Consolidated Financial Statements of

POTLOTEK FIRST NATION

Year ended March 31, 2016

POTLOTEK FIRST NATION

Consolidated Financial Statements

Year ended March 31, 2016

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POTLOTEK FIRST NATION

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Management's Responsibility for the Financial Statements

The accompanying consolidated financial statements of Potlotek First Nation are the responsibility of management and have been approved by the Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

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 auditor's report.

The external auditors, MGM & Associates, Chartered Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Potlotek First Nation and meet when required.

On behalf of Potlotek First Nation:

Crystal Nicholas

Crystal Nicholas
Acting Chief Financial Officer

MGM

MGM & Associates
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
Potlotek First Nation

We have audited the accompanying consolidated financial statements of Potlotek First Nation which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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, these financial statements present fairly, in all material respects, the financial position of Potlotek First Nation as at March 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

MGM & Associates

Chartered Accountants
Sydney, Canada
July 22, 2016

POTLOTEK FIRST NATION

Consolidated Statement of Financial Position

March 31, 2016, with comparative figures for 2015

	2016	2015
FINANCIAL ASSETS		
Restricted cash – CMHC replacement reserve	$ 275,488	$ 157,612
Restricted cash – MK capital projects	–	100,000
Accounts receivable (note 2)	219,014	217,752
Due from federal government (note 3)	823,086	429,881
Due from provincial government (note 4)	95,760	106,216
Inventories held for resale (note 5)	116,295	86,554
Trust funds – Indigenous and Northern Affairs Canada (note 6)	5,935	5,806
	1,535,578	1,103,821
LIABILITIES		
Cheques issued in excess of funds on deposit	394,780	409,133
Operating loans (note 7)	275,098	402,905
Accounts payable and accrued liabilities (note 8)	2,852,922	2,812,912
Deferred revenue (note 9)	826,794	476,029
Long-term debt (note 10)	3,857,209	4,351,241
	8,206,803	8,452,220
NET DEBT	(6,671,225)	(7,348,399)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	10,866,574	11,019,275
Work in progress (note 11)	314,009	–
Intangible assets	600,000	600,000
Inventory, prepaid expenses and other	56,969	73,257
	11,837,552	11,692,532
ACCUMULATED SURPLUS	$ 5,166,327	$ 4,344,133

Contingencies (note 17)

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of Chief and Council:

POTLOTEK FIRST NATION

Consolidated Statement of Operations

Year ended March 31, 2016, with comparative figures for 2015

	2016		2015
	Budget (unaudited)	Actual	Actual
REVENUES			
Transfers from Federal Government			
Indigenous and Northern Affairs Canada	$ 2,965,000	$ 3,346,930	$ 3,059,050
Mi'kmaw Kina'matnewey	2,209,000	2,526,995	2,270,763
Health Canada	700,000	800,942	744,804
METS	275,000	230,620	230,628
Fisheries and Oceans Canada	225,000	382,421	253,350
Transfers from Provincial Government	–	193,432	185,629
Revenue from own sources	6,767,000	6,727,605	6,806,790
Rental income	245,000	241,265	250,618
Subsidy	130,000	130,923	149,721
Other	100,000	259,496	216,740
	13,616,000	14,840,629	14,168,093
EXPENSES			
Administration and management	900,000	874,737	888,592
Economic and employment development	50,000	61,951	50,660
Operations and maintenance	600,000	603,953	544,781
Social development	1,300,000	1,420,556	1,589,893
Education	2,409,000	2,666,421	2,636,622
Capital, housing and infrastructure	800,000	400,560	374,021
Health	700,000	843,778	818,955
Fisheries – Fisheries and Oceans Canada	300,000	188,506	184,762
Fisheries – commercial	1,555,000	1,486,907	1,413,775
Gas bar	3,334,000	3,007,593	3,564,457
METS	290,000	322,022	301,112
Gaming	725,000	944,350	847,523
Other	48,000	85,865	104,220
Tobacco	80,000	95,270	119,079
Social housing	170,000	159,756	218,469
Amortization of tangible capital assets	830,000	839,158	833,321
	14,091,000	14,001,383	14,490,242
ANNUAL SURPLUS (DEFICIT)	$ (475,000)	$ 839,246	$ (322,149)

The accompanying notes are an integral part of these consolidated financial statements.

POTLOTEK FIRST NATION

Consolidated Statement of Change in Net Debt

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
ANNUAL SURPLUS (DEFICIT)	$ 839,246	$ (322,149)
Tangible capital assets		
Acquisition of tangible capital assets	(1,000,466)	(189,022)
Amortization of tangible capital assets	839,158	833,321
	(161,308)	644,299
Other non-financial assets		
Decrease (increase) in inventory, prepaid expenses and other	16,288	(9,627)
Other		
Withdrawal from replacement reserve	(17,181)	(29,318)
Interest earned on trust fund	129	168
	(17,052)	(29,150)
DECREASE IN NET DEBT	677,174	283,373
NET DEBT, BEGINNING OF YEAR	(7,348,399)	(7,631,772)
NET DEBT, END OF YEAR	$ (6,671,225)	$ (7,348,399)

The accompanying notes are an integral part of these consolidated financial statements.

POTLOTEK FIRST NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2016, with comparative figures for 2015

	2016	2015
Cash provided by (used in)		
OPERATING ACTIVITIES		
Annual surplus (deficit)	$ 839,246	$ (322,149)
Add amortization of tangible capital assets	839,158	833,321
Change in non-cash operating items		
Increase in accounts receivable	(1,262)	(72,415)
Decrease in due from federal government	(393,205)	220,066
Decrease in due from provincial government	10,456	7,850
Increase in inventories held for resale	(29,741)	(13,329)
Decrease (increase) in inventory, prepaid expenses and other	16,288	(9,627)
Increase in accounts payable and accrued liabilities	40,010	360,853
Increase in deferred revenue	350,765	165,220
	1,671,715	1,169,790
FINANCING ACTIVITIES		
Proceeds from long-term debt	140,048	145,513
Proceeds from operating loans	–	87,950
Principal payments on long-term debt	(634,080)	(502,379)
Principal payments on operating loans	(127,807)	(106,590)
Withdrawals from replacement reserve	(17,181)	(29,318)
	(639,020)	(404,824)
INVESTING ACTIVITIES		
Additions to tangible capital assets and work in progress	(1,000,466)	(189,022)
Interest on trust fund	129	168
	(1,000,337)	(188,854)
INCREASE IN CASH AND CASH EQUIVALENTS	32,358	576,112
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(145,715)	(721,827)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ (113,357)	$ (145,715)
Cash and cash equivalents is comprised of the following		
Restricted cash – CMHC replacement reserve	$ 275,488	$ 157,612
Restricted cash – MK capital projects	–	100,000
Cheques issued in excess of funds on deposit	(394,780)	(409,133)
Trust fund – Indigenous and Northern Affairs Canada	5,935	5,806
	$ (113,357)	$ (145,715)

The accompanying notes are an integral part of these consolidated financial statements.

NATURE OF OPERATIONS

Potlotek First Nation Council is comprised of a Chief and six councilors under the Indian Act of Canada. The Council is accountable to the local Mi'kmaq community members for the delivery of programs and services, management of all financial resources and planning to support future community-based self-government.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards as established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(b) Reporting entity

The Potlotek First Nation reporting entity includes Potlotek First Nation government and all related entities which are accountable to the First Nation.

(c) Principles of consolidation

These consolidated financial statements consolidate the assets, liabilities and results of operations for the following entities which use accounting principles which lend themselves to consolidation:

Potlotek First Nation Operating and Capital Funds
Potlotek First Nation Trust Funds
Canada Mortgage and Housing Corporation Fund
Potlotek Expedition Gas and Convenience

(d) Fund accounting

The resources and operations of the First Nation are comprised of the operating, capital and housing funds. Transfers between funds are recorded as adjustments to the appropriate fund balance. Supporting schedules to the consolidated financial statements are included to show the financial activities and change in the balance of each fund.

(e) 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 government services, may be consumed in normal operations and are not for resale.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of outstanding cheques and deposits, bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

(g) Inventories

Inventories of supplies and goods available for resale are recorded at the lower of cost and net realizable value.

(h) Tangible capital assets

Tangible capital assets acquired since 1987 are reported in the consolidated statement of financial position at cost net of accumulated amortization. All tangible capital assets acquired prior to 1987 have been written off. They are amortized on a straight-line basis over their estimated useful lives at the following rates:

Asset	Basis	Rate
Buildings	Straight-line	20-25 years
Equipment	Straight-line	5-10 years
Lagoons and water systems	Straight-line	25 years
Fishing vessels	Straight-line	20 years

A full year's amortization is taken in the year of acquisition.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed tangible capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of tangible capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

(i) Intangible assets

Intangible assets consist of purchased fishing licenses and are recorded at cost. They are not amortized as they have an indefinite life.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to liability. Transfer revenue is recognized in the consolidated statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

(j) Financial instruments

Measurement of financial instrument

The First Nation initially measures its financial assets and financial liabilities at fair value and subsequently measures its financial assets and financial liabilities as follows:

Financial instrument	Measurement basis
Cash/cheques issued in excess of funds on deposit	Fair value
Receivables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Operating loans	Amortized cost
Long-term debt	Amortized cost

Transaction costs related to financial assets are expensed as incurred.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in income. A previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in income.

Unless otherwise noted, the First Nation is not subject to significant credit, market or liquidity risks arising from these instruments.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, the disclosure of contingencies and the reported amounts of revenues and expenses in the consolidated financial statements and accompanying notes. Items requiring the use of significant estimates and assumptions include the valuation of receivables, inventories, capital assets and intangible assets. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

2. ACCOUNTS RECEIVABLE

	2016	2015
Profit sharing	$ –	$ 62,451
Members	66,684	40,071
Lottery retailers	21,718	110,545
Tobacco supplier	106,003	20,616
Other	60,822	17,423
	255,227	251,106
Allowance for doubtful accounts	36,213	33,354
	$ 219,014	$ 217,752

3. DUE FROM FEDERAL GOVERNMENT

	2016	2015
Indigenous and Northern Affairs Canada	$ 211,500	$ 107,259
Mi'kmaq Employment/Training Secretariat Inc.	57,657	15,587
Mi'kmaw Kina'matnewey	86,126	7,250
Fisheries and Oceans Canada	259,195	142,466
HST	208,608	157,319
	$ 823,086	$ 429,881

4. DUE FROM PROVINCIAL GOVERNMENT

	2016	2015
Province of Nova Scotia	$ 95,760	$ 106,216

5. INVENTORIES HELD FOR RESALE

	2016	2015
Gas bar	$ 116,295	$ 86,554

6. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

Trust fund accounts arise from moneys 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

7. OPERATING LOANS

	2016	2015
Loan payable to Peace Hills Trust Company with an interest rate of 7.0% with monthly instalments of principal and interest of $10,865, maturing October, 2017	$ 205,831	$ 317,490
Loan payable to Peace Hills Trust Company with an interest rate of 4.5% with monthly instalments of principal and interest of $1,640, maturing January, 2020	69,267	85,415
	$ 275,098	$ 402,905

Principal repayments for the next four years are as follows:

2017	$136,900
2018	103,300
2019	18,500
2020	16,398

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade	$ 1,556,434	$ 1,128,275
Accrued salaries and employee benefits payable	1,296,488	1,684,637
	$ 2,852,922	$ 2,812,912

9. DEFERRED REVENUE

	Balance March 31, 2015	Funding received 2016	Revenue recognized/ repaid 2016	Balance March 31, 2016
Federal government				
Indigenous and Northern Affairs Canada				
Response (2014)	$ 48,000	$ –	$ (48,000)	$ –
Response (2015)	27,254	–	(27,254)	–
Water project	–	808,470	(282,012)	526,458
	75,254	808,470	(357,266)	526,458
Fisheries and Oceans Component 4.0	112,900	–	(112,900)	–
Mi'kmaw Kina'matnewey				
Capital projects	100,000	–	(100,000)	–
High school grand opening	–	15,000	–	15,000
	100,000	15,000	(100,000)	15,000
Provincial government				
Other	53,688	–	(33,688)	20,000
Other	134,187	141,292	(10,143)	265,336
Total	$ 476,029	$ 964,762	$ (613,997)	$ 826,794

10. LONG-TERM DEBT

	2016	2015
Mortgages (18) payable to CMHC with mortgage rates from 0.94% - 4.965% with monthly instalments of principal and interest from $241 - $4,547, maturing from October, 2016 – February, 2021	$ 2,830,876	$ 2,844,759
Section 10 mortgage payable to Royal Bank of Canada with a mortgage rate of 2.30%, repayable in monthly instalments of principal and interest of $1,450, maturing July, 2020 and amortized to June, 2025	145,693	159,171
Mortgages (2) payable to Royal Bank of Canada with a mortgage rate of 2.87% with monthly instalments of principal and interest of $366 - $678, maturing January, 2020 and amortized to April, 2025. Two additional mortgages outstanding at previous year end were repaid during the year	82,608	238,779
Mortgages (2) payable to Peace Hills Trust Company with a mortgage rate of 3.95% with monthly instalments from $1,040 to $1,185, maturing January 1, 2017 and amortized to January, 2022	80,755	103,879
Loan payable to Peace Hills Trust Company with an interest rate of 4.15% with monthly instalments of principal and interest of $900, maturing and amortized to October, 2017	10,355	17,250
Loan payable to Peace Hills Trust Company with an interest rate of 5.0% with monthly instalments of principal and interest of $2,050, maturing October, 2016 and amortized to November, 2016	13,410	36,699
Loan payable to Peace Hills Trust Company with an interest rate of prime plus 2%, with monthly instalments of principal and interest of $5,303, maturing January, 2018 and amortized to March, 2021	358,865	400,548
	3,522,562	3,801,085

10. LONG-TERM DEBT (CONTINUED)

	2016	2015
Carry forward	$ 3,522,562	$ 3,801,085
Loan payable to Peace Hills Trust Company with an interest rate of 4.5%, with quarterly instalments of principal and interest of $5,420, maturing April 1, 2018 and amortized to March, 2021	133,914	148,649
Loan payable to Peace Hills Trust Company with an interest rate of 3.95%, with monthly instalments of principal and interest of $384, maturing April 1, 2018, amortized to April, 2028	44,380	47,195
Loan payable to Peace Hills Trust Company with an interest rate of 3.95%, with monthly instalments of principal and interest of $465, maturing July 1, 2018, amortized to July, 2028	55,358	58,705
Loan payable to Peace Hills Trust Company with an interest rate of 6.5% with annual principal payment of $70,000 and blended monthly instalment of $2,099, maturing and amortized to October 1, 2017	100,995	170,387
Loan payable to Peace Hills Trust Company with an interest rate of 6.5% with monthly instalments of principal and interest of $11,550, repaid during the year	-	122,320
Loan payable to Peace Hills Trust Company with an interest rate of 7.0% with annual principal instalment of $588 and interest paid monthly, repaid during the year	-	2,900
Total long-term debt	$ 3,857,209	$ 4,351,241

Principal repayments for the next five years are as follows. The repayments include the amount outstanding at the maturity date of the debt instruments.

	Total
2017	$ 512,700
2018	1,181,400
2019	1,229,000
2020	523,100
2021	410,400

The long-term debt in the CMHC Fund is secured by separate Indigenous and Northern Affairs Canada Ministerial guarantees.

11. TANGIBLE CAPITAL ASSETS

	Cost				
	Opening Balance	Additions	Disposals	Transfer of assets	Closing Balance
Land	$ 70,000	$ –	$ –	$ –	$ 70,000
Buildings					
Fire Hall	93,336	–	–	–	93,336
Island church	39,578	–	–	–	39,578
Band office	106,912	–	–	–	106,912
Daycare	71,588	–	–	–	71,588
Gas bar	1,309,702	–	–	–	1,309,702
Fishery Complex	468,557	173,990	–	–	642,547
Housing demo	199,683	–	–	–	199,683
Police station	222,849	–	–	–	222,849
Youth centre	121,098	–	–	–	121,098
School	3,111,951	–	–	–	3,111,951
Medical centre	534,872	–	–	–	534,872
School Board admin	219,445	–	–	–	219,445
Mobile homes	136,347	45,000	–	–	181,347
Old store	193,298	–	–	–	193,298
Investment in housing	430,699	–	–	–	430,699
Co-op	30,210	–	–	–	30,210
Social housing	10,165,865	136,589	(117,000)	–	10,185,454
Equipment					
Garbage trucks	72,060	–	–	–	72,060
Snow plow	103,095	–	–	–	103,095
Medical	24,299	–	–	–	24,299
Fire trucks	180,983	–	–	–	180,983
Old store	10,700	–	–	–	10,700
Co-op	130,784	–	–	–	130,784
Trucks	65,757	20,750	–	–	86,507
School bus	87,950	–	–	–	87,950
Computers	10,265	–	–	–	10,265
High School	–	310,128	–	–	310,128
Other					
Fishing vessels	1,449,975	–	–	–	1,449,975
Sewer and water	3,499,185	–	–	–	3,499,185
Tennis courts	40,605	–	–	–	40,605
Ball fields	50,875	–	–	–	50,875
Co-op	48,786	–	–	–	48,786
Expedition Gas and Convenience	103,399	–	–	–	103,399
Roads	765,672	–	–	–	765,672
	24,170,380	686,457	(117,000)	–	24,739,837
Work in progress					
Social housing	–	20,713	–	–	20,713
Sewer and water	–	293,296	–	–	293,296
	–	314,009	–	–	314,009
Total	$ 24,170,380	$ 1,000,466	$ (117,000)	$ –	$ 25,053,846

11. TANGIBLE CAPITAL ASSETS (CONTINUED)

	Accumulated amortization				Net book value	
	Opening Balance	Amortization	Disposals, write-offs and other adjustments	Closing Balance	Total 2016	Total 2015
Tangible assets						
Land	$ –	$ –	$ –	$ –	$ 70,000	$ 70,000
Buildings						
Fire Hall	79,334	4,667	–	84,001	9,335	14,002
Island church	17,413	1,583	–	18,996	20,582	22,165
Band office	101,570	5,342	–	106,912	–	5,342
Daycare	64,425	3,579	–	68,004	3,584	7,163
Gas bar	523,880	65,485	–	589,365	720,337	785,822
Fishery Complex	364,433	40,492	–	404,925	237,622	104,124
Housing demo	143,768	7,987	–	151,755	47,928	55,915
Police station	116,122	8,914	–	125,036	97,813	106,727
Youth centre	53,284	4,844	–	58,128	62,970	67,814
School	2,115,206	124,478	–	2,239,684	872,267	996,745
Medical centre	320,155	21,395	–	341,550	193,322	214,717
School Board admin	83,584	10,972	–	94,556	124,889	135,861
Mobile homes	40,632	6,354	–	46,986	134,361	95,715
Old store	161,054	9,665	–	'170,719	22,579	32,244
Investment in housing	269,110	17,228	–	286,338	144,361	161,589
Co-op	15,536	1,208	–	16,744	13,466	14,674
Social housing	5,403,341	193,179	(117,000)	5,479,520	4,705,934	4,762,524
Equipment						
Garbage trucks	64,855	7,205	–	72,060	–	7,205
Snow plow	87,260	10,310	–	97,570	5,525	15,835
Medical	24,299	–	–	24,299	–	–
Fire trucks	180,983	–	–	180,983	–	–
Old store	10,700	–	–	10,700	–	–
Co-op	127,520	816	–	128,336	2,448	3,264
Truck	35,630	22,840	–	58,470	28,037	30,127
School bus	8,795	8,795	–	17,590	70,360	79,155
Computers	5,133	5,132	–	10,265	–	5,132
High school	–	14,740	–	14,740	295,388	–
Other						
Fishing vessels	1,013,009	72,499	–	1,085,508	364,467	436,966
Sewer and water	1,441,638	139,967	–	1,581,605	1,917,580	2,057,547
Tennis courts	40,605	–	–	40,605	–	–
Ball fields	50,875	–	–	50,875	–	–
Co-op	48,786	–	–	48,786	–	–
Expedition Gas and Convenience	42,461	10,340	–	52,801	50,598	60,938
Roads	95,709	19,142	–	114,851	650,821	669,963
	13,151,105	839,158	(117,000)	13,873,263	10,866,574	11,019,275
Work in progress						
Social housing	–	–	–	–	20,713	–
Sewer and water	–	–	–	–	293,296	–
	–	–	–	–	314,009	–
Total	$ 13,151,105	$ 839,158	$(117,000)	$ 13,873,263	$ 11,180,583	$ 11,019,275

12. CMHC REPLACEMENT RESERVE

Under the terms of housing agreements with CMHC to construct new housing units pursuant to Section 95, certain housing account reserves are to be maintained.

A replacement reserve account is to be funded annually for each housing project in an amount determined by CMHC and these funds along with accumulated interest must be held in a separate bank account and its use restricted to expenses approved by CMHC. A subsidy reserve account may be funded to a specified maximum per housing unit out of excess federal subsidy assistance payments with the funds and accumulated interest to be held in a separate bank account with the use of these funds restricted to expenses approved by CMHC.

At March 31, 2016, funds along with interest held in these housing reserve bank savings accounts are $275,488.

13. GOVERNMENT TRANSFERS

	2016			2015		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers						
Indigenous and Northern Affairs Canada	$ 2,851,976	$ 494,954	$ 3,346,930	$ 2,803,787	$ 255,263	$ 3,059,050
Health Canada	750,736	50,206	800,942	694,722	50,082	744,804
Mi'kmaw Kina'matnewey	2,310,943	216,052	2,526,995	2,182,813	87,950	2,270,763
Canada Mortgage and Housing Corporation	130,923	–	130,923	149,721	–	149,721
Fisheries and Oceans Canada	188,631	193,790	382,421	253,350	–	253,350
Other	230,620	–	230,620	230,628	–	230,628
Total	6,463,829	955,002	7,418,831	6,315,021	393,295	6,708,316
Provincial government transfers	193,432	–	193,432	185,629	–	185,629
	$ 6,657,261	$ 955,002	$ 7,612,263	$ 6,500,650	$ 393,295	$ 6,893,945

14. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2016		2015
	Budget (unaudited)	Actual	Actual
Salaries, wages and employee benefits	$ 5,690,000	$ 5,436,607	$ 5,616,391
Professional development and travel	200,000	187,570	202,952
Supplies and services	100,000	92,878	108,579
Interest	143,400	139,858	178,721
Professional services	300,000	271,830	343,495
Fees and contract services	200,000	187,908	200,465
Utilities	275,000	202,847	261,725
Expedition Gas and Convenience purchases	2,950,000	2,622,224	3,174,275
Other	3,402,600	4,020,503	3,570,318
Amortization	830,000	839,158	833,321
	$14,091,000	$14,001,383	$14,490,242

15. SEGMENT DISCLOSURE

	Education			Health		
	Budget (unaudited)	2016 Actual	2015 Actual	Budget (unaudited)	2016 Actual	2015 Actual
REVENUES						
Federal government						
Operating	$ 2,209,000	$ 2,340,943	$ 2,237,813	$ 700,000	$ 750,736	$ 694,722
Capital	–	216,052	87,950	–	50,206	50,082
Provincial government						
Operating	–	95,505	72,516	–	–	–
Other	–	59,622	30,601	–	21,000	93,765
	2,209,000	2,712,122	2,428,880	700,000	821,942	838,569
EXPENSES						
Salaries and benefits	1,600,000	1,643,949	1,547,443	500,000	548,592	489,803
Debt servicing	6,900	6,944	6,403	–	–	–
Other	802,100	1,015,528	1,082,776	200,000	295,186	329,152
Amortization	–	–	–	–	–	–
	2,409,000	2,666,421	2,636,622	700,000	843,778	818,955
ANNUAL SURPLUS (DEFICIT)	$ (200,000)	$ 45,701	$ (207,742)	$ –	$ (21,836)	$ 19,614

POTLOTEK FIRST NATION
Notes to Consolidated Financial Statements, (continued)

Year ended March 31, 2016

15. SEGMENT DISCLOSURE (CONTINUED)

	Operations and Maintenance			Capital Housing and Infrastructure		
	Budget	2016 Actual	2015 Actual	Budget	2016 Actual	2015 Actual
	(unaudited)			(unaudited)		
REVENUES						
Federal government						
Operating	$ 417,500	$ 316,280	$ 350,013	$ –	$ –	$ –
Capital	–	293,296	–	201,000	201,658	200,263
Provincial government						
Operating	–	–	–	–	–	–
Other	–	–	–	–	88,700	–
	417,500	609,576	350,013	201,000	290,358	200,263
EXPENSES						
Salaries and benefits	135,000	134,703	135,261	250,000	132,802	152,236
Debt servicing	–	–	–	8,500	8,460	24,820
Other	465,000	469,250	409,520	541,500	259,298	196,965
Amortization	–	–	–	–	–	–
	600,000	603,953	544,781	800,000	400,560	374,021
ANNUAL SURPLUS (DEFICIT)	$ (182,500)	$ 5,623	$ (194,768)	$ (599,000)	$ (110,202)	$ (173,758)

	Social Development			Band Government		
	Budget	2016 Actual	2015 Actual	Budget	2016 Actual	2015 Actual
	(unaudited)			(unaudited)		
REVENUES						
Federal government						
Operating	$ 1,915,000	$ 1,915,858	$ 1,902,602	$ 332,500	$ 478,535	$ 462,144
Capital	–	–	–	–	–	–
Provincial government						
Operating	–	–	–	–	–	–
Other	–	–	–	–	–	–
	1,915,000	1,915,858	1,902,602	332,500	478,535	462,144
EXPENSES						
Salaries and benefits	230,000	215,936	227,925	575,000	572,788	571,094
Debt servicing	–	–	–	23,000	22,245	–
Other	1,070,000	1,204,620	1,361,968	302,000	279,704	317,498
Amortization	–	–	–	–	–	–
	1,300,000	1,420,556	1,589,893	900,000	874,737	888,592
ANNUAL SURPLUS (DEFICIT)	$ 615,000	$ 495,302	$ 312,709	$ (567,500)	$ (396,202)	$ (426,448)

15. SEGMENT DISCLOSURE (CONTINUED)

	Other			Total		
	Budget	2016 Actual	2015 Actual	Budget	2016 Actual	2015 Actual
	(unaudited)			(unaudited)		
REVENUES						
Federal government						
Operating	$ 800,000	$ 661,477	$ 761,670	$ 6,374,000	$ 6,463,829	$ 6,408,964
Capital	–	193,790	–	201,000	955,002	338,295
Provincial government						
Operating	–	97,927	113,113	–	193,432	185,629
Other	7,041,000	7,059,044	7,110,839	7,041,000	7,228,366	7,235,205
	7,841,000	8,012,238	7,985,622	13,616,000	14,840,629	14,168,093
EXPENSES						
Salaries and benefits	2,400,000	2,187,837	2,492,629	5,690,000	5,436,607	5,616,391
Debt servicing	105,000	102,209	147,498	143,400	139,858	178,721
Other	4,047,000	4,062,174	4,163,930	7,427,600	7,585,760	7,861,809
Amortization	830,000	839,158	833,321	830,000	839,158	833,321
	7,382,000	7,191,378	7,637,378	14,091,000	14,001,383	14,490,242
ANNUAL SURPLUS (DEFICIT)	$ 459,000	$ 820,860	$ 348,244	$ (475,000)	$ 839,246	$ (322,149)

16. PENSION PLAN

The First Nation maintains a defined contribution pension plan for its current employees. The total expense recognized in the statement of operations for the defined contribution pension plan is $97,784 (2015 - $90,821), which represents the total cash amount paid or payable by the First Nation to the plan during the year.

17. CONTINGENCIES

Potlotek First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

18. FINANCIAL INSTRUMENTS

The First Nation is exposed to various risks through its financial instruments and includes the following significant risks at March 31, 2016.

Credit risk

The First Nation's credit risk results from trade accounts receivable and receivables from other levels of government.

The First Nation extends credit to members and also receives rebates from various sources. When required, the First Nation records an allowance for doubtful accounts for items where collection is no longer assured.

Amounts owing from other levels of government are based on funding agreements and subject to review by the applicable government body.

The First Nation is not exposed to significant concentration risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The First Nation's interest rate risk arises from long-term borrowings at a fixed rate that creates fair value interest rate risk. Changes in market interest rates cause the fair value of long-term debt with fixed interest rates to fluctuate but do not affect the statement of operations, as the First Nation's debt is carried at amortized cost and the carrying value does not change as interest rates change.

Liquidity risk

Liquidity risk is the risk that the First Nation will encounter difficulty in meeting obligations associated with financial liabilities. The First Nation manages this risk through the preparation of budgets and by monitoring forecasted and actual cash flows.

The First Nation's future obligations with respect to debt repayments are disclosed in note 7 and 10.

19. ECONOMIC DEPENDENCE

The Potlotek First Nation receives a major portion of its revenues pursuant to funding arrangements with Indigenous and Northern Affairs Canada, Mi'kmaw Kina'matnewey and Health Canada. The continued operation of the First Nation is dependent on the continuation of this funding arrangement.

20. COMPARATIVE FIGURES

Certain of the 2015 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

21. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council.

Schedule of Salaries, Honoraria, Travel Expenses and
Other Remuneration - Chief and Council of

POTLOTEK FIRST NATION

Year ended March 31, 2016
(Unaudited)