



Consolidated financial statements

Millbrook Band Council

March 31, 2016

Contents

	Page
Management's responsibility for financial reporting	1
Independent auditor's report	2
Consolidated statement of operations	4
Consolidated statement of financial position	5
Consolidated statement of changes in net financial liabilities	7
Consolidated statement of changes in surplus	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10
Schedule of segment reporting	25

Management's responsibility for financial reporting

The accompanying consolidated financial statements of the Millbrook Band Council and all the information contained therein are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with accounting standards as disclosed in Note 1 to the consolidated financial statements. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external independent auditor's report.

The Band Council maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Band's assets are appropriately accounted for and adequately safeguarded.

The Band Council is responsible for ensuring that management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The consolidated financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards. Grant Thornton LLP has full and free access to the Council.



Councillor



Councillor

Independent auditor's report

Grant Thornton LLP
733 Prince Street
Truro, NS
B2N 1G7
T +1 902 893 1150
F +1 902 893 9757
www.GrantThornton.ca

To the Chief and Councillors of the Millbrook Band Council

We have audited the accompanying consolidated financial statements of the Millbrook Band Council, which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, changes in net financial liabilities, changes in surplus, 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 consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for qualified opinion

The statement of financial position includes intangible assets in the amount of \$645,000 for fishing licenses and permits purchased by Millbrook Band Council. Recording intangible assets is a departure from Canadian public sector accounting standards. Accordingly, both the purchased licenses and permits and accumulated surplus are overstated by \$645,000 as at March 31, 2016. If intangible assets were not recorded in order to be in compliance with Canadian public sector accounting standards, purchased licenses and permits and accumulated surplus would both decrease by \$645,000.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph above, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Millbrook Band Council as at March 31, 2016, and the results of its consolidated operations, changes in net financial liabilities and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Emphasis of matter

We draw attention to Note 28 to the financial statements which describes the restatement of a prior period. Our opinion is qualified in respect to this matter.

Truro, Canada
July 27, 2016

Grant Thornton LLP

Chartered Accountants

Millbrook Band Council

Consolidated statement of operations

(Restated -
See Note 28)

Year ended March 31	Budget 2016	2016	2015
Revenues			
Fisheries	\$ 2,709,844	\$ 3,593,136	\$ 3,846,799
Gaming, net (Note 2)	9,896,827	12,005,168	10,670,450
Rental	3,976,615	3,728,675	3,677,250
Retail sales	9,075,843	9,568,022	8,898,404
Taxation	600,000	427,588	543,498
Negotiation	-	-	1,500,000
Government transfers (Note 3)	9,797,377	10,266,285	11,516,708
Other revenues (Note 4)	224,477	1,005,896	588,895
	<u>36,280,983</u>	<u>40,594,770</u>	<u>41,242,004</u>
Expenditures			
Advertising	190,018	176,823	168,123
Atlantic Lotto	848,640	853,303	850,756
Bad debts	291,928	299,067	346,159
Chief and Council			
Honorariums	630,760	630,721	618,737
Travel	13,000	3,583	17,899
Community health	995,989	1,108,467	1,018,748
Contributions to band members and activities (Note 5)	3,350,806	4,206,794	3,721,568
Direct sales costs	7,126,952	7,332,767	7,301,940
Economic development	36,000	43,242	15,524
Education – other	1,912,488	1,935,150	1,717,622
Education – tuition agreement	1,700,000	1,646,423	1,610,947
Employment training	342,450	304,843	392,836
Insurance	176,109	194,591	209,367
Interest and bank charges	182,165	240,428	167,322
Interest on long-term debt	439,953	608,833	574,873
Office and supplies	224,028	410,149	315,394
Professional fees	1,061,583	1,134,328	850,762
Property management	316,600	246,945	214,129
Rent	371,550	345,663	291,879
Repairs, maintenance and renovations	1,965,848	2,420,501	2,170,101
Salaries and benefits	6,950,600	6,655,859	6,820,671
Security	411,097	403,594	400,617
Social – basic and special needs	2,956,947	3,141,811	3,030,061
Summer games	-	425,661	-
Sundry	521,134	422,490	439,738
Travel – other	56,476	50,792	48,744
Utilities and telephone	393,878	359,901	446,666
Total expenditures	<u>33,466,999</u>	<u>35,602,729</u>	<u>33,761,183</u>
Annual surplus before amortization	2,813,984	4,992,041	7,480,821
Amortization	<u>2,656,345</u>	<u>4,626,928</u>	<u>4,942,161</u>
Annual surplus	\$ <u>157,639</u>	\$ <u>365,113</u>	\$ <u>2,538,660</u>

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Consolidated statement of financial position

(Restated -
See Note 28)

Year ended March 31	2016	2015
Financial assets		
Cash and cash equivalents	\$ 16,627,219	\$ 10,847,497
Restricted cash and deposits		
Replacement reserve fund (Note 6)	579,196	533,047
Subsidy surplus reserve fund (Note 7)	33,338	33,165
Member allowances (Note 8)	11,058,627	10,611,812
Receivables (Note 9)	2,452,734	3,872,191
Loans receivable (Note 10)	2,291,983	-
Trust Fund assets (Note 11)	405,980	202,685
Inventories	99,043	155,185
Investments (Note 12)	5,629,596	2,971,575
	<u>39,177,716</u>	<u>29,227,157</u>
Liabilities		
Bank indebtedness (Note 13)	2,050,000	2,510,000
Payables and accruals	3,582,047	2,158,849
Deferred revenue	502,429	546,796
Demand loans (Note 14)	10,512,775	1,961,094
Long term debt (Note 15)	13,620,585	14,397,870
Promissory note payable (Note 16)	758,022	758,022
Member allowances (Note 8)	11,058,627	10,611,812
	<u>42,084,485</u>	<u>32,944,443</u>
Net financial liabilities (Page 7)	<u>(2,906,769)</u>	<u>(3,717,286)</u>
Non-financial assets		
Tangible capital assets (Note 17)	49,196,011	52,003,482
Other assets – deferred 1919		
Halifax County Land Claim	1,070,599	1,054,687
Deferred development costs (Note 18)	143,647	63,962
Purchased fishing licenses and permits (Note 19)	645,000	645,000
Deposit for licenses (Note 27(a))	2,300,000	-
Prepays	269,370	344,438
	<u>53,624,627</u>	<u>54,111,569</u>
Surplus (Page 6)	<u>\$ 50,717,858</u>	<u>\$ 50,394,283</u>

See accompanying notes to the consolidated financial statements

Millbrook Band Council
Consolidated statement of financial position

(Restated-
 See Note 28)
 2015

March 31

2016

Surplus (Page 8)		
Operating	\$ 24,446,085	\$ 14,039,887
Replacement Reserve	701,044	576,032
Equity in Trust	<u>507,582</u>	<u>133,848</u>
	25,654,711	14,749,767
Investment in tangible capital assets	<u>25,063,147</u>	<u>35,644,516</u>
	\$ <u>50,717,858</u>	\$ <u>50,394,283</u>

Contingencies and Commitment (Notes 21 and 24)

Subsequent events (Note 27)

On Behalf of the Band



Councillor



Councillor

See accompanying notes to the consolidated financial statements

Millbrook Band Council
Consolidated statement of changes in
net financial liabilities

Year ended March 31	Budget 2016	2016	(Restated- See Note 28) 2015
Annual surplus (deficit)	\$ 449,739	\$ 365,113	\$ 2,538,660
Acquisition of tangible capital assets	(500,000)	(1,819,457)	(910,140)
Amortization of tangible capital assets	2,656,345	4,626,928	4,942,161
Acquisition of deferred development costs, net	-	(79,685)	(100,111)
Write off of deferred development costs	-	-	553,450
	<u>2,606,084</u>	<u>3,092,899</u>	<u>7,024,020</u>
Withdrawals from Replacement Reserve	-	(41,538)	(99,873)
Acquisition of purchased fishing licenses and permits	-	-	(645,000)
Acquisition of prepaid expenses, net of usage	-	75,072	(10,704)
Deposit on purchased fishing licenses and permits	-	(2,300,000)	-
Change in other assets, net	-	(15,916)	(43,246)
	<u>-</u>	<u>(2,282,382)</u>	<u>(798,823)</u>
Change in net financial liabilities	2,606,084	810,517	6,225,197
Net financial liabilities, beginning of year	<u>(3,717,286)</u>	<u>(3,717,286)</u>	<u>(9,942,483)</u>
Net financial liabilities, end of year	\$ <u>(1,111,202)</u>	\$ <u>(2,906,769)</u>	\$ <u>(3,717,286)</u>

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Consolidated statement of changes in surplus

Year ended March 31, 2016

	Operating	(Note 11) Trust Fund Equity	Investment in Tangible Capital Assets	Replacement Reserve Fund	Total 2016	(Restated - See Note 28) Total 2015
Surplus, beginning of year	\$ 13,394,887	\$ 133,848	\$ 35,644,516	\$ 576,032	\$ 49,749,283	\$ 47,955,496
Prior period adjustment (Note 28)	645,000	-	-	-	645,000	-
Surplus, beginning of year, as restated	14,039,887	133,848	35,644,516	576,032	50,394,283	47,955,496
Annual surplus (deficit)	4,618,307	373,734	(4,626,928)	-	365,113	2,538,660
Tangible capital assets						
Additions	(1,819,457)	-	1,819,457	-	-	-
Issuance of capital debt	9,141,222	-	(9,141,222)	-	-	-
Repayment of capital debt	(1,367,324)	-	1,367,324	-	-	-
Withdrawals from Replacement Reserve, net of interest income	-	-	-	(41,538)	(41,538)	(99,873)
Transfers, net	(166,550)	-	-	166,550	-	-
Surplus, end of year	\$ 24,446,085	\$ 507,582	\$ 25,063,147	\$ 701,044	\$ 50,717,858	\$ 50,394,283

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Consolidated statement of cash flows

(Restated -
See Note 28)

Year ended March 31	2016	2015
Operating activities		
Annual surplus (deficit)	\$ 365,113	\$ 2,538,660
Amortization	4,626,928	4,942,161
Write off of deferred development costs	-	553,450
Non-cash investment loss (income)	(49,724)	25,800
Provision for decline in value of investments	238,421	-
	<u>5,180,738</u>	<u>8,060,071</u>
Change in non-cash working capital		
Receivables	1,419,457	(1,721,106)
Inventories	56,142	(37,299)
Prepays	75,068	(10,704)
Payables and accruals	1,423,198	292,913
Deferred revenue	(44,367)	(119,774)
	<u>8,110,236</u>	<u>6,464,101</u>
Financing transactions		
Proceeds from (Repayment of):		
Bank indebtedness, net	(460,000)	(325,000)
Proceeds from issuance:		
Demand debt	8,861,272	-
Long term debt	279,950	180,000
Repayment of:		
Demand debt	(309,590)	(385,718)
Long term debt	(1,057,734)	(1,053,061)
	<u>7,313,898</u>	<u>(1,583,779)</u>
Investing transactions		
Replacement Reserve	(46,149)	(3,763)
Subsidy Surplus Reserve	(172)	40
Payments from Replacement Reserve	(41,538)	(99,873)
Loan receivable	(2,291,983)	-
Trust fund assets	(203,295)	100,040
Deposit on licenses	(2,300,000)	-
Partnership equity settlement	(188,196)	-
Purchase of investments, net	(2,658,020)	(110,250)
Acquisition of tangible capital assets	(1,819,457)	(910,140)
Acquisition of purchased fishing licenses and permits	-	(645,000)
Acquisition of deferred development costs	(79,685)	(100,111)
Other assets	(15,917)	(43,246)
	<u>(9,644,412)</u>	<u>(1,812,303)</u>
Change in net cash and cash equivalents	5,779,722	3,068,019
Opening, net cash and cash equivalents	<u>10,847,497</u>	<u>7,779,478</u>
Closing, net cash and cash equivalents	\$ <u>16,627,219</u>	\$ <u>10,847,497</u>

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

1. Summary of significant accounting policies

Basis of presentation and consolidation

The consolidated financial statements of Millbrook Band Council are the representations of management prepared in accordance with accounting standards for governments as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada with the exception of capitalizing purchased fishing licenses and permits as intangible assets. These consolidated financial statements have been prepared using the following significant accounting policies:

Consolidation

The consolidated statement of financial position includes all of the assets and liabilities of the Band.

The consolidated financial statements include the accounts of Millbrook Band Council and its principal operating entities which are both incorporated and unincorporated. The unincorporated entities are as follows:

- Millbrook Administration which reports the general activities of the First Nation Administration including Social Services, band support, education, operations capital, operating and maintenance, economic development, community health and welfare, employment training, and miscellaneous.
- Millbrook Band Housing Projects which reports the social housing assets of the First Nation, together with related activities.
- The Trust Fund which reports on trust funds owned by the First Nation and held by third parties.
- Tobacco Store which reports the First Nation's retail tobacco store operations.
- Millbrook Rental Authority which provides rental operations.
- Millbrook Gaming Commission which reports the First Nation's gaming activities.
- Millbrook Treaty Gas operation which reports the First Nation's retail commercial operations.
- Millbrook First Nation Aboriginal Fisheries which reports the First Nation's commercial fishing operations.

Incorporated and unincorporated business entities, which are owned and controlled by Millbrook Band Council are included in the consolidated financial statements. These are:

- 3031611 Nova Scotia Limited (Land holding)
- 3050587 Nova Scotia Limited (Sheet Harbour wharf)
- 3051802 Nova Scotia Limited (Aquaculture)
- 3051803 Nova Scotia Limited (Caldwell Glen apartments)
- 3061881 Nova Scotia Limited (Joggins Wharf)
- 3151517 Nova Scotia Limited (Mill Mel partnership holding)
- 3273476 Nova Scotia Limited (Hampton Inn holding)
- 3288180 Nova Scotia Limited (Heritage Centre)
- 3288613 Nova Scotia Limited (Millbrook Finance Authority)
- 3043339 Nova Scotia Limited (Fishing license holding)
- 3269804 Nova Scotia Limited (Truro Millbrook Wind Limited Partnership holding)
- 3233312 Nova Scotia Limited (Blue Two partnership holding)

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

1. Summary of significant accounting policies (continued)

Consolidation (continued)

- Mill Mel Residential Developments Partnership
- Millbrook First Nation Economic Development Corporation Limited
- Millbrook Technologies Inc.

Investments

Investments in common shares of business enterprises in which the Band Council holds less than 20% interest are recorded at cost, less any distribution from the business enterprises for return of capital.

Investments in business partnerships and joint ventures are accounted for by the modified equity method and applied using the Band Council's share of the business partnership and the joint venture.

All investments are reviewed by management for impairment and if a decline in the value is considered other than temporary, the investment is written down to reflect the impairment with a charge to income.

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Estimates include depreciation and amortization of tangible capital assets and deferred development costs, allowances on receivables, and valuation allowances on long-term investments.

Revenue recognition

Unconditional and conditional transfers from other governments for operating and capital purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions is deferred until conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer is authorized.

All non-government contribution or grant revenues that are externally restricted for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally received revenues not yet used for the purpose or purposes specified are reported as deferred revenues.

Rental revenue is recognized in the period it is earned as agreed to by the rental entities and their tenants.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

1. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Revenues from business operations are recorded as revenue when earned at the point of sale.

Interest and other revenues are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Net gaming revenue from video lottery net of corresponding direct expenses are recognized at the time of play and are recorded net of commissions and credits paid out. Other gaming revenues are recognized as earned when received or receivable as long as collection is reasonably assured.

Inventories

Inventories are valued at the lower of cost and net realizable value.

Deferred development costs

Costs related to specific projects under construction and development have been deferred until the projects are completed (See Note 18). Once completed, the costs are transferred to tangible capital assets and amortized in accordance with the tangible capital asset amortization rates as set forth below.

Costs related to infrastructure development and business start ups have been deferred and are being amortized in accordance with the accounting policies of the applicable entity.

Tangible capital assets and amortization

Tangible capital asset expenditures are capitalized at cost. The investment in tangible capital assets represents the equity in tangible capital assets of the consolidated group.

Rates and basis of amortization applied to write off the cost of capital assets over their estimated lives are as follows:

Buildings	2.5%, 4% and 5%, straight line
Paving and roads	4% - 10%, straight line
Equipment and school buses	30%, straight line
Trailers	20%, declining balance
Water tower	4%, straight line
Wharfs	5%, straight line
Land improvements	6.67%, straight line
Paving	10%, straight line
Equipment	20%, declining balance
	20% and 10%-20%, straight line
Mobile Homes	10%, declining balance
Motor vessels	10%, straight line
Automotive equipment	30%, declining balance
Signs	20%, straight line
Software development	20%, straight line

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

1. Summary of significant accounting policies (continued)

Purchased fishing licenses and permits

Purchased fishing licenses and permits assets are intangible capital assets. These indefinite-lived fishing licences and permits are recognized at cost and are not amortized. The capitalization of intangible assets is a departure from Canadian public sector accounting standards.

The Band evaluates the carrying value of its licenses and permits annually for impairment. Should a permanent impairment be identified, the impairment will be recognized as a reduction in the carrying value and as a charge against income on the statement of operations in the period in which the impairment occurred.

The Band also owns other communal fishing licenses and permits which were not purchased by the Band but were given to, or granted to, the Band. These fishing licenses and permits have been disclosed within Note 20 to the consolidated financial statements.

Other assets

Costs incurred related to the 1919 Halifax County Land Claim have been deferred and will be recognized at the time of settlement of the claim of which the settlement date cannot be estimated at this time.

Impairment of long-lived assets

Long-lived assets such as development costs are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and term deposits net of bank overdraft.

The cash balance includes \$21,466 (2015 - \$21,293) restricted for pension contributions on behalf of employees of the Band.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

2. Gaming revenues, net

2016

2015

Net gaming revenues include the following components:

Cash in	\$ 58,294,940	\$ 59,161,469
Cash out	(46,405,556)	(48,437,171)
Commission to vendors	(94,145)	(329,331)
My Play	-	19,610
Province of Nova Scotia Gaming Agreement	<u>209,929</u>	<u>255,873</u>
	<u>\$ 12,005,168</u>	<u>\$ 10,670,450</u>

3. Government transfers

2016

2015

INAC	\$ 8,157,171	\$ 8,903,811
CMHC	321,023	408,693
DFO	-	525,147
Health Canada	1,163,257	1,141,607
METS (Service Canada)	509,934	537,450
MEBO	63,900	-
Province of Nova Scotia	<u>51,000</u>	<u>-</u>
	<u>\$ 10,266,285</u>	<u>\$ 11,516,708</u>

4. Other revenues

2016

2015

Daycare – parent fees	\$ 15,763	\$ 25,829
Gain (loss) on disposal of tangible capital assets	-	36,280
Interest income	269,011	97,494
Investment income (loss)	(181,565)	(63,954)
Land rental	370,942	317,903
Wind land rental	14,328	27,211
Wind farm revenue	369,766	-
Miscellaneous	91,154	75,422
Child Health programming	5,088	-
Post-secondary refunds	4,690	10,118
Technologies	16,626	24,152
Training recoveries	<u>30,093</u>	<u>38,440</u>
	<u>\$ 1,005,896</u>	<u>\$ 588,895</u>

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

5. Contributions to band members and activities

During the year, the Band Council paid allowances to its Band members totalling \$3,905,936 (2015 - \$3,450,825) and for band activities in the amount of \$300,858 (2015 - \$270,743).

6. Replacement reserve fund 2016 2015

Under the terms of the agreement with the C.M.H.C., during the year ended March 31, 2016, the replacement reserve account was credited in the amount of \$96,553 (2015 - 99,571). These funds along with accumulated interest must be held in a separate interest bearing bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by the C.M.H.C. from time to time. Interest of \$3,284 was earned on the reserve balance during the year. The funds in the account may only be used as approved by the C.M.H.C. At year end, the funds in reserve consisted of the following:

Cash	\$ <u>579,196</u>	\$ <u>533,047</u>
------	-------------------	-------------------

As at March 31, 2016 the required Replacement Reserve Fund balance is \$701,044. Cash balance within the Replacement Reserve account is \$579,196, leaving a deficit of \$121,848.

7. Subsidy surplus reserve 2016 2015

Under the terms of the agreement with C.M.H.C., excess federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of \$500 per unit plus interest. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by C.M.H.C. from time to time. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. At year-end the funds in the Subsidy Surplus Reserve consisted of the following:

Cash	\$ <u>33,338</u>	\$ <u>33,165</u>
------	------------------	------------------

8. Member allowances

The Band Council established trust accounts to control member allowances for children under the age of nineteen. The principal and interest are held in trust by an independent financial institution. Upon turning nineteen years of age, the principal and accumulated interest are paid to the individual Band member.

The balance of the investment portfolio at cost is \$11,058,627 at March 31, 2016 (market value is \$12,684,483).

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

9. Receivables	<u>2016</u>	<u>2015</u>
Indigenous and Northern Affairs Canada	\$ 754,623	\$ 1,287,447
Glooscap Heritage Society		
Loans receivable	53,429	51,429
Other	-	16,173
Harmonized Sales Tax	32,693	23,990
Health Canada	-	387,861
Honorariums	25,568	155,465
Indian Brook First Nation	43,088	123,088
Mi'kmaq Employment/Training Secretariat	121,071	218,076
Band members receivables and payroll advances	198,597	172,661
Trade and sundry	<u>1,223,665</u>	<u>1,436,001</u>
	<u>\$ 2,452,734</u>	<u>\$ 3,872,191</u>

10. Loans receivable	<u>2016</u>	<u>2015</u>
Loan at 4.5% to Pacrim Hospitality Services Inc., repayable in monthly instalments of \$7,273, including principal and interest. Secured by a personal guarantee.	\$ 218,878	\$ -
Loan at 5.5% to We'kopekwitk Service Hotel Limited Partnership, repayable in monthly instalments of interest only.	<u>2,073,105</u>	-
	<u>\$ 2,291,983</u>	<u>\$ -</u>

Expected principal repayments based upon scheduled payments in each of the next three years are as follows:

2017	\$ 79,040
2018	\$ 82,672
2019	\$ 57,166

11. Trust Fund

The Trust Fund arises from monies derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

11. Trust Fund (continued)

A reconciliation of the Trust Fund cash balance and the Trust Fund equity balance is as follows:

	<u>2016</u>	<u>2015</u>
Trust cash balance	\$ 405,980	\$ 202,685
Funds receivable (net of payables)	231,714	121,258
Deferred trust revenues	<u>(130,112)</u>	<u>(190,095)</u>
Trust Fund equity balance	<u>\$ 507,582</u>	<u>133,848</u>

A summary of the Trust Fund revenues is as follows:

	<u>2016</u>	<u>2015</u>
Revenues		
Rent		
Millbrook First Nation Economic Development Corporation Limited	\$ 370,942	\$ 317,903
Interest	2,792	11,638
Wind farm income	-	6,005
Total revenues	<u>\$ 373,734</u>	<u>\$ 380,335</u>

12. Investments

	<u>2016</u>	<u>2015</u>
Equity basis accounting		
Amherst 8 Motel Partnership 13.58% interest	\$ 168,755	\$ 161,682
Caraquet Super 8 Motel Joint Venture 19.85% interest	251,445	222,002
Holloway Lodging Real Estate Investment Trust, 5,750 units, at cost less unit distributions to date of \$289,225 and estimated impairment provisions	11,543	12,698
Truro-Millbrook Wind Limited Partnership	1,533,395	1,896,436
We'kopekwitk Service Hotel Limited Partnership	<u>3,040,183</u>	<u>61,682</u>
	<u>5,005,321</u>	<u>2,354,500</u>
Other		
Melford International Terminal Incorporated, 250,000 common shares issued at cost of \$1 US per share	324,275	317,075
Deer Lake Express Hotel Limited, 300,000 common shares at \$1 per share, at cost	<u>300,000</u>	<u>300,000</u>
	<u>\$ 5,629,596</u>	<u>\$ 2,971,575</u>

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

13. Bank indebtedness

The Band Council has a consolidated banking arrangement with RBC which provides an operating line of credit of \$3,000,000, at RBC prime, \$2,050,000 of which is used at March 31, 2016.

As security, the Band Council has provided a general security agreement with a first ranking security interest in all property of the Band. Band Council resolutions have been provided to authorize specific borrowing.

14. Demand loans	<u>2016</u>	<u>2015</u>
RBC loan at prime plus 0.75%, principal payments of \$12,813 monthly	\$ 410,018	\$ -
RBC loans at prime plus 1.1%, principal payments of \$10,417 monthly.	624,980	749,984
RBC loan at prime plus 0.55%, principal payable at \$11,111 monthly.	1,077,777	1,211,110
2.6% First Nations Finance Authority loan, monthly payments of interest only, until 2035 when it becomes due. The interest rate is to be negotiated every five years.	<u>8,400,000</u>	-
	<u>\$ 10,512,775</u>	<u>\$ 1,961,094</u>

All demand loans are secured by a guarantee of the Millbrook Band Council except for the First Nations Finance Authority loan which is also secured by the revenues of Millbrook Gaming Commission.

Expected principal repayments based upon scheduled payments in each of the next five years are as follows:

2017	\$	412,092
2018	\$	412,092
2019	\$	360,842
2020	\$	271,362
2021	\$	258,297

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

15. Long term debt	<u>2016</u>	<u>2015</u>
Housing project mortgages maturing in 2016 to 2021, bearing interest at 1.04% to 2.82%, payable in equal monthly amounts of principal and interest totalling \$37,739. As security for the mortgages, the Minister of Indigenous and Northern Affairs Canada has provided a guarantee.	\$ 4,865,517	\$ 4,947,573
3.70% mortgage maturing in 2017, amortized to December 2033, payable in equal monthly instalments of principal and interest of \$16,628. As security, Mill Mel Residential Developments Partnership has provided a building having a net book value of \$4,278,547.	2,608,152	2,709,890
4.38% RBC loan, principal and interest payable at \$53,187 monthly, secured by a guarantee of Millbrook Band Council.	4,186,388	4,631,975
3.2% mortgage maturing June 2019, amortized to 2027, payable in equal monthly instalments of principal and interest of \$17,732. As security, 3051803 Nova Scotia limited has provided a building with a net book value of \$3,803,112, a general assignment of rents and leases, and a general security agreement.	1,960,528	2,108,432
	<u>\$ 13,620,585</u>	<u>\$ 14,397,870</u>

Principal repayments in each of the next five years are due as follows:

2017	\$ 1,075,079
2018	\$ 1,061,949
2019	\$ 1,082,207
2020	\$ 1,109,400
2021	\$ 1,109,439

16. Promissory note payable	<u>2016</u>	<u>2015</u>
Non-interest bearing promissory note, payable on the earlier of March 31, 2017 or the settlement of 1919 land claims.	\$ 758,022	\$ 758,022

Millbrook Band Council

Notes to the consolidated financial statements

Year ended March 31, 2016

17. Tangible capital assets

Cost:	Land	Land Improvements	Land	Automotive Equipment	Buildings	Equipment	Roads
Balance, beginning of year	\$ 1,312,022	\$ 401,940	\$ 578,179	\$ 82,367,442	\$ 5,252,998	\$ 7,747,375	
Acquisition of tangible capital assets	-	-	-	1,344,857	81,034	393,566	
Disposal of tangible capital assets	-	-	-	-	-	-	
Balance, end of year	1,312,022	401,940	578,179	83,712,299	5,334,032	8,140,941	

Accumulated depreciation:

Balance, beginning of year	-	399,413	504,022	37,657,768	4,631,081	4,849,990	
Annual depreciation	-	1,010	20,290	3,326,160	369,260	656,568	
Accumulated depreciation on disposals	-	-	-	-	-	-	
Balance, end of year	-	400,423	524,312	40,983,928	5,000,341	5,506,558	

Net book value of tangible capital assets

\$ 1,312,022	\$ 1,517	\$ 53,867	\$ 42,728,371	\$333,691	\$2,634,383	
--------------	----------	-----------	---------------	-----------	-------------	--

Cost:

	Software	Vessels	Wharf	Water Tower	Total 2016	Total 2015
Balance, beginning of year	\$ 316,181	\$ 2,779,479	\$ 1,531,600	\$ 1,998,798	\$ 104,286,014	103,552,543
Acquisition of tangible capital assets	-	-	-	-	1,819,457	910,140
Disposal of tangible capital assets	-	-	-	-	-	(176,669)
Balance, end of year	316,181	2,779,479	1,531,600	1,998,798	106,105,471	104,286,014

Accumulated depreciation:

Balance, beginning of year	315,983	2,246,471	799,922	877,882	52,282,532	47,340,371
Annual depreciation	198	96,910	76,580	79,952	4,626,928	4,942,161
Accumulated depreciation on disposals	-	-	-	-	-	-
Balance, end of year	316,181	2,343,381	876,502	957,834	56,909,460	52,282,532

Net book value of tangible capital assets

\$ -	\$ 436,098	\$ 655,098	\$ 1,040,964	\$ 49,196,011	\$ 52,003,482	
------	------------	------------	--------------	---------------	---------------	--

Millbrook Band Council
Notes to the consolidated financial statements

March 31, 2016

18. Deferred development costs		<u>2016</u>	<u>2015</u>
Represented by:			
Cole Harbour Business Centre	\$	70,006	\$ -
Millbrook Power Centre		9,679	-
Tuff's Cove		53,962	53,962
Future house lot		<u>10,000</u>	<u>10,000</u>
	\$	<u>143,647</u>	\$ <u>63,962</u>

19. Purchased fishing licenses and permits		<u>2016</u>	<u>2015</u>
Area 23 Snow Crab Allocation Permit #152701	\$	225,000	\$ 225,000
Area 24 Snow Crab Allocation Permit #152739		210,000	210,000
Area 24 Snow Crab Allocation Permit #152741		<u>210,000</u>	<u>210,000</u>
	\$	<u>645,000</u>	\$ <u>645,000</u>

The Band records all purchased commercial fishing licenses and permits as intangible assets. All other permits and licenses owned by Millbrook Band Council have been granted for a \$nil consideration and therefore have not been capitalized. These licenses and permits have been disclosed in Note 20.

20. Other fishing licenses and permits

In addition to the purchased licenses and permits disclosed in Note 19, Millbrook Band Council also owns the following licenses and permits, which were granted for a \$nil consideration:

<u>Species</u>	<u>Area</u>	<u># of Tags/Quota</u>
Groundfish	Digby	35,000lbs
Lobster	35 – Digby	7 tags
Lobster	32 – Sheet Harbour	2 tags
Lobster	26A	license #2995
Scallops	32 – Digby	39,000 lbs
Swordfish	SF Area	30,000 lbs
Tuna	Canso	5,000 lbs
Tuna	Pictou/Canso	4 tags

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

21. Contingencies

- a) The Band entered into a five year funding agreement with Indigenous and Northern Affairs Canada, effective April 1, 2013. These funds are to be used to provide certain programs and services to band members and recipients as defined in the agreement.
- b) The Band has entered into contribution agreements with various government departments. Funding received under these contribution agreements are subject to repayment if the Band fails to comply with the terms and conditions of the agreements.
- c) The Band completed court proceedings in relation to a Judicial Review in the Federal Court of Canada following an April 29, 2015 decision of the Canadian Human Rights Tribunal on liability issues arising from an alleged discrimination complaint. A decision on the hearing is currently pending. The outcome of any liability is indeterminable at this time. As a result, no accrual for this potential liability has been recorded in the Band's records.
- d) One of the Band's incorporated companies has provided a guarantee of \$67,800 for an outstanding loan of Amherst 8 Motel Limited.
- e) The Band has provided a guarantee of \$62,500 for an outstanding loan of Caraquet 8 Motel Limited.

22. Subsidy assistance payments

The Housing Projects have received Federal assistance through C.M.H.C. pursuant to Section 56.1 of the National Housing Act to reduce the mortgage interest expense to enable the projects to provide housing to low income individuals. The amount of assistance recorded in 2016 was \$267,413 (2015 - \$347,212) which reduced interest on the mortgage with respect to the residential component.

23. Economic dependence

The Millbrook First Nation receives a portion of its revenues pursuant to a funding arrangement with Indigenous and Northern Affairs Canada.

As explained in Note 21 (a), the First Nation is a party to an *Alternative Funding Agreement* (AFA) with Indigenous and Northern Affairs Canada. Under the terms of the agreement, funding from the arrangement with Indigenous and Northern Affairs Canada can be suspended if terms of the AFA are not complied with by the First Nation.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

24. Commitment

The Band committed a contribution of \$250,000 in 2012 towards the Central Nova Scotia Civic Centre which is to be paid over five years at \$50,000 a year. By the end of March 31, 2016, the Band Council has contributed a total of \$200,000.

25. Retirement service awards

- a) The Band Council has a policy which provides for its Chief and Council members, upon retirement an award in recognition of service, equal to \$4,000 for each year of service for Chief and Council. The liability at March 31, 2016 is \$584,000 (2015 - \$621,000).
 - b) During the year, Millbrook Band Council paid out retirement allowances in the amount of \$120,000 (2015 - \$nil).
-

26. Tuition agreement

On August 1, 1987, the Band Council entered into a tuition agreement with the Chignecto-Central Regional School Board respecting the provision of education services to Indian children. The cost to the Band Council is based on the net operating expenditures of the school board prorated by the Indian student ratio enrolment in the schools administered by the School Board.

27. Subsequent events

- a) Effective April 15, 2016, the Organization purchased one lobster license for \$2,300,000 and another lobster license is expected to be purchased on August 15, 2016 for \$2,300,000. The licenses are Core District 35 lobster license #111601 and #112025. During the current year, the Organization paid \$2,300,000 in advance for the lobster licenses and the balance paid has been included as a deposit for licenses as a non-financial asset on the statement of financial position as at March 31, 2016. In order to finance this purchase, in April 2016, Millbrook Band Council secured financing for a term loan in the amount of \$1.3 million and an additional temporary overdraft of \$600,000 until August 31, 2016.
- b) The Organization is expecting to sell two of its scallop licenses effective August 15, 2016 for a cash consideration of \$2,300,000.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2016

28. Prior period adjustment

Canadian public sector accounting standards does not allow the capitalization of intangible capital assets. In 2016, Management and Chief and Council of Millbrook Band Council have decided to capitalize the Band's purchased fishing licenses and permits which are considered to be intangible capital assets. In addition, the Band decided to restate the comparative period as if all other purchased commercial fishing licenses and permits were capitalized. All other licenses and permits currently owned by Millbrook Band Council have been granted to the Organization for a \$nil consideration and have not been capitalized. Since the capitalization of these purchased intangible assets is a departure from Canadian public sector accounting standards, a qualification in the independent auditor's report has been disclosed for the departure. The prior period adjustment recorded as a result had the following impact on the consolidated financial statements for the year ended March 31, 2015:

Statement of operations and surplus:

Decrease in expenses	\$645,000
Increase in annual surplus	\$645,000
Increase in accumulated surplus	\$645,000

Statement of financial position:

Increase in intangible assets	\$645,000
Increase in accumulated surplus	\$645,000

Millbrook Band Council

Schedule of segment reporting

Year ended March 31, 2016

	Band Management and Support			Social Services			Education			Fisheries		
	Budget 2016	Actual 2016	Actual 2015	Budget 2016	Actual 2016	Actual 2015	Budget 2016	Actual 2016	Actual 2015	Budget 2016	Actual 2016	(Restated - See Note 28) 2015
Revenues												
Federal government operating transfers	2,899,141	3,540,647	2,787,299	3,689,994	3,689,994	3,661,098	2,717,230	2,717,230	2,695,952	115,000	-	92,087
Federal government capital transfers	-	-	-	-	-	-	-	-	-	-	-	433,060
Provincial government operating transfers	-	-	1,500,000	-	-	-	-	-	-	-	-	-
Provincial government capital transfers	-	-	-	-	-	-	-	-	-	-	-	-
Economic activities	678,000	750,772	2,222,108	-	-	-	-	-	-	2,709,844	3,593,136	3,846,799
Other	77,999	125,869	62,351	-	-	-	13,137	5,690	11,118	-	-	40,000
	3,655,140	4,417,288	6,571,758	3,689,994	3,689,994	3,661,098	2,730,367	2,722,920	2,707,070	2,824,844	3,593,136	4,411,946
Expenses												
Salaries and benefits	2,218,499	2,230,789	2,524,840	118,179	122,103	115,834	677,240	635,065	679,983	1,069,923	1,060,353	1,022,234
Amortization and depreciation	48,000	15,452	98,321	-	-	-	-	-	-	133,356	141,329	142,674
Interest	7,753,717	9,215,193	8,281,211	2,986,198	3,174,179	3,061,842	3,612,488	3,581,573	3,328,569	636,027	1,005,078	821,090
Other	10,020,216	12,493,080	11,904,693	3,104,377	3,296,282	3,177,676	4,289,728	4,216,638	4,008,552	1,839,306	2,206,760	2,630,998
	(6,365,076)	(8,075,792)	(5,332,934)	585,617	393,712	483,422	(1,559,361)	(1,493,718)	(1,301,482)	985,538	1,386,376	1,780,948
Surplus (deficit) for the year												

Millbrook Band Council

Schedule of segment reporting (continued)

Year ended March 31, 2016

	Gaming			Housing			Rental			Tobacco		
	Budget 2016	Actual 2016	Actual 2015	Budget 2016	Actual 2016	Actual 2015	Budget 2016	Actual 2016	Actual 2015	Budget 2016	Actual 2016	Actual 2015
Revenues												
Federal government operating transfers	-	-	-	331,012	267,414	347,212	-	-	-	-	-	-
Federal government capital transfers	-	-	-	-	-	-	-	-	-	-	-	-
Provincial government operating transfers	-	-	-	-	-	-	-	-	-	-	-	-
Provincial government capital transfers	-	-	-	-	-	-	-	-	-	-	-	-
Economic activities	8,000,000	9,644,978	8,679,225	401,771	(90,837)	192,804	1,580,779	1,836,292	1,655,775	5,478,581	6,385,487	5,596,337
Other	-	-	-	2,400	3,296	3,299	2,550	1,334	-	-	-	-
	8,000,000	9,644,978	8,679,225	735,183	179,873	543,315	1,583,329	1,837,626	1,655,775	5,478,581	6,385,487	5,596,337
Expenses												
Salaries and benefits	-	-	-	-	-	-	32,000	-	-	100,759	109,828	101,327
Amortization and depreciation	-	-	-	403,298	296,350	295,149	87,017	426,634	409,895	-	2,436	2,700
Interest	514	434	-	466	102,257	106,244	162,131	164,822	177,652	8,199	15,768	7,912
Other	1,009,034	993,172	973,102	75,957	350,913	198,731	873,555	851,492	943,852	3,558,993	4,443,751	3,992,530
	1,009,548	993,606	973,102	479,721	749,520	600,124	1,154,703	1,442,948	1,531,399	3,667,951	4,571,783	4,104,469
Surplus (deficit) for the year	6,990,452	8,651,372	7,706,123	255,462	(569,647)	(56,809)	428,626	394,678	124,376	1,810,630	1,813,704	1,491,868

Millbrook Band Council

Schedule of segment reporting (continued)

Year ended March 31, 2016

	Treaty Gas		Trust Fund		First Nation Economic Development				Totals		
	Budget 2016	Actual 2016	Budget 2016	Actual 2016	Budget 2016	Actual 2016	Budget 2015	Actual 2015	Budget 2016	Actual 2016	(Restated - See Note 28) 2015
Revenues											
Federal government operating transfers	-	-	-	-	-	-	-	-	9,752,377	10,215,285	9,583,648
Federal government capital transfers	-	-	-	-	-	-	-	-	-	-	433,060
Provincial government operating transfers	-	-	-	-	45,000	51,000	-	-	45,000	51,000	1,500,000
Provincial government capital transfers	-	-	-	-	-	-	-	-	-	-	-
Economic activities	5,333,589	5,281,296	-	-	2,204,956	2,417,439	1,717,739	-	26,387,520	29,818,562	29,272,982
Other	-	-	-	373,734	-	-	335,546	-	96,086	509,923	452,314
	5,333,589	5,281,296	-	373,734	2,249,956	2,468,439	1,717,739	-	36,280,983	40,594,770	41,242,004
Expenses											
Salaries and benefits	2,625,740	2,346,413	-	-	106,500	151,309	-	-	6,948,840	6,655,860	6,820,671
Amortization and depreciation	-	83,814	-	-	2,032,674	2,644,720	2,971,098	-	2,656,345	4,626,928	4,942,161
Interest	56,460	49,021	-	-	346,848	501,655	295,389	-	622,618	849,410	741,644
Other	4,144,363	3,301,318	-	-	1,245,209	1,180,790	821,128	-	25,895,541	28,097,459	26,198,869
	6,826,563	5,780,566	-	-	3,731,231	4,478,474	4,087,615	-	36,123,344	40,229,657	38,703,345
Surplus (deficit) for the year	(1,492,974)	(499,270)	-	373,734	(1,481,275)	(2,010,035)	(2,369,876)	-	157,639	365,113	2,538,660