwriters	Placed privately with pricing assistance from: 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> %
2009	3,892,000	3.300
2010	4,008,000	3.600
2011	4,133,000	3.850
2012	4,258,000	4.050
2013	4,386,000	4.150
2014	4,664,000	4.300
2015	3,997,000	4.450
2016	4,149,000	4.550
2017	4,310,000	4.700
2018	15,586,000	4.850

Series AZ

Principal Amount	\$63,750,000
Date of Issue	December 22, 2008
Date of Maturity	December 22, 2009-2023
Underwriters	Placed privately with pricing assistance from: 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> %
2009	4,229,000	2.100
2010	4,310,000	2.700
2011	4,417,000	3.150
2012	4,533,000	3.500
2013	4,666,000	3.850
2014	3,938,000	4.200
2015	4,082,000	4.450
2016	4,214,000	4.700
2017	4,380,000	4.800
2018	4,550,000	4.950
2019	2,189,000	5.050
2020	2,262,000	5.150
2021	2,337,000	5.300
2022	2,421,000	5.400
2023	11,222,000	5.550

Schedule of Loans to Municipalities – Cities and Towns

	2008			Principal Outstanding Dec. 31, 2008
	Principal Outstanding Dec. 31, 2007	Principal Repaid	New Loans	
Cities				
Bathurst	\$ 18,356,000	\$ 3,115,000	\$ 3,221,000	\$ 18,462,000
Campbellton	11,598,000	1,404,000	3,213,000	13,407,000
Dieppe	65,412,000	4,718,000	7,000,000	67,694,000
Edmundston	30,627,000	3,843,000	0	26,784,000
Fredericton	15,958,000	565,000	13,500,000	28,893,000
Miramichi	28,989,000	2,971,000	2,481,000	28,499,000
Moncton	105,568,000	15,866,000	26,010,000	115,712,000
Saint John	101,211,000	14,050,000	21,500,000	108,661,000
	\$ 377,719,000	\$ 46,532,000	\$ 76,925,000	\$ 408,112,000
Towns				
Beresford	\$ 3,124,000	\$ 465,000	\$ 865,000	\$ 3,524,000
Bouctouche	321,000	125,000	500,000	696,000
Caraquet	4,315,000	653,000	320,000	3,982,000
Dalhousie	5,288,000	872,000	2,245,000	6,661,000
GrandBay/Westfield	1,840,000	275,000	300,000	1,865,000
Grand Falls	14,430,000	2,314,000	1,702,000	13,818,000
Hampton	3,368,000	227,000	456,000	3,597,000
Hartland	1,258,000	122,000	0	1,136,000
Lamèque	637,000	107,000	733,000	1,263,000
Nackawic	239,000	49,000	461,000	651,000
Oromocto	211,000	150,000	0	61,000
Quispamsis	12,104,000	1,480,000	630,000	11,254,000
Richibucto	1,550,000	212,000	0	1,338,000
Riverview	23,861,000	2,371,000	8,669,000	30,159,000
Rothesay	8,678,000	828,000	1,436,000	9,286,000
Sackville	5,928,000	865,000	755,000	5,818,000
Saint-Leonard	1,710,000	153,000	0	1,557,000
Saint-Quentin	1,855,000	567,000	383,000	1,671,000
Shediac	7,611,000	1,092,000	0	6,519,000
Shippagan	3,940,000	514,000	498,000	3,924,000
St. Andrews	4,034,000	577,000	0	3,457,000
St. George	390,000	65,000	0	325,000
St. Stephen	6,554,000	673,000	430,000	6,311,000
Sussex	230,000	19,000	104,000	315,000
Tracadie-Sheila	1,365,000	214,000	1,200,000	2,351,000
Woodstock	1,802,000	371,000	2,000,000	3,431,000
	\$ 116,643,000	\$ 15,360,000	\$ 23,687,000	\$ 124,970,000

Schedule of Loans to Municipalities – Villages

	Principal Outstanding Dec. 31, 2007	2008		Principal Outstanding Dec. 31, 2008
		Principal Repaid	New Loans	
Villages				
Alma	\$ 1,263,000	\$ 32,000	\$ 0	\$ 1,231,000
Atholville	2,763,000	290,000	745,000	3,218,000
Baker Brook	629,000	82,000	0	547,000
Balmoral	583,000	107,000	1,285,000	1,761,000
Bas-Caraquet	931,000	158,000	0	773,000
Bath	101,000	8,000	418,000	511,000
Belledune	4,317,000	483,000	0	3,783,000
Bertrand	309,000	56,000	17,000	321,000
Blacks Harbour	782,000	158,000	238,000	862,000
Blackville	230,000	54,000	353,000	529,000
Bristol	507,000	64,000	0	443,000
Cambridge-Narrows	315,000	19,000	0	296,000
Cap-Pelé	2,104,000	305,000	35,000	1,834,000
Centreville	310,000	38,000	0	272,000
Charlo	570,000	91,000	425,000	904,000
Chipman	688,000	87,000	70,000	671,000
Clair	819,000	69,000	0	750,000
Doaktown	751,000	69,000	440,000	1,122,000
Dorchester	610,000	38,000	0	572,000
Drummond	612,000	86,000	0	526,000
Eel River Crossing	183,000	48,000	0	135,000
Florenceville	1,274,000	218,000	175,000	1,231,000
Fredericton Junction	109,000	25,000	630,000	714,000
Gagetown	338,000	25,000	55,000	368,000
Grande-Anse	382,000	46,000	0	336,000
Grand Manan	693,000	130,000	150,000	713,000
Hillsborough	370,000	52,000	427,000	745,000
Kedgwick	849,000	62,000	0	787,000
Lac-Baker	253,000	16,000	0	237,000
Maisonnette	23,000	11,000	0	12,000
McAdam	359,000	44,000	0	315,000
Memramcook	5,233,000	254,000	0	4,979,000
Millville	250,000	20,000	0	230,000
Minto	1,472,000	108,000	0	1,364,000
Néguac	635,000	74,000	40,000	601,000

Schedule of Loans to Municipalities – Villages Continued and Rural Communities

	Principal Outstanding Dec. 31, 2007	2008		Principal Outstanding Dec. 31, 2008
		Principal Repaid	New Loans	
Villages Continued				
New Maryland	\$ 3,691,000	\$ 236,000	\$ 2,100,000	\$ 5,555,000
Nigadoo	621,000	57,000	0	564,000
Norton	257,000	50,000	0	207,000
Paquetville	1,061,000	166,000	156,000	1,051,000
Petitcodiac	417,000	96,000	700,000	1,021,000
Petit-Rocher	1,414,000	160,000	595,000	1,849,000
Plaster Rock	1,642,000	130,000	1,000,000	2,512,000
Pointe-Verte	203,000	93,000	235,000	345,000
Port Elgin	69,000	34,000	0	35,000
Rexton	582,000	117,000	40,000	505,000
Riverside-Albert	355,000	28,000	843,000	1,170,000
Rivière-Verte	88,000	33,000	0	55,000
Rogersville	950,000	52,000	34,000	932,000
Saint-Anne-de- Madawaska	551,000	77,000	0	474,000
Saint-Antoine	2,597,000	119,000	0	2,478,000
Saint-François-de- Madawaska	774,000	167,000	405,000	1,012,000
Saint-Isidore	240,000	31,000	239,000	448,000
Saint-Léolin	0	0	20,000	20,000
Saint-Louis-de-Kent	889,000	86,000	80,000	883,000
Salisbury	1,362,000	73,000	0	1,289,000
St. Martins	91,000	24,000	0	67,000
Stanley	160,000	43,000	111,000	228,000
Sussex Corner	476,000	61,000	45,000	460,000
Tide Head	46,000	21,000	25,000	50,000
	\$ 50,153,000	\$ 5,381,000	\$ 12,131,000	\$ 56,903,000
Rural Communities				
Beaubassin-est	\$ 43,000	\$ 8,000	\$ 0	\$ 35,000
Saint-André	269,000	11,000	250,000	508,000
	\$ 312,000	\$ 19,000	\$ 250,000	\$ 543,000

Schedule of Loans to Municipalities – Municipal Enterprises

	Principal Outstanding Dec. 31, 2007	2008		Principal Outstanding Dec. 31, 2008
		Principal Repaid	New Loans	
Municipal Enterprises				
The Apohaqui Sewerage Commission	\$ 29,000	\$ 9,000	\$ 0	\$ 20,000
BNPP Police Commission	97,000	68,000	53,000	82,000
COGEDES	147,000	27,000	0	120,000
Allardville Sewerage Commission	51,000	5,000	0	46,000
Val d'Amours Sewerage Commission	374,000	122,000	0	252,000
Fredericton Area Pollution Control Commission	252,000	159,000	0	93,000
Fredericton Regional Solid Waste Commission	3,062,000	790,000	0	2,272,000
Fundy Region Solid Waste Commission	12,993,000	4,601,000	2,887,000	11,279,000
The Nepisiguit-Chaleur Solid Waste Commission	1,084,000	219,000	0	865,000
Northumberland Solid Waste Commission	233,000	55,000	0	178,000
Rothesay Regional Joint Board of Police Commissioner	2,081,000	79,000	0	2,002,000
The Greater Shediac Sewerage Commission	161,000	38,000	1,200,000	1,323,000
Westmorland-Albert Solid Waste Corp.	3,320,000	419,000	0	2,901,000
	<u>\$ 23,884,000</u>	<u>\$ 6,591,000</u>	<u>\$ 4,140,000</u>	<u>\$ 21,433,000</u>
Grand Total	\$ 568,711,000	\$ 73,883,000	\$ 117,133,000	\$ 611,961,000

FINANCIAL STATEMENTS

NEW BRUNSWICK

MUNICIPAL FINANCE CORPORATION

31 DECEMBER 2008

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2008**

	2008	2007
REVENUE		
Interest from municipalities and municipal enterprises	\$ 27,849,257	\$ 27,361,294
Retained for debenture issue expenses	175,700	127,178
Investment income	29,552	46,063
Amortization of discount on long term investments	36,563	32,264
Amortization of discount on loans to municipalities and municipal enterprises	673,649	688,700
	<u>28,764,721</u>	<u>28,255,499</u>
EXPENSE		
Interest paid on debentures	27,891,723	27,399,823
Amortization of discount on debenture debt	675,396	690,065
Other expenses	216,064	244,546
	<u>28,783,183</u>	<u>28,334,434</u>
NET INCOME (LOSS) FOR THE YEAR	(18,462)	(78,935)
Retained earnings, beginning of year	946,295	1,025,230
RETAINED EARNINGS, end of year	<u>\$ 927,833</u>	<u>\$ 946,295</u>

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	2007
CASH PROVIDED BY (USED FOR):		
Operating activities:		
Net income (loss) for the year	\$ (18,462)	\$ (78,935)
Add (deduct)		
Amortization of discount on long term investments	(36,563)	(32,264)
Amortization of discount on loans to municipalities and municipal enterprises	(673,649)	(688,700)
Amortization of discount on debenture debt	675,396	690,065
Decrease (increase) in non-cash components of working capital	(15,343)	19,643
	<u>(68,621)</u>	<u>(90,191)</u>
Financing activities:		
Proceeds on sale of debentures	116,621,603	84,242,020
Funds retained for debenture issues expenses	(175,700)	(127,178)
Principal paid on debenture debt	(73,819,000)	(75,380,000)
	<u>42,626,903</u>	<u>8,734,842</u>
Investing activities:		
Loans to municipalities and municipal enterprises	(116,445,904)	(84,114,843)
Principal repayments made by municipalities and municipal enterprises	73,883,000	75,509,000
Long term investments	-	(93,619)
	<u>(42,562,904)</u>	<u>(8,699,462)</u>
INCREASE (DECREASE) IN CASH	(4,622)	(54,811)
Cash position, beginning of year	994,311	1,049,122
CASH POSITION, end of year	<u>\$ 989,689</u>	<u>\$ 994,311</u>

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2008**

1. General

The Corporation was established under the New Brunswick Municipal Finance Corporation 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.

2. Summary of significant accounting policies

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Corporation's designation of such instruments. Settlement date accounting is used.

Classification

Cash and short-term investments	Held for trading
Accrued interest receivable from municipalities and municipal enterprises	Loans and receivables
Accrued investment income receivable	Loans and receivables
Long term investments	Held to maturity
Loans to municipalities and municipal enterprises	Loans and receivables
Accounts payable	Other liabilities
Accrued interest payable on debenture debt	Other liabilities
Debenture debt	Other liabilities

Held for trading

Held for trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in investment income.

Held to maturity

Held to maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Held to maturity financial instruments are recognized at amortized cost.

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2008**

2. Summary of significant accounting policies (continued)

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method, which, at initial measurement, corresponds to fair value.

Subsequent revaluations of accounts receivable are recorded at amortized cost, which generally corresponds to initial measurement less any allowance for doubtful accounts. Subsequent revaluations of long-term notes receivable are recorded at amortized cost using the effective interest method less any amortization.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities. For long-term debt, amortized cost corresponds to the initial recognized amount plus accumulated amortization of premiums and discounts.

Effective interest method

The Corporation uses the effective interest method to recognize interest income or expense, which includes transaction costs or fees, premiums or discounts, earned or incurred for financial instruments.

Transaction costs

Transactions costs related to debentures are recorded as a reduction in the carrying amount of the related financial liability and amortized using the effective interest method.

3. Changes in accounting policies

International financial reporting standards

On February 13, 2008, the Accounting Standards Board confirmed that the use of international financial reporting standards will be required by January 1, 2011, with appropriate comparative date from the prior year. Accordingly, the Corporation will adopt the new standards for its fiscal year beginning January 1, 2011. While international financial reporting standards use a conceptual framework similar to Canadian generally accepted accounting principles, there are significant differences in accounting policy that must be addressed. The Corporation is currently evaluating the impact of the adoption of these standards on its financial statements.

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2008

4. Loans to municipalities and municipal enterprises

(a) Loans to municipalities and municipal enterprises are made on the security of their debentures due in annual instalments for periods up to a maximum of fifteen years.

(b) Principal payments receivable in each of the next five years are:

2009	\$78,860,000
2010	\$72,270,000
2011	\$71,442,000
2012	\$65,380,000
2013	\$57,279,000

5. Debenture debt

(a) The following debenture debt outstanding at 31 December 2008 is in Canadian funds and is fully guaranteed by the Province of New Brunswick.

<u>Series</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Outstanding</u>
"AG"	11 Aug. 1999	11 Aug. 2000 to 2009	5.2% to 5.75%	31,633,000	5,929,000
**AH"	14 Dec. 1999	14 Dec. 2000 to 2009	5.7% to 6.5%	33,575,000	7,747,000
"AI"	10 Aug. 2000	10 Aug. 2001 to 2010	6.1% to 6.4%	31,887,000	8,549,000
"AJ"	19 Dec. 2000	19 Dec. 2001 to 2010	6% to 6.125%	27,801,000	7,709,000
"AK"	17 July 2001	17 July 2002 to 2011	4.45% to 6.2%	28,920,000	12,282,000
"AL"	30 Nov. 2001	30 Nov. 2002 to 2011	2.45% to 5.5%	42,281,000	16,447,000
"AM"	12 July 2002	12 July 2003 to 2012	3.375% to 5.75%	52,016,000	25,137,000
**AN"	23 Dec. 2002	23 Dec. 2003 to 2012	3.1% to 5.6%	24,625,000	11,315,000
"AO"	28 July 2003	28 July 2004 to 2013	3.05% to 5.0%	41,532,000	24,082,000
"AP"	17 Dec. 2003	17 Dec 2004 to 2013	2.75% to 5.125%	51,873,000	28,294,000
**AQ"	8 July 2004	8 July 2005 to 2014	2.75% to 5.50%	27,040,000	18,597,000
"AR"	16 Dec. 2004	16 Dec. 2005 to 2014	2.75% to 4.80%	78,919,000	58,072,000
**AS"	7 July 2005	7 July 2006 to 2015	2.85% to 4.35%	21,781,000	16,654,000
"AT"	7 Dec. 2005	7 Dec. 2006 to 2015	3.75% to 4.375%	75,023,000	59,183,000
**AU"	13 Jun. 2006	13 Jun. 2007 to 2016	4.15% to 4.70%	29,249,000	24,460,000
**AV"	1 Dec. 2006	1 Dec. 2007 to 2016	4.15% to 4.45%	105,451,000	92,472,000
**AW"	25 May 2007	25 May 2008 to 2017	4.30% to 4.55%	28,104,000	25,989,000
**AX"	23 Nov. 2007	23 Nov. 2008 to 2017	4.45% to 4.85%	56,691,000	52,812,000
**AY"	16 May 2008	16 May 2009 to 2018	3.30% to 4.85%	53,383,000	53,383,000
**AZ"	22 Dec. 2008	22 Dec. 2009 to 2023	2.10% to 5.55%	63,750,000	63,750,000
				<u>\$ 905,534,000</u>	<u>\$ 612,863,000</u>

* These debentures were sold directly to funds administered by the Province of New Brunswick and total \$367,179,000 outstanding at 31 December 2008.

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2008**

5. Debenture debt (continued)

(b) Principal payments due in each of the next five years are:

2009	\$78,866,000
2010	\$72,355,000
2011	\$71,614,000
2012	\$65,648,000
2013	\$57,650,000

6. Financial instruments

Fair value

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

The fair value of long-term investments is \$898,052.

The issue and repayment terms of the loans to municipalities and municipal enterprises and the debenture debt are in most cases identical, and in each case the asset and liability is intended to be held to maturity. For these two reasons, their fair value is considered to be the equivalent of the amortized cost.

Interest rate risk

The Corporation's rate of interest charged on loans to municipalities and municipal enterprises is equal to its cost of borrowing, thereby eliminating interest rate risk.

Credit risk

Since Section 14 of the New Brunswick Municipal Finance Corporation Act provides for the recovery of any defaults by municipalities and municipal enterprises by the Corporation, an allowance for doubtful accounts is not required.

It is management's opinion that the Corporation is not exposed to significant interest or credit risk arising from financial instruments.