



Grant Thornton

Consolidated financial statements

Millbrook Band Council

March 31, 2017

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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

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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, 2017, 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 consolidated statement of financial position includes intangible assets in the amount of \$5,245,000 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 \$5,245,000 as at March 31, 2017. 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 \$5,245,000.

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, 2017, 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.

Grant Thornton LLP

Truro, Canada
July 25, 2017

Chartered Professional Accountants
Licensed Public Accountants

Millbrook Band Council

Consolidated statement of operations

Year ended March 31	Budget 2017	2017	2016
Revenues			
Fisheries	\$ 3,029,044	\$ 6,445,139	\$ 3,593,136
Gaming, net (Note 2)	11,557,061	11,721,512	12,005,168
Rental	4,271,784	4,010,929	3,728,675
Retail sales	9,429,887	9,464,770	9,568,022
Taxation	601,677	547,745	427,588
Government transfers (Note 3)	9,588,895	12,332,036	10,266,285
Other revenues (Note 4)	2,317,038	1,076,840	1,005,896
	<u>40,795,386</u>	<u>45,598,971</u>	<u>40,594,770</u>
Expenditures			
Advertising	204,005	182,811	176,823
Atlantic Lotto	911,040	848,640	853,303
Bad debts	371,475	306,270	299,067
Chief and Council honorariums	630,760	630,752	630,721
Chief and Council travel	13,000	3,765	3,583
Community health	1,532,500	1,459,056	1,108,467
Contributions to band members and activities (Note 5)	4,511,091	4,759,007	4,206,794
Direct sales costs	7,216,069	9,764,441	7,332,767
Economic development	155,700	65,132	43,242
Education – other	1,839,503	1,949,544	1,935,150
Education – tuition agreement	1,700,000	1,765,046	1,646,423
Employment training	6,000	384,960	304,843
Insurance	190,531	233,976	194,591
Interest and bank charges	323,534	232,823	240,428
Interest on long-term debt	689,828	656,139	608,833
Office and supplies	389,215	395,319	410,149
Professional fees	1,062,202	1,288,905	1,134,328
Property management	214,548	226,978	246,945
Rent	314,575	295,516	345,663
Repairs, maintenance and renovations	4,037,075	2,793,267	2,420,501
Salaries and benefits	7,023,521	7,400,130	6,655,859
Security	409,589	412,535	403,594
Social – basic and special needs	2,886,947	3,145,900	3,141,811
Summer games	-	-	425,661
Sundry	296,988	482,778	422,490
Travel – other	90,573	68,253	50,792
Utilities and telephone	444,470	383,298	359,901
	<u>37,464,739</u>	<u>40,135,241</u>	<u>35,602,729</u>
Annual surplus before non-cash items	3,330,647	5,463,730	4,992,041
Amortization	4,296,698	3,872,272	4,626,928
Gain on sale of tangible capital assets	-	(62,000)	-
Gain on exchange of licenses and permits	-	(2,300,000)	-
	<u>4,296,698</u>	<u>1,510,272</u>	<u>4,626,928</u>
Annual surplus	\$ (966,051)	\$ 3,953,458	\$ 365,113

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Consolidated statement of financial position

Year ended March 31

2017

2016

Financial assets

Cash and cash equivalents	\$ 11,749,888	\$ 16,627,219
Restricted cash and deposits		
Replacement reserve fund (Note 6)	704,105	579,196
Subsidy surplus reserve fund (Note 7)	33,609	33,338
Member allowances (Note 8)	11,223,384	11,058,627
Receivables (Note 9)	3,617,651	2,452,734
Loans receivable (Note 10)	7,207,579	2,291,983
Trust Fund assets (Note 11)	528,606	405,980
Inventories	227,996	99,043
Investments (Note 12)	<u>5,119,518</u>	<u>5,629,596</u>
	<u>40,412,336</u>	<u>39,177,716</u>

Liabilities

Bank indebtedness (Note 13)	2,880,000	2,050,000
Payables and accruals	3,246,623	3,582,047
Deferred revenue	406,831	502,429
Demand loans (Note 14)	5,812,653	10,751,371
Bond payable (Note 15)	8,165,541	-
Long term debt (Note 16)	13,666,632	13,381,989
Promissory note payable (Note 17)	758,022	758,022
Member allowances (Note 8)	<u>11,223,384</u>	<u>11,058,627</u>
	<u>46,159,686</u>	<u>42,084,485</u>

Net financial liabilities (Page 7)

(5,747,350) (2,906,769)

Non-financial assets

Tangible capital assets (Note 18)	47,229,478	49,196,011
Other assets – deferred 1919		
Halifax County Land Claim	1,061,608	1,070,599
Deferred development costs (Note 19)	6,676,115	143,647
Purchased fishing licenses and permits (Note 20)	5,245,000	645,000
Deposit for licenses	-	2,300,000
Prepays	<u>132,975</u>	<u>269,370</u>
	<u>60,345,176</u>	<u>53,624,627</u>

Surplus (Page 6)

\$ 54,597,826 \$ 50,717,858

See accompanying notes to the consolidated financial statements

Millbrook Band Council
Consolidated statement of financial position

March 31

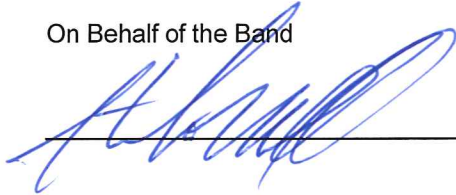
2017

2016

Surplus (Page 8)			
Operating	\$	32,220,278	\$ 24,446,085
Replacement Reserve		744,336	701,044
Equity in Trust		<u>824,398</u>	<u>507,582</u>
		33,789,012	25,654,711
Investment in tangible capital assets		<u>20,808,814</u>	<u>25,063,147</u>
	\$	<u>54,597,826</u>	\$ <u>50,717,858</u>

Contingencies and Commitment (Notes 22 and 25)

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 2017	2017	2016
Annual surplus	\$ (966,051)	\$ 3,953,458	\$ 365,113
Acquisition of tangible capital assets	(800,000)	(1,905,739)	(1,819,457)
Amortization of tangible capital assets	4,296,698	3,872,272	4,626,928
Gain on disposal of tangible capital assets	-	(62,000)	-
Gain on exchange of fishing licenses and permits	-	(2,300,000)	-
Proceeds on disposals	-	2,362,000	-
Acquisition of deferred development costs, net	-	(6,532,468)	(79,685)
	<u>2,530,647</u>	<u>(612,477)</u>	<u>3,092,899</u>
Withdrawals from Replacement Reserve	-	(73,490)	(41,538)
Acquisition of purchased fishing licenses and permits	-	(2,300,000)	-
Acquisition of prepaid expenses, net of usage	-	136,395	75,072
Deposit on purchased fishing licenses and permits	-	-	(2,300,000)
Change in other assets, net	-	8,991	(15,916)
	<u>-</u>	<u>(2,228,104)</u>	<u>(2,282,382)</u>
Change in net financial liabilities	<u>\$ 2,530,647</u>	<u>(2,840,581)</u>	810,517
Net financial liabilities, beginning of year		<u>(2,906,769)</u>	<u>(3,717,286)</u>
Net financial liabilities, end of year		<u>\$ (5,747,350)</u>	<u>\$ (2,906,769)</u>

See accompanying notes to the consolidated financial statements

Millbrook Band Council
Consolidated statement of changes in surplus

Year ended March 31, 2017

	Operating	(Note 11) Trust Fund Equity	Investment in Tangible Capital Assets	Replacement Reserve Fund	Total 2017	Total 2016
Surplus, beginning of year	\$ 24,446,085	\$ 507,582	\$ 25,063,147	\$ 701,044	\$ 50,717,858	\$ 50,394,283
Annual surplus (deficit)	7,508,914	316,816	(3,872,272)	-	3,953,458	365,113
Tangible capital assets						
Additions	(1,905,739)	-	1,905,739	-	-	-
Issuance of capital debt	4,044,568	-	(4,044,568)	-	-	-
Repayment of capital debt	(1,756,768)	-	1,756,768	-	-	-
Withdrawals from Replacement Reserve, net of interest income	-	-	-	(73,490)	(73,490)	(41,538)
Transfers, net	(116,782)	-	-	116,782	-	-
Surplus, end of year	\$ 32,220,278	\$ 824,398	\$ 20,808,814	\$ 744,336	\$ 54,597,826	\$ 50,717,858

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Consolidated statement of cash flows

Year ended March 31

2017

2016

Operating activities

Annual surplus	\$ 3,953,458	\$ 365,113
Amortization	3,872,272	4,626,928
Gain on disposal of tangible capital assets	(62,000)	-
Gain on exchange of fishing licenses and permits	(2,300,000)	-
Non-cash investment income	-	(49,724)
Provision for decline in value of investments	-	238,421
	5,463,730	5,180,738

Change in non-cash working capital

Receivables	(1,164,917)	1,419,457
Inventories	(128,953)	56,142
Prepays	136,395	75,068
Payables and accruals	(335,424)	1,423,198
Deferred revenue	(95,598)	(44,367)
	3,875,233	8,110,236

Financing transactions

Proceeds from (Repayment of):		
Bank indebtedness, net	830,000	(460,000)
Proceeds from issuance:		
Bond payable	8,400,000	-
Demand debt	4,000,000	8,861,272
Long term debt	1,944,568	279,950
Repayment of:		
Bond payable	(234,459)	-
Demand debt	(8,938,718)	(309,590)
Long term debt	(1,659,925)	(1,057,734)
	4,341,466	7,313,898

Investing transactions

Replacement Reserve	(125,179)	(46,321)
Payments from Replacement Reserve	(73,490)	(41,538)
Loan receivable	(4,915,596)	(2,291,983)
Trust fund assets	(122,626)	(203,295)
Partnership equity settlement	-	(188,196)
Purchase of investments, net	510,077	(2,658,020)
Proceeds on disposition	62,000	-
Deposit on licenses	-	(2,300,000)
Acquisition of tangible capital assets	(1,905,739)	(1,819,457)
Acquisition of deferred development costs	(6,532,468)	(79,685)
Other assets	8,991	(15,917)
	(13,094,030)	(9,644,412)

Change in net cash and cash equivalents	(4,877,331)	5,779,722
Opening, net cash and cash equivalents	16,627,219	10,847,497
Closing, net cash and cash equivalents	\$ 11,749,888	\$ 16,627,219

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2017

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, 2017

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, 2017

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 19). 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, 2017

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 \$21,628 (2016 - \$21,466) restricted for pension contributions on behalf of employees of the Band.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2017

2. Gaming revenues, net 2017 2016

Net gaming revenues include the following components:

Cash in	\$ 53,193,210	\$ 58,294,940
Cash out	(41,649,194)	(46,405,556)
Commission to vendors	(14,657)	(94,145)
Province of Nova Scotia Gaming Agreement	<u>192,153</u>	<u>209,929</u>
	<u>\$ 11,721,512</u>	<u>\$ 12,005,168</u>

3. Government transfers 2017 2016

INAC	\$ 9,609,947	\$ 8,157,171
CMHC	430,022	321,023
DFO	225,000	-
Health Canada	1,240,394	1,163,257
METS (Service Canada)	683,160	509,934
MEBO	-	63,900
Province of Nova Scotia	<u>143,513</u>	<u>51,000</u>
	<u>\$ 12,332,036</u>	<u>\$ 10,266,285</u>

4. Other revenues 2017 2016

Contract revenues	\$ 251,071	\$ -
Daycare – parent fees	18,203	15,763
Interest income	488,983	269,011
Investment loss	(380,652)	(181,565)
Land rental	313,347	370,942
Wind land rental	14,328	14,328
Wind farm revenue	273,839	369,766
Miscellaneous	49,383	91,154
Child Health programming	9,875	5,088
Post-secondary refunds	-	4,690
Technologies	12,105	16,626
Training recoveries	<u>26,358</u>	<u>30,093</u>
	<u>\$ 1,076,840</u>	<u>\$ 1,005,896</u>

Included in investment loss in the current year is a provision for amortization and interest expenses for the equity investment in We'Kopekwitk Service Hotel Limited Partnership.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2017

5. Contributions to band members and activities

During the year, the Band Council paid allowances to its Band members totalling \$4,446,101 (2016 - \$3,905,936) and for band activities in the amount of \$312,906 (2016 - \$300,858).

6. Replacement reserve fund 2017 2016

Under the terms of the agreement with the C.M.H.C., during the year ended March 31, 2017, the replacement reserve account was credited in the amount of \$95,437 (2016 - 96,553). 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>704,105</u>	\$ <u>579,196</u>
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As at March 31, 2017 the required Replacement Reserve Fund balance is \$744,336. Cash balance within the Replacement Reserve account is \$704,105, leaving a deficit of \$40,231.

7. Subsidy surplus reserve fund 2017 2016

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>33,609</u>	\$ <u>33,338</u>
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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 \$11,223,384 at March 31, 2017 (market value is \$13,196,806).

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2017

9. Receivables	<u>2017</u>	<u>2016</u>
Indigenous and Northern Affairs Canada	\$ 895,398	\$ 754,623
Glooscap Heritage Society	53,429	53,429
Harmonized Sales Tax	903,677	32,693
Honorariums	132,582	25,568
Indian Brook First Nation	23,088	43,088
Mi'kmaq Employment/Training Secretariat	198,151	121,071
Band members receivables and payroll advances	199,355	198,597
Trade and sundry	<u>1,211,971</u>	<u>1,223,665</u>
	<u>\$ 3,617,651</u>	<u>\$ 2,452,734</u>

10. Loans receivable	<u>2017</u>	<u>2016</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.	\$ 159,733	\$ 218,878
Loan at 5.5% to We'kopekwik Service Hotel Limited Partnership, repayable in monthly instalments of interest only.	<u>7,047,846</u>	<u>2,073,105</u>
	<u>\$ 7,207,579</u>	<u>\$ 2,291,983</u>

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

2018	\$ 102,766
2019	\$ 56,967

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*.

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

	<u>2017</u>	<u>2016</u>
Trust cash balance	\$ 528,606	\$ 405,980
Funds receivable (net of payables)	300,724	231,714
Deferred trust revenues	<u>(4,932)</u>	<u>(130,112)</u>
Trust Fund equity balance	<u>\$ 824,398</u>	<u>\$ 507,582</u>

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2017

11. Trust Fund (continued)

A summary of the Trust Fund revenues is as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Rent		
Millbrook First Nation Economic Development Corporation Limited	\$ 313,347	\$ 370,942
Interest	<u>3,469</u>	<u>2,792</u>
Total revenues	<u>\$ 316,816</u>	<u>\$ 373,734</u>

12. Investments

	<u>2017</u>	<u>2016</u>
Equity basis accounting		
Amherst 8 Motel Partnership 13.58% interest	\$ 181,899	\$ 168,755
Caraquet Super 8 Motel Joint Venture 19.85% interest	284,195	251,445
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	11,543
Truro-Millbrook Wind Limited Partnership	1,254,698	1,533,395
We'kopekwitk Service Hotel Limited Partnership	<u>2,754,078</u>	<u>3,040,183</u>
	<u>4,486,413</u>	<u>5,005,321</u>
Other		
Melford International Terminal Incorporated, 250,000 common shares issued at cost of \$1 US per share	333,105	324,275
Deer Lake Express Hotel Limited, 300,000 common shares at \$1 per share, at cost	<u>300,000</u>	<u>300,000</u>
	<u>\$ 5,119,518</u>	<u>\$ 5,629,596</u>

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, \$2,880,000 of which is used at March 31, 2017.

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.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2017

14. Demand loans	<u>2017</u>	<u>2016</u>
RBC loan at prime plus 0.75%, principal payments of \$12,813 monthly	\$ 256,261	\$ 410,018
RBC loans at prime plus 1.1%, principal payments of \$10,417 monthly.	499,976	624,980
RBC loan at prime plus 0.55%, principal payable at \$11,111 monthly.	944,444	1,077,777
RBC loan at prime plus 0.50%, repayable in full July 31, 2017	4,000,000	-
Housing project mortgages bearing interest at 1.75% to 2.56%, payable in equal monthly amounts of principal and interest totalling \$4,658.	111,972	238,596
2.6% First Nations Finance Authority loan, refinanced during the year.	-	8,400,000
	<u>\$ 5,812,653</u>	<u>\$ 10,751,371</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 and Housing mortgages, for which the Minister of Indigenous and Northern Affairs Canada has provided a guarantee.

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

2018	\$	4,354,649
2019	\$	335,455
2020	\$	284,286
2021	\$	267,419
2022	\$	133,333

During the year, \$4,000,000 was obtained as a bridging loan obtained to fund future economic development. This loan will be refinanced August 1, 2017 for specific projects and at such time, payment terms will be determined and the \$4,000,000 will be amortized and repaid over the term specified in the agreement.

15. Bond payable	<u>2017</u>	<u>2016</u>
2.9% First Nations Finance Authority debenture, amortized over a 20 year period with payments of interest and principal, maturing on July 26, 2024.	\$ 8,165,541	\$ -

The debenture is secured by revenues of Millbrook Gaming Commission.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2017

16. Long term debt	<u>2017</u>	<u>2016</u>
<p>Housing project mortgages maturing in 2017 to 2041, bearing interest at 1.04% to 2.35%, payable in equal monthly amounts of principal and interest totalling \$27,737. As security for the mortgages, the Minister of Indigenous and Northern Affairs Canada has provided a guarantee. \$</p>	4,419,783	\$ 4,626,921
<p>3.26% mortgage maturing in 2022, amortized to December 2033, payable in equal monthly instalments of principal and interest of \$16,794. As security, Mill Mel Residential Developments Partnership has provided a building having a net book value of \$4,139,704.</p>	2,502,665	2,608,152
<p>4.38% RBC loan, principal and interest payable at \$53,187 monthly, secured by a guarantee of Millbrook Band Council.</p>	3,712,169	4,186,388
<p>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 \$3,657,690, a general assignment of rents and leases, and a general security agreement.</p>	1,807,853	1,960,528
<p>3.7% RBC loan, principal and interest payable in equal monthly instalments of \$10,834, secured by a guarantee of Millbrook Band Council.</p>	<u>1,224,162</u> \$ 13,666,632	- <u>\$ 13,381,989</u>

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

2018	\$	1,164,008
2019	\$	1,196,914
2020	\$	1,229,019
2021	\$	1,256,124
2022	\$	1,282,917

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

Millbrook Band Council

Notes to the consolidated financial statements

Year ended March 31, 2017

18. Tangible capital assets

Cost:	Land	Land Improvements	Automotive Equipment	Buildings	Equipment	Roads
Balance, beginning of year	\$ 1,312,022	\$ 401,940	\$ 578,179	\$ 83,712,299	\$ 5,334,032	\$ 8,140,941
Acquisition of tangible capital assets	-	-	279,818	1,372,223	243,460	10,238
Disposal of tangible capital assets	-	-	(228,350)	-	-	-
Balance, end of year	1,312,022	401,940	629,647	85,084,522	5,577,492	8,151,179

Accumulated amortization:

Balance, beginning of year	-	400,423	524,312	40,983,928	5,000,341	5,506,558
Annual amortization	-	1,010	54,485	2,789,288	99,138	674,861
Accumulated amortization on disposals	-	-	(228,350)	-	-	-
Balance, end of year	-	401,433	350,447	43,773,216	5,099,479	6,181,419

Net book value of tangible capital assets

\$ 1,312,022	\$ 507	\$ 279,200	\$ 41,311,306	\$ 478,013	\$ 1,969,760
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Cost:

	Software	Vessels	Wharf	Water Tower	Total 2017	Total 2016
Balance, beginning of year	\$ 316,181	\$ 2,779,479	\$ 1,531,600	\$ 1,998,798	\$ 106,105,471	\$ 104,286,014
Acquisition of tangible capital assets	-	-	-	-	1,905,739	1,819,457
Disposal of tangible capital assets	-	-	-	-	(228,350)	-
Balance, end of year	316,181	2,779,479	1,531,600	1,998,798	107,782,860	106,105,471

Accumulated amortization:

Balance, beginning of year	316,181	2,343,381	876,502	957,834	56,909,460	52,282,532
Annual amortization	-	96,910	76,628	79,952	3,872,272	4,626,928
Accumulated amortization on disposals	-	-	-	-	(228,350)	-
Balance, end of year	316,181	2,440,291	953,130	1,037,786	60,553,382	56,909,460

Net book value of tangible capital assets

\$ -	\$ 339,188	\$ 578,470	\$ 961,012	\$ 47,229,478	\$ 49,196,011
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Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2017

19. Deferred development costs	<u>2017</u>	<u>2016</u>
Represented by:		
Cole Harbour Gaming Building	\$ 1,897,784	\$ 70,006
Millbrook Power Centre	4,567,390	9,679
Tuff's Cove	200,941	53,962
Future house lot	<u>10,000</u>	<u>10,000</u>
	<u>\$ 6,676,115</u>	<u>\$ 143,647</u>

20. Purchased fishing licenses and permits	<u>2017</u>	<u>2016</u>
District 35 Lobster License #111601	\$ 2,300,000	\$ -
District 35 Lobster License #112025	2,300,000	-
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>\$ 5,245,000</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 21.

21. Other fishing licenses and permits

In addition to the purchased licenses and permits disclosed in Note 20, 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
Swordfish	SF Area	30,000 lbs
Tuna	Canso	5,000 lbs
Tuna	Pictou/Canso	4 tags

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Notes to the consolidated financial statements
March 31, 2017

22. 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) One of the Band's incorporated companies has provided a guarantee of \$67,800 for an outstanding loan of Amherst 8 Motel Limited.
- d) The Band has provided a guarantee of \$62,500 for an outstanding loan of Caraquet 8 Motel Limited.
- e) The First Nation may, from time to time, be involved in legal proceedings, claims and litigation that arise in the normal course of business and which the First Nation believes would not reasonably be expected to have a material adverse effect on its financial position.

23. 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 2017 was \$260,994 (2016 - \$267,413) which reduced interest on the mortgage with respect to the residential component.

24. 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, 2017

25. 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, 2017, the Band Council has contributed the total amount of \$250,000.

26. 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 \$1,000 for each year of service for Chief and Council. The liability at March 31, 2017 is \$597,000 (2016 - \$584,000).
- b) During the year, Millbrook Band Council paid out retirement allowances in the amount of \$nil (2016 - \$120,000).

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. Comparative figures

Certain of the 2016 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2017.

Millbrook Band Council

Schedule of segment reporting

Year ended March 31, 2017

	Band Management and Support			Social Services			Education			Trust Fund		
	Budget 2017	Actual 2017	Actual 2016	Budget 2017	Actual 2017	Actual 2016	Budget 2017	Actual 2017	Actual 2016	Budget 2017	Actual 2017	Actual 2016
Revenues												
Federal government operating transfers	3,338,826	5,538,809	3,540,647	3,728,270	3,728,270	3,689,994	2,745,416	2,745,416	2,717,230	-	-	-
Federal government capital transfers	-	-	-	-	-	-	-	-	-	-	-	-
Provincial government operating transfers	-	-	-	-	-	-	-	-	-	-	-	-
Provincial government capital transfers	601,677	458,732	750,772	-	-	-	-	-	-	-	-	-
Economic activities	340,000	251,071	125,869	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	13,137	-	5,690	400,000	316,816	373,734
	4,280,503	6,248,612	4,417,288	3,728,270	3,728,270	3,689,994	2,758,553	2,745,416	2,722,920	400,000	316,816	373,734
Expenses												
Salaries and benefits	2,450,784	2,382,024	2,230,789	120,672	122,685	122,103	667,745	750,271	635,065	-	-	-
Amortization and depreciation	984,000	1,075,959	1,031,646	-	-	-	-	-	-	-	-	-
Interest	240,000	58,411	15,452	-	-	-	-	-	-	-	-	-
Other	10,183,368	9,867,031	9,215,193	2,917,338	3,178,696	3,174,179	3,539,503	3,714,590	3,581,573	-	-	-
	13,858,152	13,383,425	12,493,080	3,038,010	3,301,381	3,296,282	4,207,248	4,464,861	4,215,638	-	-	-
Surplus (deficit) for the year	(9,577,649)	(7,134,813)	(8,075,792)	690,260	426,889	393,712	(1,448,695)	(1,719,445)	(1,493,718)	400,000	316,816	373,734

Millbrook Band Council

Schedule of segment reporting (continued)

Year ended March 31, 2017

	Fisheries			Gaming			Housing			Rental		
	Budget 2017	Actual 2017	Actual 2016	Budget 2017	Actual 2017	Actual 2016	Budget 2017	Actual 2017	Actual 2016	Budget 2017	Actual 2017	Actual 2016
Revenues												
Federal government operating transfers	-	-	-	-	-	-	294,783	181,352	267,414	-	-	-
Federal government capital transfers	-	-	-	-	-	-	-	-	-	-	-	-
Provincial government operating transfers	-	-	-	-	-	-	-	-	-	-	-	-
Provincial government capital transfers	-	-	-	-	-	-	-	-	-	-	-	-
Economic activities	3,029,044	6,670,140	3,593,136	9,216,000	9,406,686	9,644,978	421,052	235,834	(90,837)	1,872,990	1,864,705	1,836,292
Other	-	2,322,500	-	-	-	-	-	3,536	3,296	-	3,500	1,334
	3,029,044	8,992,640	3,593,136	9,216,000	9,406,686	9,644,978	715,835	420,722	179,873	1,876,490	1,868,758	1,837,626
Expenses												
Salaries and benefits	1,083,322	1,467,327	1,060,353	-	-	-	-	-	-	90,778	105,511	-
Amortization and depreciation	133,356	150,744	141,329	-	-	-	304,418	288,740	296,350	112,250	440,095	426,634
Interest	-	31,814	-	-	-	434	130,120	67,638	102,257	155,113	156,032	164,822
Other	782,398	3,484,440	1,005,078	1,044,510	1,111,619	993,172	347,448	426,805	350,913	924,875	1,023,513	851,492
	1,999,076	5,134,325	2,206,760	1,044,510	1,111,619	993,606	781,986	783,183	749,520	1,283,016	1,725,151	1,442,948
Surplus (deficit) for the year	1,029,968	3,858,315	1,386,376	8,171,490	8,295,067	8,651,372	(66,151)	(362,461)	(569,647)	593,474	143,607	394,678

Millbrook Band Council

Schedule of segment reporting (continued)

Year ended March 31, 2017

	Tobacco		Treaty Gas		First Nation Economic Development		Totals	
	Budget 2017	Actual 2017	Budget 2017	Actual 2017	Budget 2017	Actual 2017	Budget 2017	Actual 2017
Revenues								
Federal government operating transfers	-	-	-	-	-	-	10,107,295	12,193,847
Federal government capital transfers	-	-	-	-	-	-	-	10,215,285
Provincial government operating transfers	-	-	-	-	30,000	26,220	30,000	51,000
Provincial government capital transfers	-	-	-	-	2,694,539	2,435,205	29,827,256	29,818,563
Economic activities	6,460,530	6,462,514	5,531,424	5,233,452	74,198	75,660	830,835	2,973,636
Other	-	-	-	-	-	-	-	-
	6,460,530	6,462,514	5,531,424	5,233,452	2,798,737	2,537,085	40,795,386	47,960,971
Expenses								
Salaries and benefits	-	126,403	2,457,698	2,350,968	204,900	204,727	7,075,899	7,509,916
Amortization and depreciation	-	3,885	-	71,409	2,762,674	1,841,440	4,296,698	3,872,272
Interest	10,661	8,553	62,294	50,500	412,374	515,658	1,010,562	888,606
Other	4,593,411	4,548,889	3,704,368	3,223,262	1,341,059	1,157,874	29,378,278	31,736,719
	4,604,072	4,687,730	6,224,360	5,696,139	4,721,007	3,719,699	41,761,437	44,007,513
Surplus (deficit) for the year	1,856,458	1,774,784	(692,936)	(462,687)	(1,922,270)	(1,182,614)	(966,051)	365,113

[BA2]