Grant Thornton

# Independent Auditors' Report

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To the Chief and Council of
Acadia First Nation

We have audited the accompanying consolidated financial statements of Acadia First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of operations, accumulated surplus, changes in net debt and changes in 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

**Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Acadia First Nation as at March 31, 2016, and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The Schedules of revenues and expenditures on pages 23 to 35 are presented for purposes of additional information and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole.

Grant Thornton LLP

Yarmouth, Canada
July 25, 2016

Chartered Accountants

# Acadia First Nation
## Consolidated Statement of Financial Position
March 31

| | 2016 | 2015 |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | $ 3,663,224 | $ 1,098,533 |
| Receivables (Note 5) | 856,275 | 1,154,544 |
| Inventory held for resale | 432,773 | 420,748 |
| Restricted cash and deposits | | |
| Funds on deposit at AANDC (Note 14) | 10,667 | 10,556 |
| CMHC reserves | 210,151 | 258,037 |
| | 5,173,090 | 2,942,418 |
| **Financial liabilities** | | |
| Payables and accruals (Note 8) | 1,328,366 | 1,811,210 |
| Deferred revenue | 100,000 | 8,099 |
| Assessment of sales tax, penalties and interest (Note 16) | 3,055,973 | 3,355,973 |
| Long-term debt (Note 7) | 4,779,618 | 5,016,590 |
| | 9,263,957 | 10,191,872 |
| **Net debt** | (4,090,867) | (7,249,454) |
| **Non-financial assets** | | |
| Tangible capital assets (Note 6) | 12,305,613 | 12,489,835 |
| Prepaid expenses | 49,216 | 36,688 |
| | 12,354,829 | 12,526,523 |
| **Accumulated surplus** | $ 8,263,962 | $ 5,277,069 |
| **Accumulated surplus (Page 4)** | $ 8,263,962 | $ 5,277,069 |

Contingencies (Note 16)

On behalf of the Band

Chief

Band Manager

See accompanying notes to the consolidated financial statements.

# Acadia First Nation
## Consolidated Statement of Changes in Net Debt

| March 31 | Budget | 2016 | 2015 |
|---|---|---|---|
| Surplus | $ 1,905,500 | $ 2,974,366 | $ 2,117,826 |
| Retail capital assets transfer, net | - | - | (164,978) |
| Tangible capital asset additions | (1,000,000) | (794,094) | (1,020,017) |
| Amortization of tangible capital assets | 872,250 | 978,316 | 941,654 |
| Decrease in net debt | $ 1,777,750 | 3,158,587 | 1,874,485 |
| Net debt, beginning of year | | (7,249,454) | (9,123,939) |
| Net debt, end of year | | $ (4,090,867) | $ (7,249,454) |

See accompanying notes to the consolidated financial statements.

# Acadia First Nation
## Consolidated Statement of Operations
Year Ended March 31

| | Budget 2016 | Actual 2016 | Actual 2015 |
|---|---|---|---|
| **Revenues** | | | |
| Federal government operating transfers | $ 3,206,500 | $ 2,744,094 | $ 3,197,316 |
| Federal government capital transfers | 241,000 | 131,207 | 109,324 |
| Provincial government operating transfers | 225,000 | 179,879 | 235,742 |
| Economic activities | 5,725,000 | 6,890,944 | 5,839,737 |
| Economic activities – retail operations | 23,325,000 | 22,851,799 | 18,898,166 |
| Other | 398,000 | 849,237 | 843,540 |
| | 33,120,500 | 33,647,160 | 29,123,825 |
| **Expenses** | | | |
| Band Management and Support | 7,909,500 | 7,585,071 | 7,249,604 |
| Education | 704,500 | 703,541 | 646,866 |
| Community maintenance | 910,000 | 1,081,819 | 930,853 |
| Social services | 761,500 | 608,656 | 595,256 |
| Community health | 446,500 | 524,840 | 442,578 |
| Housing | 503,000 | 498,567 | 519,920 |
| Fisheries | 1,709,250 | 2,483,389 | 2,122,098 |
| Training | 424,000 | 404,257 | 426,596 |
| Forestry | 175,000 | 226,656 | 166,949 |
| Retail operations | 17,671,750 | 16,555,998 | 13,905,276 |
| | 31,215,000 | 30,672,794 | 27,005,996 |
| **Annual surplus** | $ 1,905,500 | $ 2,974,366 | $ 2,117,829 |

See accompanying notes to the consolidated financial statements.

# Acadia First Nation
## Consolidated Statement of Cash Flows
March 31

| | 2016 | 2015 |
|---|---|---|
| Increase (decrease) in cash and cash equivalents | | |
| **Operations** | | |
| Surplus | $ 2,974,366 | $ 2,117,826 |
| Amortization | 978,316 | 941,654 |
| Gain on sale of tangible capital assets | (200,000) | - |
| Changes in non-cash operating working capital balances (Note 10) | (356,924) | (490,554) |
| | 3,395,757 | 2,568,926 |
| **Financing** | | |
| Repayment of long-term debt, net of advances | (236,972) | (17,272) |
| Advances from government business enterprises, net | - | 199,590 |
| | (236,972) | 182,318 |
| **Investing** | | |
| Purchase of tangible capital assets | (794,094) | (1,020,017) |
| Proceeds on sale of tangible capital assets | 200,000 | - |
| Retail capital assets, net | - | (164,978) |
| Decrease in deficiency in 100% owned Government Business Enterprises | - | 8,311 |
| | (594,094) | (1,176,684) |
| Increase in cash and cash equivalents | 2,564,691 | 1,574,560 |
| Cash and cash equivalents (bank indebtedness) | | |
| Beginning of year | 1,098,533 | (476,027) |
| End of year | $ 3,663,224 | $ 1,098,533 |

See accompanying notes to the consolidated financial statements.

**1. Summary of significant accounting policies**

**Reporting entity and principles of financial reporting**

The consolidated financial statements of the Band are the representations of management prepared in accordance with Canadian public sector accounting standards for local governments, as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada.

The focus of PSAB financial statements is on the consolidated financial position of the Band and the changes thereto. The consolidated statement of financial position includes all the assets and liabilities of the Band.

Significant aspects of the accounting policies adopted by the First Nation are as follows:

**Principles of consolidation**
The consolidated financial statements include the accounts of all funds and operations in which the Band has a controlling interest, after the elimination of inter-fund transactions and balances. The entities include the following Acadia First Nation Funds - Operating Fund, Capital Fund, Housing Fund, Development Fund, Fisheries Fund, Forestry Fund, Training Fund, Social Fund, Education Fund and Recreation Fund.

The band had full control over the following enterprises during the year and their accounts have been consolidated. The enterprises recorded in this manner are Your Winner's World - AFN, Gold Reserves - AFN, Medway Entertainment – AFN, The Gold Nugget - AFN, Kespuwick Fisheries Incorporated, AFN Entertainment Centre/Winner's Corner – AFN and Wildcat Entertainment – AFN.

The retail enterprises operate a combination of video lottery terminals, convenience stores and gas bars. Kespuwick Resources manages the Fisheries operations on behalf of the Band.

**Budget**
The budget was approved by Chief and Council on March 10, 2015.

**Revenues and expenditures – Canada Mortgage and Housing Corporation ("CMHC") Housing Projects**
Revenues and expenditures are recorded according to the accrual basis of accounting. Rental revenue is recorded at a flat monthly rate and not on a rent-to-income basis as set out in the agreement with CMHC.

Rental revenue is only being collected from tenants on social assistance and all uncollected rental revenue is treated as bad debts. As part of consolidation, $115,949 (2015 - $115,604) was recorded as rental revenue in the Housing Fund and as rental expense in the Social Services Fund and $303,041 (2015 – $200,379) in contributions from the General Fund were eliminated.

**Operating surplus reserve**
The operating surplus reserve account is funded by an appropriation of surplus, including the annual charge to the replacement reserve as opposed to an annual charge to earnings for projects entered into under the 1997 Section 95 On-Reserve Housing Program.

1. **Summary of significant accounting policies (continued)**

**Replacement reserve**
The replacement reserve account is funded by an annual charge against earnings as opposed to an appropriation of surplus.

**Cash and cash equivalents**
Cash and cash equivalents include cash on hand and balances with banks, bank overdrafts, and highly liquid temporary money market instruments with original maturities of three months or less. Bank borrowings are considered to be financing activities.

**Tangible capital assets**
Tangible capital assets are recorded at cost, which includes all amounts directly attributable to their acquisition, construction or betterment of the asset. Interest on construction is also included in cost. Amortization, at the rates noted below, is expensed in the current year.

Rates and bases of amortization applied to write-off the cost of property and equipment over their estimated lives are as follows:

| | |
|---|---|
| Buildings | 25 yrs straight line basis |
| Health centres | 25 yrs straight line basis |
| Furniture and equipment | 10 yrs straight line basis |
| Paving and roads | 30 yrs straight line basis |
| Forestry equipment | 10 yrs straight line basis |
| Playground | 10 yrs straight line basis |
| Equipment | 10 yrs straight line basis |
| Motor vehicles | 5 yrs straight line basis |
| Computers | 4 yrs straight line basis |
| Fishing equipment and vessels | 10 yrs straight line basis |

Donated assets are recorded at a nominal value of $1, unless otherwise noted. In the year of acquisition amortization of capital assets is calculated at the full annual rate as stated above.

**RRAP expenditures**
Repairs and renovations incurred under the CMHC Residential Renovations Assistance Program ("RRAP") are expensed in the Operating Fund in the year incurred.

**Inventory held for resale**
Inventory is valued at the lower of cost and net realizable value. The cost of inventories includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs such as storage costs, administrative overheads that do not contribute to bringing the inventories to their present location and condition, and selling costs are specifically excluded from the cost of inventories and are expensed in the period incurred. Inventory consists of tobacco products and general retail products.

**Investments**
Investments, when held, are made up of treasury accounts with longer term maturities. Investments are recorded at cost which approximated market value. Share capital of the government business enterprises are recorded as long-term investments.

## 1. Summary of significant accounting policies (continued)

**Interest rate risk**
The Band has interest bearing loans on which general interest rate fluctuations apply. The financial risk is the risk to the Band's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Band does not use derivative instruments to reduce its exposure to interest and foreign currency risk.

**Use of estimates**
In preparing the Band's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and reported amounts of revenue and expenses. Actual amounts could differ from these estimates. Estimates include expected useful lives of assets, accrued liabilities and allowances for doubtful accounts.

**Trust funds**
The Trust Funds being administered by the First Nation are not consolidated with the accounts of the First Nation. At March 31, 2016, the equity in Trust Funds under its trusteeship amounted to $483,432 (2015 - $489,885), see page 34.

**Concentrations of credit risk**
Concentrations of credit risk exist if a number of customers are engaged in similar economic activities or are located in the same geographic region, and indicate the relative sensitivity of the Band's performance to developments affecting a particular segment of borrowers or geographic region. Geographic credit risk exists for the Band due to most of the fish buyers they are dealing with are all located in South West Nova Scotia. The exposure to credit risk associated with the non-performance of these customers can be directly impacted by a decline in economic conditions which would impair the buyers' ability to satisfy their obligations to the Band.

**Net debt**
The Band's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the Band is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

**Revenue**
All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue. Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

Revenue from economic activities and other sources is recognized when goods or services are provided, the exchange amount is measureable and collectability of the amount is reasonably assured.

### 1. Summary of significant accounting policies (continued)

**Asset classification**

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver the Band's services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

### 2. Future accounting standards

There are no future standards expected to impact Acadia First Nation for the 2017 fiscal year.

### 3. Replacement reserve

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited annually with an amount established by CMHC as a charge against earnings plus interest. For projects entered into under the pre 1997 Section 95 On-Reserve Housing Program (Series 14-283-576) a combined amount of $5,829 is charged annually, and for projects entered into under the 1997 Section 95 On-Reserve Housing Program (Series 19-042-795) an amount of $1,000 per unit is charged annually unless otherwise specified by Acadia First Nation.

These funds, along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC under the pre 1997 Section 95 On-Reserve Program. Under the 1997 Section 95 On-Reserve Program, funds may be withdrawn in accordance with Replacement Reserve Criteria, CMHC 3022. Withdrawals are credited to interest first and then principal.

### 4. Operating surplus reserve

Under the terms of the agreement with CMHC, excess revenues over expenditures, including the annual allocation to the Replacement Reserve, for projects entered into under the 1997 Sections 95 On-Reserve Program (Series 19-042-795) are to be maintained as an operating reserve fund. The fund is to be credited annually with future surpluses of such projects plus interest. The projects operating reserve fund may only be used for the on-going operating costs of the housing projects and future years' deficits.

This 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 Canada Mortgage and Housing Corporation from time to time.

### 5. Receivables

| | 2016 | 2015 |
|---|---|---|
| Receivable – D. Coulton | $ - | $ 15,036 |
| Health Canada | - | 41,952 |
| Mi'kmaw Kina'matnewey | 13,575 | 2,500 |
| Province of Nova Scotia | 179,879 | 210,765 |
| Department of Fisheries and Oceans | 289,739 | 395,120 |
| Aboriginal Affairs and Northern Development Canada | 8,404 | 136,013 |
| Canada Revenue Agency | 126,740 | 93,067 |
| Mi'kmaq Employment/Training Secretariat | 118,059 | 99,312 |
| Other | 119,879 | 160,779 |
| | $ 856,275 | $ 1,154,544 |

**6. Tangible capital assets**

| | Land | Building | Health Bingo Hall | Furniture & Centres | Paving & Equipment | Forestry Roads | Equipment | Balance Housing | Forward |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance, beginning of the year | $ 578,879 | $ 8,135,943 | $ 1,394,316 | $ 880,277 | $ 277,776 | $ 644,825 | $ 162,835 | $ 7,138,022 | $ 19,212,873 |
| Transfers from retail operations | - | - | - | - | - | - | - | - | - |
| Additions | - | 129,741 | 100,675 | - | - | - | 7,013 | 353,416 | 590,845 |
| Disposition | - | - | - | - | - | - | - | - | - |
| Balance, end of the year | 578,879 | 8,265,684 | 1,494,991 | 880,277 | 277,776 | 644,825 | 169,848 | 7,491,438 | 19,803,718 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance, beginning of the year | - | 4,565,989 | 110,753 | 527,400 | 249,878 | 246,028 | 161,837 | 2,848,608 | 8,710,493 |
| Transfers from retail operations | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - |
| Depreciation during the year | - | 285,802 | 59,800 | 35,211 | 6,445 | 21,494 | 1,701 | 266,832 | 677,285 |
| Balance, end of the year | - | 4,851,791 | 170,553 | 562,611 | 256,323 | 267,522 | 163,538 | 3,115,440 | 9,387,778 |
| **Net Book Value** | $ 578,879 | $ 3,413,893 | $ 1,324,438 | $ 317,666 | $ 21,453 | $ 377,303 | $ 6,310 | $ 4,375,998 | $ 10,415,940 |

| | Balance Forward | Playground | Motor vehicles | Fishing vessels & equipment | Retail Operations | Stations | Computers | 2016 Total | 2015 Total |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| Balance, beginning of the year | $ 19,212,873 | $ 102,340 | $ 667,368 | $ 2,657,355 | $ 867,300 | $ 962,591 | $ 112,687 | $24,582,514 | $ 22,798,067 |
| Transfers from retail operations | - | - | - | - | - | - | - | - | - |
| Additions | 590,845 | - | - | 125,098 | 42,384 | - | 35,767 | 794,094 | 764,430 |
| Disposals | - | - | - | 450,000 | - | - | - | 450,000 | 1,020,017 |
| Balance, end of the year | 19,803,718 | 102,340 | 667,368 | 2,332,453 | 909,684 | 962,591 | 148,454 | 24,926,608 | 24,582,514 |
| **Accumulated depreciation** | | | | | | | | | |
| Balance, beginning of the year | 8,710,493 | 20,468 | 539,970 | 1,770,728 | 642,301 | 296,037 | 112,682 | 12,092,679 | 10,551,574 |
| Transfers from retail operations | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | 450,000 | - | - | - | 450,000 | 599,451 |
| Depreciation during the year | 677,285 | 10,234 | 39,188 | 152,178 | 58,402 | 32,086 | 8,942 | 978,316 | 941,654 |
| Balance, end of the year | 9,387,778 | 30,702 | 579,158 | 1,472,906 | 700,703 | 328,123 | 121,624 | 12,620,994 | 12,092,679 |
| **Net Book Value** | $ 10,415,940 | $ 71,638 | $ 88,210 | $ 859,547 | $ 208,981 | $ 634,468 | $ 26,830 | $12,305,614 | $ 12,489,835 |

| 7. **Long-term debt** | 2016 | 2015 |
|---|---|---|
| 1.77% mortgage, maturing November 2039, payable in monthly instalments of $343, including principal and interest. | $ 79,599 | $ - |
| Prime + 1.5% BMO boat loan, maturing October 2017, payable in monthly instalments of $ 1,487 including principal and interest. | 26,567 | 43,432 |
| Partially disbursed mortgage | 63,552 | 82,283 |
| 1.01% mortgage, maturing February 1, 2041, payable in monthly instalments of $400, including principal and interest. | 105,834 | - |
| 1.82% mortgage, maturing September 2039, payable in monthly instalments of $995, including principal and interest. | 228,460 | 236,178 |
| 1.45% mortgage, maturing January 2017, payable in monthly instalments of $1,268, including principal and interest. | 2,527 | 17,585 |
| 1.01% mortgage, maturing November 2017, payable in monthly instalments of $476, including principal and interest. | 9,429 | 17,164 |
| 1.92% mortgage, maturing April 2019, payable in monthly instalments of $447, including principal and interest. | 16,059 | 21,067 |
| 0.97% mortgage, maturing January 2021, payable in monthly instalments of $520, including principal and interest. | 26,476 | 32,174 |
| 2.11% mortgage, maturing October 2033, payable in monthly instalments of $654, including principal and interest. | 115,298 | 120,657 |
| Prime plus 1.5% BMO loan, maturing in November 2028, payable in monthly instalment of $ 5,874, including principal and interest | 525,094 | 570,653 |
| 1.92% mortgage, maturing April 2034, payable in monthly instalments of $1,009, including principal and interest. | 184,896 | 193,365 |
| Total carried forward | $1,383,791 | $ 1,334,558 |

## 7. Long-term debt (continued)

| | 2016 | 2015 |
|---|---|---|
| Balance carried forward | $ 1,383,791 | $ 1,334,558 |
| 1.30% mortgage, maturing December 2022, payable in monthly instalments of $339, including principal and interest. | 26,312 | 29,989 |
| 1.92% mortgage, maturing April 2024, payable in monthly instalments of $301, including principal and interest. | 26,999 | 30,057 |
| 2.04% mortgage, maturing January 2024, payable in monthly instalments of $353, including principal and interest | 30,072 | 33,659 |
| 1.30% mortgage, maturing August 2025, payable in monthly instalments of $305, including principal and interest. | 32,431 | 35,490 |
| 1.64% mortgage, maturing October 2026, payable in monthly instalments of $296, including principal and interest. | 34,512 | 37,473 |
| 1.65% mortgage, maturing May 2027, payable in monthly instalments of $300, including principal and interest. | 36,699 | 39,668 |
| 4.55% mortgage, maturing September 2026 payable in monthly payments of $963 including principal and interest. | 95,979 | 102,993 |
| 1.53% mortgage, maturing December 2027, payable in monthly instalments of $292, including principle and interest. | 37,688 | 40,593 |
| 2.37% mortgage, maturing July 2036, payable in monthly instalments of $1,589, including principle and interest. | 307,580 | 319,232 |
| 0% vehicle loan, maturing March 2019, payable in monthly instalments of $642 | 23,025 | 30,735 |
| 0% vehicle loan, maturing March 2019, payable in monthly instalments of $808 | 28,999 | 38,700 |
| 2.49% vehicle loan, maturing October 2019, payable in monthly instalments of $642 | 25,271 | 32,096 |
| Total carried forward | $ 2,089,358 | $ 2,105,243 |

## 7. Long-term debt (continued)

| | 2016 | 2015 |
|---|---|---|
| Balance carried forward | $ 2,089,358 | $ 2,105,243 |
| 4.55% loan, maturing August 2028, with monthly payments of $1,992, including principal and interest. | 191,380 | 200,463 |
| 2.35% mortgage, maturing August 2028, payable in monthly instalments of $300, including principal and interest. | 38,777 | 41,436 |
| 1.92% mortgage, maturing January 2029, payable in monthly instalments of $297, including principal and interest. | 40,590 | 43,352 |
| 2.26% mortgage, maturing July 2031, payable in monthly instalments of $448, including principal and interest. | 69,632 | 73,389 |
| 4.55% mortgage, maturing in July 2026 payable in monthly instalments of $2,158, including principal and interest. | 212,322 | 228,159 |
| 1.01% mortgage, maturing in February 2031, payable in monthly instalments of $885 including principal and interest. | 146,935 | 154,889 |
| 0.94% mortgage, maturing July 2030 payable in monthly instalments of $576 including principal and interest. | 92,689 | 98,305 |
| 1.65% mortgage, maturing April 2032 payable in monthly instalments of $1,337 including principal and interest. | 226,584 | 238,783 |
| 1.64% mortgage, maturing December 2031 payable in monthly instalments of $648 including principal and interest. | 107,984 | 113,943 |
| 1.64% mortgage, maturing February 2032 payable in monthly instalments of $2,059 including principal and interest. | 346,050 | 364,921 |
| 1.83% mortgage, maturing November 2034 payable in monthly instalments of $2,053 including principal and interest. | 389,466 | 406,808 |
| Prime + 1.5% BMO tuna license loan, maturing March 2017, payable in monthly instalments of $ 3,268 including principal and interest; paid out during the year. | - | 75,000 |
| 1.37% mortgage, maturing June 2035 payable in monthly instalments of $977 including principal and interest. | 198,406 | 206,937 |
| Total carried forward | $ 4,150,173 | $ 4,351,628 |

## 7. Long-term debt (continued)

| | 2016 | 2015 |
|---|---|---|
| Balance carried forward | $ 4,150,173 | $ 4,351,628 |
| 1.01% mortgage, maturing January 2036, payable in monthly instalments of $469, including principle and interest. | 101,163 | 105,038 |
| 1.71% mortgage, maturing September 2037, payable in monthly instalments of $1,475, including principle and interest. | 318,323 | 330,467 |
| 1.65% mortgage, maturing June 2037, payable in monthly instalments of $976, including principle and interest. | 209,959 | 218,140 |
| 6.39% loan, matured March 2016. | - | 7,945 |
| 6.99% loan, matured October 2016. | - | 3,372 |
| | $ 4,779,618 | $ 5,016,590 |

The Minister of Aboriginal Affairs and Northern Development Canada has provided guarantees for all Canada Mortgage and Housing Corporation mortgages.

Principal instalments required in the next five years are as follows:

| | |
|---|---|
| 2017 | $310,681 |
| 2018 | $306,118 |
| 2019 | $301,103 |
| 2020 | $283,675 |
| 2021 | $287,460 |

## 8. Payables and accruals

| | 2016 | 2015 |
|---|---|---|
| Vendors | $ 311,190 | $ 473,996 |
| Term loan, tuna license purchase | - | 350,000 |
| Severance accrual | 455,000 | 575,000 |
| Accruals | 370,175 | 118,250 |
| Harmonized sales tax | 75,608 | 93,308 |
| Government remittances | 73,474 | 56,604 |
| Other | 42,919 | 144,052 |
| | $ 1,328,366 | $ 1,811,210 |

## 9. Funded reserves

The Acadia First Nation operates thirty-two (32) CMHC subsidized housing projects. Replacement reserves for the Pre 1997 projects are funded through a joint Replacement Reserve bank account and replacement reserves for Post 1997 projects are to be funded through a second joint replacement reserve bank account.

As at March 31, 2016, the Acadia First Nation has provided for funding of Reserves as follows:

| (Pre 1997) Projects 1 to 11 Amount of reserve | (1997 Agreement) Projects 12 and 13 Amount of reserve | Amount funded |
|---|---|---|
| $ 5,829 | $ 44,171 | $ 50,000 |

At March 31, 2016, an amount of $38,968 has been underfunded (2015 – $136,891 underfunded).

## 10. Changes in non-cash operating working capital balances

| | 2016 | 2015 |
|---|---|---|
| Receivables | $ 298,269 | (635,186) |
| Restricted cash and deposits | 47,775 | (50,265) |
| Inventory held for resale | (12,025) | (298,980) |
| Payables and accruals | (482,844) | 802,305 |
| Deferred revenue | 91,901 | (8,428) |
| Assessment of sales tax, penalties and interest | (300,000) | (300,000) |
| | $ (356,924) | $ (490,554) |

## 11. Economic dependence

The Band receives a portion of its revenues pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada and other federal departments.

## 12. Federal assistance payments

The housing projects have received assistance through CMHC pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to enable the project to provide housing to low-income individuals. The amount of assistance received in the year ended March 31, 2016 was $137,174 (2015 - $152,705).

## 13. Non compliance

The Band does not apply the rent–to-income scale with respect to Section 95 housing units.

## 14. Funds on deposit with AANDC

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 Section 63 to 69 of the Indian Act.

The changes in net assets of the Funds on deposit during the year are as follows:

| | 2016 | 2015 |
|---|---|---|
| Net assets, beginning of year | $ 10,556 | $ 10,158 |
| Interest earned | 111 | 398 |
| | $ 10,667 | $ 10,556 |
| Represented by | | |
| Restricted for capital projects | $ 4,362 | $ 4,362 |
| Unrestricted | 6,305 | 6,194 |
| | $ 10,667 | $ 10,556 |

## 15. Related party transactions

The Band had the following transactions with related parties:

| | 2016 | 2015 |
|---|---|---|
| Building rental charged to related companies | $ 67,872 | $ 67,872 |
| Royalties received from the gaming companies | 4,411,534 | 3,644,192 |
| Acadia Commodity Taxes charged | 912,030 | 736,101 |
| Agency fee charged from Kespuwick Resources | 45,000 | 45,000 |

The rental charges, royalties and agency fees are charged on the basis of contractual agreement. The Acadia Commodity Tax is charged on the basis of the legal authority of the Band. These amounts have been eliminated on consolidation.

### 16. Contingencies

In prior years, a long standing matter, arising between 1997 and 2002, with respect to the payment by the Band of HST on certain of its activities was confirmed. Acadia First Nation is a self-governing authority that has implemented an aboriginal taxation system which, it proposes, has dominance over the HST on the basis of the aboriginal right of self-government. Canada Revenue Agency disputed this belief.

As a result of the dispute, taxes including penalties and interest were assessed in the amount of $8,392,939. Of this amount, taxes total approximately $4,565,504 and the remaining $3,827,435 is represented by the interest and penalties.

A wholly owned subsidiary, Your Winners World – AFN, was assessed by Canada Revenue Agency under the same conditions as above. As the result, taxes including penalties and interest have been assessed in the amount of $678,431. Of this amount, taxes total approximately $190,852 and the remaining $487,579 is represented by the interest and penalties.

During 2010, the Band filed an appeal under the provisions of the Fairness Legislation to seek administrative relief from some or all of the penalties and interest. Canada Revenue Agency authorized relief for penalties and interest in written correspondence dated April 22, 2010 for both Your Winners World – AFN and the Acadia First Nation. Penalty and interest relief can only be granted back for 10 years, as this liability was initiated in 1999, the first year of penalties and interest will be included in the necessary repayment. As well, they have agreed to accept payments of $25,000 per month until the original HST liability has been fulfilled. Each year that the payments are made in full, CRA waives the interest and penalties for the earliest year applicable.

The authorization of Canada Revenue Agency was recognized in prior years' financial statements as a Government Transfer, reversing $3,749,161 in penalties and interest in Acadia First Nation and $372,431 in the wholly owned subsidiary.

With respect to the HST liability, if the Band fails to make their monthly payments, the penalties and interest that were waived will become payable. Management believes that all future payments will be made on time and that no future repayment of penalties and interest will be required.

The HST liability in the subsidiary has been fully repaid and all required payments have been made by the Band to date. During the current year, the Band made all 12 payments as required by CRA.

### 17. Comparative figures

Certain of the 2015 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2016. Certain balances within the financial statements may also be affected by rounding.

### 18. Ponhook land claim settlement

During 2003, the Band ratified a settlement agreement with Her Majesty The Queen in Right of Canada (Canada) in connection with compensation for the illegal alienation of reserve lands. Under the terms of the settlement, Canada agreed to pay to the Band the sum of $1,956,450 subject to the repayment of $105,903 previously advanced by Canada to the Band.

During the year, $15,489 (2015 - $30,496) was withdrawn from the trust to reimburse the Band for expenses approved through the trust agreement.

The remaining funds (see page 34) are to be held in trust for the Band and the Band members. The trustees of the trust were originally the Chief and Council of the Band and subsequently four members of the Band and three external trustees. The funds held by the trust were invested as follows:

i) The majority in a "fixed income account" that will distribute to the Acadia First Nation approximately one fifth of the original principal per year for five years. The funds so distributed are restricted by the terms of the trust agreement for use by Acadia First Nation in specified purposes consistent with the objectives of the Acadia First Nation; and

ii) Approximately $175,000 in a "land acquisition account" to be held for up to fifteen years for the purpose of distributing to the Acadia First Nation to acquire land. Any unexpended funds in the land acquisition account after fifteen years are to be used for the same specified purposes as the funds in the fixed income account.

### 19. Post employment benefits

During 2006, the Band approved a resolution initiating a retirement benefit where each of the Chief and Councillors will receive $5,000 for each year of service that they have provided to the Acadia First Nation. During the year, $105,000 (2015 - $150,000) was set aside in trust to fund the future obligation. As at March 31, 2016, the total amount recorded as a liability is $455,000 (2015 - $575,000).

During a prior year, Chief and Council approved to cease accumulating any future amounts.

During the prior year, Chief and Council signed a trust agreement whereby only $105,000 can be withdrawn against these benefits in any year, thus, the amount above $105,000 is a current liability and the remainder is a long term liability.

During the current year, $120,000 (2015 – nil) was paid out to a former councillor.

### 20. Segmented Information

Acadia First Nation provides a wide range of services to its members, including training, education, social, health care and housing. For management reporting purposes Acadia First Nation's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording activities to comply with specific regulations and requirements.

Funds that have been separately disclosed in the consolidated schedules of revenues and expenditures on the following pages are:

Band Support – all other activities not described in another fund. Mainly centralized and shared activities.

Education – providing elementary, secondary and post-secondary tuition for qualifying members along with related programs and support.

Community Maintenance – repairs and maintenance carried out during the year to Acadia First Nation's fixed assets. This includes garbage and snow removal.

Social Services – social assistance provided to qualifying members.

Community Health Representative – activity of the two Health Centres which provide a variety of health care programs and support.

Development Fund – inactive at this time.

Housing Fund – Section 95 housing and related expenditures.

Fisheries Fund – encompasses the fisheries activities of Acadia First Nation.

Training Fund – activities related to job training and skills.

Forestry Fund – logging and mill activities of Acadia First Nation.

Economic Activities – purchase and sale of band tobacco.

Retail Operations – operation of facilities with VLTs, store and gas stations.

See financial data on **Page 32**.