

***2002
Annual Report***

***New Brunswick
Municipal Finance
Corporation***

2002 Annual Report

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New Brunswick Municipal Finance Corporation

Legislation

The New Brunswick Municipal Finance 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
Bryan MacDonald	Assistant Deputy Minister Treasury Division Province of New Brunswick
C. Ann Flewelling	Director Financial Operations & Policy Treasury Division Province of New Brunswick
T. Bryon James	Deputy Minister Environment and Local Government Province of New Brunswick
Michael N. Beal	Treasurer Town of Sackville
Andrew Beckett	Treasurer City of Saint John

Officers of the Corporation

John E. Mallory	President
Bryan MacDonald	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 Environment and 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 Environment and 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 2002

The Corporation sold two issues of debentures in 2002, both of which were guaranteed as to principal and interest by the Province of New Brunswick. One issue was sold on the Canadian bond market and one was 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 public series was issued in the form of fully registered global serial certificates registered in the name of The Canadian Depository for Securities Limited ("CDS") and is held by CDS. Beneficial interest is represented through book-entry accounts of financial institutions. The details of the issues are as follows:

Series AM

Principal Amount	\$52,016,000
Date of Issue	July 12, 2002
Date of Maturity	July 12, 2003-2012
Underwriters	A syndicate managed by: RBC Dominion Securities Inc. CIBC World Markets Inc National Bank Financial Inc
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 4,379,000	3.375%
2004	4,474,000	4.125
2005	4,596,000	4.500
2006	4,731,000	4.875
2007	4,487,000	5.125
2008	4,212,000	5.375
2009	4,350,000	5.500
2010	4,504,000	5.625
2011	4,674,000	5.750
2012	11,609,000	5.750

Series AN

Principal Amount	\$24,625,000
Date of Issue	December 23, 2002
Date of Maturity	December 23, 2003-2012
Underwriters	Placed privately with pricing assistance from: National Bank Financial Inc RBC Dominion Securities Inc 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>
2003	\$ 2,093,000	3.100%
2004	2,169,000	3.600
2005	2,250,000	4.000
2006	2,342,000	4.400
2007	2,445,000	4.700
2008	2,011,000	4.950
2009	2,111,000	5.150
2010	2,181,000	5.300
2011	2,299,000	5.450
2012	4,724,000	5.600

Schedule of Loans to Municipalities – Cities and Towns

	Principal Outstanding Dec. 31, 2001	2002		Principal Outstanding Dec. 31, 2002
		Principal Repaid	New Loans	
Cities				
Bathurst	\$ 16,145,000	\$ 2,230,000	\$ 2,854,000	\$ 16,769,000
Campbellton	10,240,000	2,017,000	2,891,000	11,114,000
Edmundston	17,017,000	2,887,000	1,708,000	15,838,000
Fredericton	1,220,000	643,000	0	577,000
Miramichi	18,160,000	2,032,000	3,238,000	19,366,000
Moncton	69,759,000	10,750,000	12,969,000	71,978,000
Saint John	70,692,000	13,135,000	15,660,000	73,217,000
	<u>\$ 203,233,000</u>	<u>\$ 33,694,000</u>	<u>\$ 39,320,000</u>	<u>\$ 208,859,000</u>
Towns				
Beresford	\$ 2,554,000	\$ 369,000	\$ 400,000	\$ 2,585,000
Bouctouche	621,000	54,000	0	567,000
Caraquet	3,245,000	599,000	450,000	3,096,000
Dalhousie	4,268,000	563,000	419,000	4,124,000
Dieppe	18,685,000	2,648,000	6,517,000	22,554,000
GrandBay/Westfield	1,388,000	373,000	250,000	1,265,000
Grand Falls	7,279,000	853,000	617,000	7,043,000
Hampton	1,401,000	192,000	1,250,000	2,459,000
Hartland	445,000	61,000	45,000	429,000
Lamèque	1,239,000	165,000	0	1,074,000
Nackawic	343,000	49,000	95,000	389,000
Oromocto	3,667,000	720,000	0	2,947,000
Quispamsis	11,089,000	1,143,000	0	9,946,000
Richibucto	1,356,000	121,000	250,000	1,485,000
Riverview	7,759,000	1,360,000	1,668,000	8,067,000
Rothsay	9,553,000	891,000	1,831,000	10,493,000
Sackville	4,406,000	677,000	443,000	4,172,000
St. Andrews	3,160,000	404,000	807,000	3,563,000
St. George	226,000	73,000	35,000	188,000
Saint-Leonard	601,000	80,000	650,000	1,171,000
Saint-Quentin	1,400,000	130,000	300,000	1,570,000
St. Stephen	2,929,000	223,000	303,000	3,009,000
Shediac	6,151,000	797,000	1,369,000	6,723,000
Shippagan	2,145,000	445,000	1,518,000	3,218,000
Sussex	512,000	159,000	0	353,000
Tracadie-Sheila	3,022,000	1,126,000	551,000	2,447,000
Woodstock	1,915,000	252,000	0	1,663,000
	<u>\$ 101,359,000</u>	<u>\$ 14,527,000</u>	<u>\$ 19,768,000</u>	<u>\$ 106,600,000</u>

Schedule of Loans to Municipalities – Villages

	Principal Outstanding Dec. 31, 2001	2002		Principal Outstanding Dec. 31, 2002
		Principal Repaid	New Loans	
Villages				
Aroostook	\$ 21,000	\$ 9,000	\$ 0	\$ 12,000
Atholville	1,379,000	182,000	0	1,197,000
Baker Brook	748,000	116,000	0	632,000
Balmoral	1,525,000	289,000	35,000	1,271,000
Bas-Caraquet	601,000	381,000	650,000	870,000
Bath	522,000	147,000	170,000	545,000
Belledune	1,641,000	409,000	1,437,000	2,669,000
Bertrand	262,000	42,000	45,000	265,000
Blacks Harbour	752,000	129,000	0	623,000
Blackville	0	0	120,000	120,000
Bristol	328,000	83,000	0	245,000
Canterbury	36,000	17,000	0	19,000
Cap-Pelé	1,734,000	148,000	263,000	1,849,000
Centreville	428,000	112,000	0	316,000
Charlo	745,000	100,000	0	645,000
Chipman	980,000	127,000	222,000	1,075,000
Clair	642,000	59,000	0	583,000
Doaktown	366,000	57,000	679,000	988,000
Dorchester	126,000	70,000	0	56,000
Drummond	1,046,000	75,000	30,000	1,001,000
Eel River Crossing	424,000	73,000	0	351,000
Florenceville	741,000	100,000	945,000	1,586,000
Fredericton Junction	323,000	47,000	0	276,000
Gagetown	178,000	61,000	38,000	155,000
Grande-Anse	400,000	44,000	0	356,000
Grand Manan	450,000	58,000	0	392,000
Harvey	39,000	6,000	0	33,000
Hillsborough	364,000	106,000	0	258,000
Kedgwick	570,000	74,000	0	496,000
Legoulet	43,000	9,000	0	34,000
Maisonnette	105,000	19,000	0	86,000
McAdam	259,000	41,000	0	218,000
Meductic	33,000	10,000	0	23,000
Memramcook	1,245,000	107,000	0	1,138,000
Millville	8,000	8,000	0	0
Minto	588,000	52,000	239,000	775,000

Schedule of Loans to Municipalities – Villages Continued

	Principal Outstanding Dec. 31, 2001	2002		Principal Outstanding Dec. 31, 2002
		Principal Repaid	New Loans	
Villages Continued				
Néguac	\$ 1,278,000	\$ 524,000	\$ 286,000	\$ 1,040,000
New Maryland	405,000	35,000	1,146,000	1,516,000
Nigadoo	852,000	31,000	0	821,000
Norton	183,000	24,000	0	159,000
Paquetville	744,000	94,000	567,000	1,217,000
Perth-Andover	719,000	114,000	0	605,000
Petitcodiac	675,000	89,000	55,000	641,000
Petit-Rocher	669,000	99,000	85,000	655,000
Plaster Rock	688,000	115,000	28,000	601,000
Pointe-Verte	589,000	53,000	0	536,000
Port Elgin	151,000	25,000	0	126,000
Rexton	384,000	31,000	55,000	408,000
Riverside-Albert	107,000	13,000	0	94,000
Rivière-Verte	188,000	41,000	0	147,000
Rogersville	389,000	64,000	0	325,000
Saint-André	74,000	11,000	0	63,000
Saint-Anne-de- Madawaska	737,000	80,000	0	657,000
Saint-Antoine	1,739,000	151,000	453,000	2,041,000
Saint-François-de- Madawaska	421,000	44,000	0	377,000
Saint-Hilaire	117,000	41,000	0	76,000
Saint-Isidore	335,000	77,000	0	258,000
Saint-Léolin	22,000	7,000	0	15,000
Saint-Louis-de-Kent	576,000	63,000	0	513,000
Sainte-Marie-Saint- Raphael	35,000	17,000	0	18,000
St. Martins	211,000	18,000	0	193,000
Salisbury	270,000	43,000	0	227,000
Stanley	338,000	43,000	24,000	319,000
Sussex Corner	722,000	156,000	88,000	654,000
Tide Head	215,000	37,000	0	178,000
	<u>\$ 33,485,000</u>	<u>\$ 5,507,000</u>	<u>\$ 7,660,000</u>	<u>\$ 35,638,000</u>

Schedule of Loans to Municipalities – Municipal Enterprises

	Principal Outstanding Dec. 31, 2001	2002		Principal Outstanding Dec. 31, 2002
		Principal Repaid	New Loans	
Municipal Enterprises				
The Apohaqui Sewerage Commission	\$ 85,000	\$ 8,000	\$ 0	\$ 77,000
BNPP Police Commission	172,000	11,000	0	161,000
COGERNO	3,788,000	625,000	0	3,163,000
Allardville Sewerage Commission	128,000	12,000	0	116,000
Val d'Amours Sewerage Commission	957,000	78,000	0	879,000
Fredericton Regional Solid Waste Commission	3,361,000	362,000	0	2,999,000
Fundy Region Solid Waste Commission	12,676,000	1,188,000	9,550,000	21,038,000
The Nepisiguit-Chaleur Solid Waste Commission	2,307,000	327,000	343,000	2,323,000
Northumberland Solid Waste Commission	346,000	67,000	0	279,000
The Greater Shediac Sewerage Commission	501,000	75,000	0	426,000
The Michaud Sewerage Commission	46,000	22,000	0	24,000
Southwest Solid Waste Commission	<u>4,492,000</u>	<u>381,000</u>	<u>0</u>	<u>4,111,000</u>
Total	<u>\$ 28,859,000</u>	<u>\$ 3,156,000</u>	<u>\$ 9,893,000</u>	<u>\$ 35,596,000</u>
Grand Total	\$366,936,000	\$56,884,000	\$76,641,000	\$386,693,000

Financial Statements

New Brunswick Municipal Finance Corporation
31 December 2002



To the Board of Directors
New Brunswick Municipal Finance Corporation

I have audited the balance sheet of the New Brunswick Municipal Finance Corporation as at 31 December 2002 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

K. D. Robinson, CA
Deputy Auditor General

Fredericton, N. B.
20 February 2003

Balance Sheet

New Brunswick Municipal Finance Corporation 31 December 2002

	2002	2001
ASSETS		
Cash and short-term investments	\$ 336,333	\$ 256,945
Accrued interest receivable from municipalities and municipal enterprises	5,024,873	4,518,626
Accrued investment income receivable	14,949	14,366
	<u>5,376,155</u>	<u>4,789,937</u>
Long term investments	520,000	520,000
Add: Unamortized premium	22,779	36,103
	<u>542,779</u>	<u>556,103</u>
Loans to municipalities and municipal enterprises (Note 2)	386,693,000	366,936,000
	<u>\$ 392,611,934</u>	<u>\$ 372,282,040</u>
LIABILITIES AND RETAINED EARNINGS		
Accounts payable	\$ 3,685	\$ 4,019
Accrued interest payable on debenture debt	5,024,873	4,518,626
Debenture debt (Note 3)	386,693,000	366,936,000
	<u>391,721,558</u>	<u>371,458,645</u>
Retained earnings	890,376	823,395
	<u>\$ 392,611,934</u>	<u>\$ 372,282,040</u>

Approved by the Board

..... Director

..... Director

Statement of Income and Retained Earnings

New Brunswick Municipal Finance Corporation For the Year Ended 31 December 2002

	2002	2001
REVENUE		
Interest from municipalities and municipal enterprises	\$ 23,359,327	\$ 23,392,348
Retained for debenture issue expenses	119,962	106,802
Investment income	57,546	61,383
	<u>23,536,835</u>	<u>23,560,533</u>
EXPENSE		
Interest paid on debentures	23,359,327	23,392,348
Amortization of premium	13,324	13,324
Other expenses	97,203	96,414
	<u>23,469,854</u>	<u>23,502,086</u>
NET INCOME FOR THE YEAR	66,981	58,447
Retained earnings, beginning of year	823,395	764,948
RETAINED EARNINGS , end of year	<u>\$ 890,376</u>	<u>\$ 823,395</u>

Statement of Cash Flows

New Brunswick Municipal Finance Corporation For the Year Ended 31 December 2002

	2002	2001
CASH PROVIDED BY (USED FOR):		
Operating activities:		
Net income for the year	\$ 66,981	\$ 58,447
Add (deduct)		
Amortization of premium	13,324	13,324
Decrease (increase) in non-cash components of working capital	(917)	2,624,556
	<u>79,388</u>	<u>2,696,327</u>
Financing activities:		
Proceeds on sale of debentures	76,007,176	70,632,010
Funds retained for debenture issues expenses	(119,962)	(106,802)
Principal paid on debenture debt	(56,884,000)	(55,173,000)
	<u>19,003,214</u>	<u>15,352,208</u>
Investing activities:		
Loans to municipalities and municipal enterprises	(75,887,214)	(70,525,208)
Principal repayments made by municipalities and municipal enterprises	56,884,000	55,173,000
	<u>(19,003,214)</u>	<u>(15,352,208)</u>
INCREASE IN CASH	79,388	2,696,327
Cash position, beginning of year	<u>256,945</u>	<u>(2,439,382)</u>
CASH POSITION , end of year	<u>\$ 336,333</u>	<u>\$ 256,945</u>

Summary of significant accounting policies

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.

Loans to municipalities and municipal enterprises and debenture debt are recorded at par value. Any discount or premium arising on the issuance of debenture debt is transferred to the municipality or municipal enterprise, and accounted for in their financial statements.

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) The terms of the loans to municipalities and municipal enterprises are identical to those on the debenture debt outstanding.

Debenture debt

- (a) The following debenture debt outstanding at 31 December 2002 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>
"U"	29 July 1993	29 July 1994 to 2008	5.5% to 8.375%	\$ 34,442,000	\$ 4,990,000
"V"	23 Dec. 1993	23 Dec. 1994 to 2003	4.75% to 7.5%	23,856,000	4,289,000
* "W"	09 Aug. 1994	09 Aug. 1995 to 2004	8% to 9.75%	30,860,000	7,569,000
* "X"	21 Dec. 1994	21 Dec. 1995 to 2004	7.25% to 9.5%	14,243,000	3,595,000
"Y"	07 June 1995	07 June 1996 to 2005	7.125% to 8.125%	13,611,000	5,917,000
* "Z"	20 Dec. 1995	20 Dec. 1996 to 2005	6.25% to 7.875%	39,032,000	15,292,000
"AA"	24 July 1996	24 July 1997 to 2006	5.625% to 7.875%	19,028,000	10,057,000
"AB"	02 Dec. 1996	02 Dec. 1997 to 2006	3.625% to 6.625%	38,610,000	19,458,000
* "AC"	16 Oct. 1997	16 Oct. 1998 to 2007	4.125% to 6%	36,187,000	20,813,000
"AD"	18 Dec. 1997	18 Dec. 1998 to 2007	4.25% to 5.75%	34,346,000	19,350,000
"AE"	25 Aug. 1998	25 Aug. 1999 to 2008	5.25% to 5.625%	26,566,000	16,162,000
"AF"	15 Dec. 1998	15 Dec. 1999 to 2008	5.125% to 5.5%	29,838,000	20,165,000
"AG"	11 Aug. 1999	11 Aug. 2000 to 2009	5.2% to 5.75%	31,633,000	23,103,000
**"AH"	14 Dec. 1999	14 Dec. 2000 to 2009	5.7% to 6.5%	33,575,000	25,275,000
"AI"	10 Aug. 2000	10 Aug. 2001 to 2010	6.1% to 6.4%	31,887,000	25,835,000
"AJ"	19 Dec. 2000	19 Dec. 2001 to 2010	6% to 6.125%	27,801,000	22,692,000
"AK"	17 July 2001	17 July 2002 to 2011	4.45% to 6.2%	28,920,000	26,758,000
"AL"	30 Nov. 2001	30 Nov. 2002 to 2011	2.45% to 5.5%	42,281,000	38,732,000
"AM"	12 July 2002	12 July 2003 to 2012	3.375% to 5.75%	52,016,000	52,016,000
**"AN"	23 Dec. 2002	23 Dec. 2003 to 2012	3.1% to 5.6%	24,625,000	24,625,000
				<u>\$ 613,357,000</u>	<u>\$ 386,693,000</u>

*These debentures were sold directly to funds administered by the Province of New Brunswick.

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

2003	\$58,680,000
2004	\$52,935,000
2005	\$52,263,000
2006	\$48,544,000
2007	\$43,850,000