

***2010
Annual Report***

***New Brunswick
Municipal Finance
Corporation***

2010 Annual Report

Published by:

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

May 2011

Design Management:

Communications New Brunswick

Printing and Binding:

Printing Services, Supply and Services

ISBN 978-1-55396-337-0

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 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

Mike Ferguson	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
Sylvie Levesque-Finn	Deputy Minister Local Government Province of New Brunswick
John Martin	General Manager, Finance and Administration City of Moncton
Jo-Anne McGraw	Treasurer Town of Quispamsis

Officers of the Corporation

Mike Ferguson	President
Leonard Lee-White	Vice President
Catherine Mosher	Secretary-Treasurer

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

Fiscal Year

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

Protection for Investors

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

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

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

Financing Activity in 2010

In 2010, the Corporation sold two issues of debentures on the Canadian bond market, both of which 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 series were issued in the form of fully registered global serial certificates registered in the name of The Canadian Depository for Securities Limited ("CDS") and are held by CDS.

The details of the issues are as follows:

Series BC

Principal Amount	\$56,080,000
Date of Issue	June 2, 2010
Date of Maturity	June 2, 2011-2020
Underwriters	A syndicate managed by: CIBC World Markets Inc. RBC Capital Markets
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2011	4,309,000	1.500
2012	4,369,000	2.250
2013	4,443,000	2.850
2014	4,543,000	3.250
2015	4,652,000	3.500
2016	4,240,000	3.800
2017	4,357,000	4.000
2018	4,490,000	4.250
2019	4,621,000	4.350
2020	16,056,000	4.550

Series BD

Principal Amount	\$69,690,000
Date of Issue	November 19, 2010
Date of Maturity	November 19, 2011-2020
Underwriters	A syndicate managed by: RBC Capital Markets CIBC World Markets Inc.
Registrar and Paying Agent	Minister of Finance, Province of New Brunswick

<u>Year of Maturity</u>	<u>Principal</u> \$	<u>Interest</u> %
2011	4,647,000	1.500
2012	4,721,000	1.700
2013	4,803,000	2.000
2014	4,886,000	2.250
2015	4,863,000	2.500
2016	4,120,000	2.850
2017	4,233,000	3.150
2018	4,357,000	3.400
2019	4,494,000	3.650
2020	28,566,000	3.850

Schedule of Loans to Municipalities – Cities and Towns

	Principal Outstanding Dec. 31, 2009	2010		Principal Outstanding Dec. 31, 2010
		Principal Repaid	New Loans	
Cities				
Bathurst	\$ 26,460,000	\$ 3,150,000	\$2,817,000	\$ 26,127,000
Campbellton	13,219,000	1,855,000	2,216,000	13,580,000
Dieppe	73,568,000	5,093,000	12,609,000	81,084,000
Edmundston	31,890,000	4,800,000	15,927,000	43,017,000
Fredericton	49,660,000	1,881,000	11,000,000	58,779,000
Miramichi	27,186,000	3,707,000	4,173,000	27,652,000
Moncton	117,446,000	18,466,000	30,160,000	129,140,000
Saint John	130,042,000	14,835,000	20,000,000	135,207,000
	\$ 469,471,000	\$ 53,787,000	\$ 98,902,000	\$514,586,000
Towns				
Beresford	\$ 4,195,000	\$ 608,000	\$ 500,000	\$4,087,000
Bouctouche	543,000	130,000	0	413,000
Caraquet	4,305,000	721,000	695,000	4,279,000
Dalhousie	5,773,000	934,000	490,000	5,329,000
GrandBay/Westfield	1,760,000	175,000	315,000	1,900,000
Grand Falls	17,772,000	1,509,000	1,094,000	17,357,000
Hampton	3,622,000	298,000	1,217,000	4,541,000
Hartland	1,008,000	105,000	95,000	998,000
Lamèque	1,116,000	138,000	0	978,000
Nackawic	573,000	58,000	195,000	710,000
Quispamsis	10,121,000	2,298,000	1,255,000	9,078,000
Richibucto	1,296,000	224,000	0	1,072,000
Riverview	34,038,000	3,326,000	3,515,000	34,227,000
Rothesay	10,662,000	1,541,000	407,000	9,528,000
Sackville	6,102,000	1,052,000	1,077,000	6,127,000
Saint-Leonard	2,085,000	230,000	0	1,855,000
Saint-Quentin	1,803,000	197,000	590,000	2,196,000
Shediac	6,129,000	1,348,000	976,000	5,757,000
Shippagan	4,708,000	617,000	1,170,000	5,261,000
St. Andrews	3,424,000	564,000	1,057,000	3,917,000
St. George	275,000	53,000	0	222,000
St. Stephen	7,713,000	905,000	1,152,000	7,960,000
Sussex	621,000	69,000	783,000	1,335,000
Tracadie-Sheila	4,979,000	463,000	1,075,000	5,591,000
Woodstock	3,077,000	323,000	0	2,754,000
	\$ 137,700,000	\$ 17,886,000	\$ 17,658,000	\$ 137,472,000

Schedule of Loans to Municipalities – Villages

	Principal Outstanding Dec. 31, 2009	2010		Principal Outstanding Dec. 31, 2010
		Principal Repaid	New Loans	
Villages				
Alma	\$ 1,308,000	\$ 35,000	\$ 0	\$ 1,273,000
Atholville	2,909,000	317,000	200,000	2,792,000
Baker Brook	682,000	75,000	0	607,000
Balmoral	1,589,000	177,000	0	1,412,000
Bas-Caraquet	607,000	113,000	0	494,000
Bath	515,000	45,000	176,000	646,000
Belledune	3,439,000	358,000	0	3,081,000
Bertrand	341,000	53,000	400,000	688,000
Blacks Harbour	1,270,000	91,000	0	1,179,000
Blackville	465,000	67,000	100,000	498,000
Bristol	377,000	69,000	0	308,000
Cambridge-Narrows	277,000	277,000	0	0
Canterbury	233,000	21,000	0	212,000
Cap-Pelé	1,551,000	282,000	610,000	1,879,000
Centreville	232,000	41,000	0	191,000
Charlo	800,000	195,000	87,000	692,000
Chipman	632,000	298,000	197,000	531,000
Clair	1,618,000	87,000	0	1,531,000
Doaktown	1,022,000	106,000	63,000	979,000
Dorchester	544,000	24,000	0	520,000
Drummond	445,000	93,000	0	352,000
Eel River Crossing	297,000	57,000	0	240,000
Florenceville	1,005,000	239,000	0	766,000
Fredericton Junction	834,000	70,000	0	764,000
Gagetown	338,000	32,000	105,000	411,000
Grand Manan	1,961,000	142,000	0	1,819,000
Grande-Anse	288,000	119,000	74,000	243,000
Harvey	0	0	125,000	125,000
Hillsborough	655,000	94,000	0	561,000
Kedgwick	1,001,000	139,000	65,000	927,000
Lac-Baker	270,000	26,000	49,000	293,000
Le Goulet	300,000	16,000	0	284,000
Maisonnette	210,000	12,000	0	198,000
McAdam	269,000	48,000	190,000	411,000
Memramcook	6,514,000	267,000	0	6,247,000
Millville	209,000	22,000	0	187,000
Minto	1,356,000	88,000	1,598,000	2,866,000
Néguac	566,000	92,000	36,000	510,000

Schedule of Loans to Municipalities – Villages Continued and Rural Communities

	Principal Outstanding Dec. 31, 2009	2010		Principal Outstanding Dec. 31, 2010
		Principal Repaid	New Loans	
Villages Continued				
New Maryland	\$ 5,182,000	\$ 649,000	\$ 53,000	\$ 4,586,000
Nigadoo	504,000	63,000	0	441,000
Norton	155,000	28,000	0	127,000
Paquetville	1,092,000	147,000	167,000	1,112,000
Petitcodiac	935,000	90,000	825,000	1,670,000
Petit-Rocher	2,018,000	286,000	92,000	1,824,000
Plaster Rock	2,490,000	140,000	0	2,350,000
Pointe-Verte	240,000	34,000	0	206,000
Port Elgin	196,000	17,000	0	179,000
Rexton	434,000	73,000	0	361,000
Riverside-Albert	1,110,000	62,000	0	1,048,000
Rivière-Verte	656,000	56,000	0	600,000
Rogersville	896,000	68,000	0	828,000
Saint-Anne-de- Madawaska	453,000	91,000	0	362,000
Saint-Marie-Saint Raphaël	400,000	53,000	331,000	678,000
Saint-Antoine	2,363,000	641,000	519,000	2,241,000
Saint-François-de- Madawaska	966,000	76,000	0	890,000
Saint-Isidore	404,000	46,000	0	358,000
Saint-Léolin	66,000	8,000	40,000	98,000
Saint-Louis-de-Kent	775,000	109,000	0	666,000
Salisbury	1,212,000	80,000	0	1,132,000
St. Martins	42,000	26,000	80,000	96,000
Stanley	183,000	48,000	90,000	225,000
Sussex Corner	479,000	78,000	530,000	931,000
Tide Head	75,000	30,000	99,000	144,000
	\$ 60,255,000	\$ 7,286,000	\$ 6,901,000	\$ 59,870,000
Rural Communities				
Beaubassin-est	\$ 27,000	\$ 9,000	\$ 0	\$ 18,000
Saint-André	476,000	34,000	0	442,000
	\$ 503,000	\$ 43,000	\$ 0	\$ 460,000

Schedule of Loans to Municipalities – Municipal Enterprises

	Principal Outstanding Dec. 31, 2009	2010		Principal Outstanding Dec. 31, 2010
		Principal Repaid	New Loans	
Municipal Enterprises				
The Apohaqui Sewerage Commission	\$ 10,000	\$ 10,000	\$ 0	\$ 0
BNPP Police Commission	43,000	10,000	24,000	57,000
COGEDES	91,000	29,000	0	62,000
Allardville Sewerage Commission	40,000	6,000	0	34,000
Val d'Amours Sewerage Commission	128,000	128,000	0	0
Fredericton Area Pollution Control Commission	63,000	31,000	0	32,000
Fredericton Regional Solid Waste Commission	1,978,000	225,000	427,000	2,180,000
Fundy Region Solid Waste Commission	9,530,000	2,378,000	529,000	7,681,000
The Nepisiguit-Chaleur Solid Waste Commission	633,000	244,000	683,000	1,072,000
Northumberland Solid Waste Commission	121,000	60,000	0	61,000
Restigouche Solid Waste Corporation	0	0	311,000	311,000
Rothesay Regional Joint Board of Police Commissioner	1,919,000	86,000	0	1,833,000
The Greater Shediac Sewerage Commission	1,262,000	63,000	335,000	1,534,000
Westmorland-Albert Solid Waste Corp.	2,467,000	452,000	0	2,015,000
	<u>\$ 18,285,000</u>	<u>\$ 3,722,000</u>	<u>\$ 2,309,000</u>	<u>\$ 16,872,000</u>
Grand Total	<u>\$ 686,214,000</u>	<u>\$ 82,724,000</u>	<u>\$125,770,000</u>	<u>\$ 729,260,000</u>

FINANCIAL STATEMENTS

NEW BRUNSWICK

MUNICIPAL FINANCE CORPORATION

31 DECEMBER 2010



Auditor General of New Brunswick

AUDITOR'S REPORT

To the Board of Directors
New Brunswick Municipal Finance Corporation

I have audited the accompanying financial statements of the New Brunswick Municipal Finance Corporation, which comprise the balance sheet as at 31 December 2010, and the statements of income and retained earnings and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the New Brunswick Municipal Finance Corporation as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KD Robinson

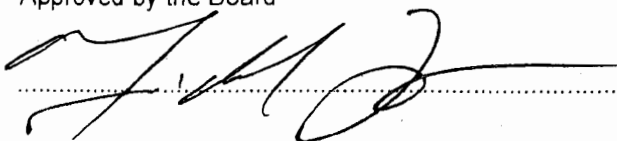
K. D. Robinson, CA
Deputy Auditor General

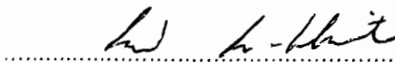
Fredericton, N. B.
March 31, 2011

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
BALANCE SHEET
31 DECEMBER 2010

	2010	2009
ASSETS		
Cash and short-term investments	\$ 1,034,275	\$ 1,015,947
Accounts receivable (Note 4)	10,000	10,000
Accrued interest receivable from municipalities and municipal enterprises	3,886,101	4,110,978
Accrued investment income receivable	5,268	2,639
	<u>4,935,644</u>	<u>5,139,564</u>
Long term investments (note 6)	881,000	988,000
Unamortized discounts on long term investments	(68,168)	(105,569)
	<u>812,832</u>	<u>882,431</u>
Loans to municipalities and municipal enterprises (Note 4)	729,260,000	686,214,000
Unamortized discounts on loans to municipalities and municipal enterprises	(3,740,855)	(3,264,068)
	<u>725,519,145</u>	<u>682,949,932</u>
Total assets	<u>\$731,267,621</u>	<u>\$688,971,927</u>
LIABILITIES AND RETAINED EARNINGS		
Accounts payable	\$ 11,878	\$ 2,285
Accrued interest payable on debenture debt	3,902,995	4,129,512
	<u>3,914,873</u>	<u>4,131,797</u>
Debenture debt (Note 5)	730,071,000	687,110,000
Unamortized discounts on debenture debt	(3,744,353)	(3,269,492)
	<u>726,326,647</u>	<u>683,840,508</u>
Total liabilities	730,241,520	687,972,305
Retained earnings	1,026,101	999,622
	<u>\$731,267,621</u>	<u>\$688,971,927</u>

Approved by the Board

 Director

 Director

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
REVENUE		
Interest from municipalities and municipal enterprises	\$ 31,241,315	\$ 29,754,734
Retained for debenture issue expenses	188,655	229,670
Investment income	8,551	11,024
Amortization of discount on long term investments	37,401	38,215
Amortization of discount on loans to municipalities and municipal enterprises	758,733	680,091
	<u>32,234,655</u>	<u>30,713,734</u>
EXPENSE		
Interest paid on debentures	31,283,395	29,798,602
Amortization of discount on debenture debt	760,659	682,021
Other expenses	164,122	161,322
	<u>32,208,176</u>	<u>30,641,945</u>
NET INCOME (LOSS) FOR THE YEAR	26,479	71,789
Retained earnings, beginning of year	999,622	927,833
RETAINED EARNINGS, end of year	<u>\$ 1,026,101</u>	<u>\$ 999,622</u>

NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
CASH PROVIDED BY (USED FOR):		
Operating activities:		
Net income (loss) for the year	\$ 26,479	\$ 71,789
Add (deduct)		
Amortization of discount on long term investments	(37,401)	(38,215)
Amortization of discount on loans to municipalities and municipal enterprises	(758,733)	(680,091)
Amortization of discount on debenture debt	760,659	682,021
Decrease (increase) in non-cash components of working capital	5,324	(3,245)
	<u>(3,672)</u>	<u>32,259</u>
Financing activities:		
Proceeds on sale of debentures	124,534,479	152,013,942
Funds retained for debenture issues expenses	(188,655)	(229,670)
Principal paid on debenture debt	<u>(82,809,000)</u>	<u>(78,866,000)</u>
	<u>41,536,824</u>	<u>72,918,272</u>
Investing activities:		
Loans to municipalities and municipal enterprises	(124,345,824)	(151,784,273)
Principal repayments made by municipalities and municipal enterprises	82,724,000	78,860,000
Long term investments	107,000	-
	<u>(41,514,824)</u>	<u>(72,924,273)</u>
INCREASE (DECREASE) IN CASH	18,328	26,258
Cash position, beginning of year	<u>1,015,947</u>	<u>989,689</u>
CASH POSITION, end of year	<u>\$ 1,034,275</u>	<u>\$ 1,015,947</u>

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2010**

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
Accounts receivable	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 2010**

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

Transaction 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 data from the prior year. Accordingly, the Corporation will adopt the new standards for its fiscal year beginning January 1, 2011. The Corporation has evaluated the impact of the adoption of these standards on its financial statements. The impact is not expected to be significant.

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 2010**

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:
- | | |
|------|--------------|
| 2011 | \$90,956,000 |
| 2012 | \$85,223,000 |
| 2013 | \$77,476,000 |
| 2014 | \$90,302,000 |
| 2015 | \$77,772,000 |
- (c) During 2009, a municipal enterprise defaulted on a principal payment to the Corporation in the amount of \$10,000. The Corporation recovered this amount from the Department of Local Government during 2010, and recorded a receivable on the Balance Sheet for December 31, 2009. When the payment is made by the municipal enterprise, the funds will be used to reimburse the Department of Local Government. At December 31, 2010, the payment remained outstanding. As such, the Balance Sheet contains an accounts receivable from the municipal enterprise and an accounts payable to the Department of Local Government in the amount of \$10,000.

5. Debenture debt

- (a) The following debenture debt outstanding at 31 December 2010 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 2010**

5. Debenture debt (continued)

<u>Series</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Outstanding</u>
"AK"	17 July 2001	17 July 2002 to 2011	4.45% to 6.2%	28,920,000	7,277,000
"AL"	30 Nov. 2001	30 Nov. 2002 to 2011	2.45% to 5.5%	42,281,000	8,811,000
"AM"	12 July 2002	12 July 2003 to 2012	3.375% to 5.75%	52,016,000	16,283,000
**"AN"	23 Dec. 2002	23 Dec. 2003 to 2012	3.1% to 5.6%	24,625,000	7,023,000
"AO"	28 July 2003	28 July 2004 to 2013	3.05% to 5.0%	41,532,000	16,589,000
"AP"	17 Dec. 2003	17 Dec 2004 to 2013	2.75% to 5.125%	51,873,000	18,773,000
**"AQ"	8 July 2004	8 July 2005 to 2014	2.75% to 5.50%	27,040,000	14,192,000
"AR"	16 Dec. 2004	16 Dec. 2005 to 2014	2.75% to 4.80%	78,919,000	47,113,000
**"AS"	7 July 2005	7 July 2006 to 2015	2.85% to 4.35%	21,781,000	13,112,000
"AT"	7 Dec. 2005	7 Dec. 2006 to 2015	3.75% to 4.375%	75,023,000	47,853,000
**"AU"	13 June 2006	13 June 2007 to 2016	4.15% to 4.70%	29,249,000	19,243,000
**"AV"	1 Dec. 2006	1 Dec. 2007 to 2016	4.15% to 4.45%	105,451,000	78,575,000
**"AW"	25 May 2007	25 May 2008 to 2017	4.30% to 4.55%	28,104,000	21,483,000
**"AX"	23 Nov. 2007	23 Nov. 2008 to 2017	4.45% to 4.85%	56,691,000	44,621,000
**"AY"	16 May 2008	16 May 2009 to 2018	3.30% to 4.85%	53,383,000	45,483,000
**"AZ"	22 Dec. 2008	22 Dec. 2009 to 2023	2.10% to 5.55%	63,750,000	55,211,000
"BA"	11 Jun. 2009	11 June 2010 to 2019	0.95% to 5.00%	70,562,000	65,044,000
"BB"	6 Nov. 2009	6 Nov. 2010 to 2019	1.00% to 4.50%	82,551,000	77,615,000
"BC"	2 June 2010	2 June 2011 to 2020	1.50% to 4.55%	56,080,000	56,080,000
"BD"	19 Nov. 2010	19 Nov. 2011 to 2020	1.50% to 3.85%	69,690,000	69,690,000
				<u>\$ 1,059,521,000</u>	<u>\$ 730,071,000</u>

* These debentures were sold directly to funds administered by the Province of New Brunswick and total \$298,943,000 outstanding at 31 December 2010.

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

2011	\$91,128,000
2012	\$85,491,000
2013	\$77,847,000
2014	\$90,302,000
2015	\$77,772,000

**NEW BRUNSWICK MUNICIPAL FINANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
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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 \$849,559.

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.