Consolidated Financial Statements of

POTLOTEK FIRST NATION

Year ended March 31, 2017

MGM

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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, 2017 and the consolidated statements of operations, change in fund balance, 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 Consolidated 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.

Auditors' 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 auditors' 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 auditors consider 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.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Potlotek First Nation as at March 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

MGM & Associates

Chartered Professional Accountants
Licensed Public Accountants

Sydney, Canada
July 26, 2017

POTLOTEK FIRST NATION

Consolidated Statement of Financial Position

March 31, 2017, with comparative figures for 2016

	2017	2016
FINANCIAL ASSETS		
Cash	$ 1,006,639	$ –
Restricted cash – CMHC replacement reserve	306,972	275,488
Accounts receivable (note 2)	137,445	219,014
Due from federal government (note 3)	1,606,478	823,086
Due from provincial government (note 4)	255,052	95,760
Inventories held for resale (note 5)	136,475	116,295
Trust funds – Indigenous and Northern Affairs Canada (note 6)	6,050	5,935
	3,455,111	1,535,578
LIABILITIES		
Cheques issued in excess of funds on deposit	–	394,780
Operating loans (note 7)	138,433	275,098
Accounts payable and accrued liabilities (note 8)	1,877,202	1,803,168
Payable arrangements with Canada Revenue Agency (note 9)	1,049,754	1,049,754
Deferred revenue (note 10)	3,495,640	826,794
Long-term debt (note 11)	3,487,408	3,857,209
	10,048,437	8,206,803
NET DEBT	(6,593,326)	(6,671,225)
NON-FINANCIAL ASSETS		
Tangible capital assets (note 12)	10,492,228	10,866,574
Work in progress (note 12)	497,216	314,009
Intangible assets	600,000	600,000
Inventory, prepaid expenses and other	84,043	56,969
	11,673,487	11,837,552
ACCUMULATED SURPLUS	$ 5,080,161	$ 5,166,327

Contingencies (note 18)

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

On behalf of Chief and Council:

[redacted]

POTLOTEK FIRST NATION

Consolidated Statement of Operations

Year ended March 31, 2017, with comparative figures for 2016

		2017	2016
	Budget (unaudited)	Actual	Actual
REVENUES			
Transfers from Federal Government			
Indigenous and Northern Affairs Canada	$ 2,965,000	$ 3,559,031	$ 3,346,930
Mi'kmaw Kina'matnewey	2,300,000	2,663,064	2,526,995
Health Canada	850,000	897,199	800,942
METS	230,000	307,481	230,620
Fisheries and Oceans Canada	200,000	300,926	382,421
Canada Mortgage and Housing Corporation	127,200	265,829	130,923
Transfers from Provincial Government	–	225,161	193,432
Revenue from own sources	6,595,000	6,776,709	6,727,605
Rental income	235,000	237,204	241,265
Other	100,000	219,651	259,496
	13,602,200	15,452,255	14,840,629
EXPENSES			
Administration and management	900,000	1,155,437	874,737
Economic and employment development	50,000	50,161	61,951
Operations and maintenance	600,000	931,508	603,953
Social development	1,300,000	1,094,776	1,420,556
Education	2,500,000	2,675,477	2,666,421
Capital, housing and infrastructure	657,000	560,079	400,560
Health	850,000	958,945	843,778
Fisheries – Fisheries and Oceans Canada	400,000	221,282	188,506
Fisheries – commercial	1,380,000	1,530,592	1,486,907
Gas bar	3,135,000	3,092,219	3,007,593
METS	320,000	454,027	322,022
Gaming	750,000	1,490,169	944,350
Other	28,000	97,052	85,865
Tobacco	220,000	157,000	95,270
Social housing	170,000	182,845	159,756
Amortization of tangible capital assets	835,000	826,382	839,158
	14,095,000	15,477,951	14,001,383
ANNUAL SURPLUS (DEFICIT)	$ (492,800)	$ (25,696)	$ 839,246

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

POTLOTEK FIRST NATION

Consolidated Statement of Change in Fund Balances

Year ended March 31, 2017, with comparative figures for 2016

	Operating	Capital	Social Housing	Trust	Replacement Reserve	2017 Total	2016 Total
BALANCE, BEGINNING OF YEAR	$(1,832,262)	$ 6,198,607	$ 468,279	$ 5,935	$ 325,768	$ 5,166,327	$ 4,344,133
Annual surplus (deficit)	(227,817)	(3,494)	205,615	–	–	(25,696)	839,246
Current year allocations	–	–	(50,420)	–	50,420	–	–
Withdrawals	–	–	–	–	(60,585)	(60,585)	(17,181)
Interest earned	–	–	–	115	–	115	129
BALANCE, END OF YEAR	$(2,060,079)	$ 6,195,113	$ 623,474	$ 6,050	$ 315,603	$ 5,080,161	$ 5,166,327

POTLOTEK FIRST NATION

Consolidated Statement of Change in Net Debt

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
ANNUAL SURPLUS (DEFICIT)	$ (25,696)	$ 839,246
Tangible capital assets		
Acquisition of tangible capital assets	(635,243)	(1,000,466)
Amortization of tangible capital assets	826,382	839,158
	191,139	(161,308)
Other non-financial assets		
Decrease (increase) in inventory, prepaid expenses and other	(27,074)	16,288
Other		
Withdrawal from replacement reserve	(60,585)	(17,181)
Interest earned on trust fund	115	129
	(60,470)	(17,052)
DECREASE IN NET DEBT	77,899	677,174
NET DEBT, BEGINNING OF YEAR	(6,671,225)	(7,348,399)
NET DEBT, END OF YEAR	$ (6,593,326)	$ (6,671,225)

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

POTLOTEK FIRST NATION
Consolidated Statement of Cash Flows

Year ended March 31, 2017, with comparative figures for 2016

	2017	2016
Cash provided by (used in)		
OPERATING ACTIVITIES		
Annual surplus (deficit)	$ (25,696)	$ 839,246
Add amortization of tangible capital assets	826,382	839,158
Change in non-cash operating items		
Decrease (increase) in accounts receivable	81,569	(1,262)
Increase in due from federal government	(783,392)	(393,205)
Increase (decrease) in due from provincial government	(159,292)	10,456
Increase in inventories held for resale	(20,180)	(29,741)
Decrease (increase) in inventory, prepaid expenses and other	(27,074)	16,288
Increase in accounts payable and accrued liabilities	74,034	(278,472)
Increase in payment arrangement with Canada Revenue Agency	–	318,482
Increase in deferred revenue	2,668,846	350,765
	2,635,197	1,671,715
FINANCING ACTIVITIES		
Proceeds from long-term debt	–	140,048
Principal payments on long-term debt	(369,801)	(634,080)
Principal payments on operating loans	(136,665)	(127,807)
Withdrawals from replacement reserve	(60,585)	(17,181)
	(567,051)	(639,020)
INVESTING ACTIVITIES		
Additions to tangible capital assets and work in progress	(635,243)	(1,000,466)
Interest on trust fund	115	129
	(635,128)	(1,000,337)
INCREASE IN CASH AND CASH EQUIVALENTS	1,433,018	32,358
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(113,357)	(145,715)
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,319,661	$ (113,357)
Cash and cash equivalents is comprised of the following		
Cash	$ 1,006,639	$ –
Restricted cash – CMHC replacement reserve	306,972	275,488
Cheques issued in excess of funds on deposit	–	(394,780)
Trust fund – Indigenous and Northern Affairs Canada	6,050	5,935
	$ 1,319,661	$ (113,357)

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.

(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 half 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)

(i) 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

	2017	2016
Members	$ 78,269	$ 66,684
Lottery retailers	23,701	21,718
Tobacco supplier	24,786	106,003
Other	46,902	60,822
	173,658	255,227
Allowance for doubtful accounts	36,213	36,213
	$ 137,445	$ 219,014

3. DUE FROM FEDERAL GOVERNMENT

	2017	2016
Indigenous and Northern Affairs Canada	$ 297,520	$ 211,500
Mi'kmaq Employment/Training Secretariat Inc.	148,176	57,657
Mi'kmaw Kina'matnewey	375,877	86,126
Fisheries and Oceans Canada	456,949	259,195
HST	244,057	208,608
Canada Mortgage and Housing Corporation	83,899	–
	$ 1,606,478	$ 823,086

4. DUE FROM PROVINCIAL GOVERNMENT

	2017	2016
Province of Nova Scotia	$ 255,052	$ 95,760

5. INVENTORIES HELD FOR RESALE

	2017	2016
Gas bar	$ 136,475	$ 116,295

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

	2017	2016
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	$ 86,069	$ 205,831
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	52,364	69,267
	$ 138,433	$ 275,098

Principal repayments for the next three years are as follows:

2018	$103,750
2019	18,500
2020	16,183

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2017	2016
Trade	$ 941,974	$ 1,556,434
Accrued salaries and employee benefits payable	935,228	246,734
	$ 1,877,202	$ 1,803,168

9. PAYMENT ARRANGEMENT WITH CANADA REVENUE AGENCY

The First Nation owes Canada Revenue Agency an amount of $1,049,754 relating to employee remittances due but unpaid for prior years. The First Nation is making regular payments on current employee remittances and intends to reduce the amount on prior year balances with HST receivable in the future. The First Nation considers the repayments to be a long-term arrangement.

10. DEFERRED REVENUE

	Balance March 31, 2016	Funding received 2017	Revenue recognized/ repaid 2017	Balance March 31, 2017
Federal government				
Indigenous and Northern Affairs Canada				
Water project	$ 526,458	$ –	$ 203,920	$ 322,538
A & C water	–	31,000	2,059	28,941
Wastewater	–	1,200,000	–	1,200,000
Roads and bridges	–	1,069,000	105,086	963,914
Capacity development	–	70,000	–	70,000
Recovery	–	250,000	106,315	143,685
Renovations and additions	–	113,434	–	113,434
	526,458	2,733,434	417,380	2,842,512
Health Canada	–	30,000	–	30,000
Mi'kmaw Kina'matnewey				
Capital projects	–	234,500	–	234,500
High school grand opening	15,000	–	15,000	–
	15,000	234,500	15,000	234,500
Provincial government				
Other	20,000	–	–	20,000
Other	265,336	141,292	38,000	368,628
Total	$ 826,794	$ 3,139,226	$ 470,380	$ 3,495,640

11. LONG-TERM DEBT

	2017	2016
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 June, 2017 – February, 2021	$ 2,664,257	$ 2,830,876
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	131,500	145,693
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	72,310	82,608
Mortgage payable to Peace Hills Trust Company with a mortgage rate of 3.95% with monthly instalments from $1,040, maturing January, 2022	59,739	80,755
Loan payable to Peace Hills Trust Company with an interest rate of 4.15% with monthly instalments of principal and interest of $623, maturing and amortized to October, 2017	3,170	10,355
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	314,711	358,865
Loan payable to Peace Hills Trust Company repaid during the year	-	13,410
	3,245,687	3,522,562

11. LONG-TERM DEBT (CONTINUED)

	2017	2016
Carry forward	$ 3,245,687	$ 3,522,562
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	118,008	133,914
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	41,450	44,380
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	51,872	55,358
Loan payable to Peace Hills Trust Company with an interest rate of 6.5% with annual principal payment of $70,000 and monthly interest and payments of $386, maturing and amortized to October 1, 2017	30,391	100,995
Total long-term debt	$ 3,487,408	$ 3,857,209

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
2018	$1,052,000
2019	1,264,900
2020	551,000
2021	449,600
2022	95,300

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

12. 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	642,547	7,540	–	–	650,087
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	181,347	–	–	–	181,347
Old store	193,298	–	–	–	193,298
Investment in housing	430,699	–	–	–	430,699
Co-op	30,210	–	–	–	30,210
Social housing	10,185,454	167,359		20,713	10,373,526
Equipment					
Garbage trucks	72,060	–	–	–	72,060
Snow plow	103,095	10,750	–	–	113,845
Medical	24,299	–	–	–	24,299
Fire trucks	180,983	–	–	–	180,983
Old store	10,700	–	–	–	10,700
Co-op	130,784	–	–	–	130,784
Trucks	86,507	–	–	–	86,507
School bus	87,950	–	–	–	87,950
Computers	10,265	–	–	–	10,265
High School	310,128	50,924	–	–	361,052
Backhoe	–	122,250	–	–	122,250
Minibus	–	72,500	–	–	72,500
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
	24,739,837	431,323	–	20,713	25,191,873
Work in progress					
Social housing	20,713	–	–	(20,713)	–
Sewer and water	293,296	203,920	–	–	497,216
	314,009	203,920	–	(20,713)	497,216
Total	$ 25,053,846	$ 635,243	$ –	$ –	$ 25,689,089

12. TANGIBLE CAPITAL ASSETS (CONTINUED)

	Accumulated amortization				Net book value	
	Opening Balance	Amortization	Disposals, write-offs and other adjustments	Closing Balance	Total 2017	Total 2016
Tangible assets						
Land	$ –	$ –	$ –	$ –	$ 70,000	$ 70,000
Buildings						
Fire Hall	84,001	4,667	–	88,668	4,668	9,335
Island church	18,996	1,583	–	20,579	18,999	20,582
Band office	106,912	–	–	106,912	–	–
Daycare	68,004	3,582	–	71,586	2	3,584
Gas bar	589,365	65,485	–	654,850	654,852	720,337
Fishery Complex	404,925	24,516	–	429,441	220,646	237,622
Housing demo	151,755	7,987	–	159,742	39,941	47,928
Police station	125,036	8,914	–	133,950	88,899	97,813
Youth centre	58,128	4,844	–	62,972	58,126	62,970
School	2,239,684	124,478	–	2,364,162	747,789	872,267
Medical centre	341,550	21,395	–	362,945	171,927	193,322
School Board admin	94,556	10,972	–	105,528	113,917	124,889
Mobile homes	46,986	7,254	–	54,240	127,107	134,361
Old store	170,719	9,665	–	180,384	12,914	22,579
Investment in housing	286,338	17,228	–	303,566	127,133	144,361
Co-op	16,744	1,208	–	17,952	12,258	13,466
Social housing	5,479,520	197,932	–	5,677,452	4,696,074	4,705,934
Equipment						
Garbage trucks	72,060	–	–	72,060	–	–
Snow plow	97,570	10,847	–	108,417	5,428	5,525
Medical	24,299	–	–	24,299	–	–
Fire trucks	180,983	–	–	180,983	–	–
Old store	10,700	–	–	10,700	–	–
Co-op	128,336	612	–	128,948	1,836	2,448
Truck	58,470	25,952	–	84,422	2,085	28,037
School bus	17,590	8,795	–	26,385	61,565	70,360
Computers	10,265	–	–	10,265	–	–
High school	14,740	16,779	–	31,519	329,533	295,388
Backhoe	–	6,113	–	6,113	116,137	–
Minibus	–	3,625	–	3,625	68,875	–
Other						
Fishing vessels	1,085,508	72,499	–	1,158,007	291,968	364,467
Sewer and water	1,581,605	139,967	–	1,721,572	1,777,613	1,917,580
Tennis courts	40,605	–	–	40,605	–	–
Ball fields	50,875	–	–	50,875	–	–
Co-op	48,786	–	–	48,786	–	–
Expedition Gas and Convenience	52,801	10,340	–	63,141	40,258	50,598
Roads	114,851	19,143	–	133,994	631,678	650,821
	13,873,263	826,382	–	14,699,645	10,492,228	10,866,574
Work in progress						
Social housing	–	–	–	–	–	20,713
Sewer and water	–	–	–	–	497,216	293,296
	–	–	–	–	497,216	314,009
Total	$ 13,873,263	$ 826,382	$ –	$ 14,699,645	$ 10,989,444	$ 11,180,583

13. 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, 2017, funds along with interest held in these housing reserve bank savings accounts are $306,972.

14. GOVERNMENT TRANSFERS

	2017			2016		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers						
Indigenous and Northern Affairs Canada	$ 3,152,788	$ 408,243	$ 3,559,031	$ 2,851,976	$ 494,954	$ 3,346,930
Mi'kmaw Kina'matnewey	2,523,064	140,000	2,663,064	2,310,943	216,052	2,526,995
Health Canada	854,442	42,757	897,199	750,736	50,206	800,942
METS	307,481	–	307,481	230,620	–	230,620
Fisheries and Oceans Canada	135,000	165,926	300,926	188,631	193,790	382,421
Canada Mortgage and Housing Corporation	265,829	–	265,829	130,923	–	130,923
Total	7,238,604	754,926	7,993,530	6,463,829	955,002	7,418,831
Provincial government transfers	225,161	–	225,161	193,432	–	193,432
	$ 7,463,765	$ 754,926	$ 8,218,691	$ 6,657,261	$ 955,002	$ 7,612,263

15. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2017 Budget (unaudited)	2017 Actual	2016 Actual
Salaries, wages and employee benefits	$ 6,015,000	$ 6,688,943	$ 5,436,607
Professional development and travel	185,000	203,077	187,570
Supplies and services	100,000	121,339	92,878
Interest	109,000	106,454	139,858
Professional services	300,000	381,854	271,830
Fees and contract services	200,000	188,637	187,908
Utilities	250,000	277,473	202,847
Expedition Gas and Convenience purchases	2,750,000	2,727,645	2,622,224
Other	3,351,000	3,956,147	4,020,503
Amortization	835,000	826,382	839,158
	$ 14,095,000	$ 15,477,951	$ 14,001,383

16. SEGMENT DISCLOSURE

	Education			Health		
	Budget (unaudited)	2017 Actual	2016 Actual	Budget (unaudited)	2017 Actual	2016 Actual
REVENUES						
Federal government						
Operating	$ 2,300,000	$ 2,523,064	$ 2,340,943	$ 850,000	$ 854,442	$ 750,736
Capital	–	140,000	216,052	–	42,757	50,206
Provincial government						
Operating	–	62,161	95,505	–	38,000	–
Other	–	103,993	59,622	–	–	21,000
	2,300,000	2,829,218	2,712,122	850,000	935,199	821,942
EXPENSES						
Salaries and benefits	1,900,000	2,077,958	1,643,949	550,000	614,791	548,592
Debt servicing	7,000	8,549	6,944	–	–	–
Other	593,000	588,970	1,015,528	300,000	344,154	295,186
Amortization	–	–	–	–	–	–
	2,500,000	2,675,477	2,666,421	850,000	958,945	843,778
ANNUAL SURPLUS (DEFICIT)	$ (200,000)	$ 153,741	$ 45,701	$ –	$ (23,746)	$ (21,836)

16. SEGMENT DISCLOSURE (CONTINUED)

	Operations and Maintenance			Capital Housing and Infrastructure		
	Budget	2017 Actual	2016 Actual	Budget	2017 Actual	2016 Actual
	(unaudited)			(unaudited)		
REVENUES						
Federal government						
Operating	$ 310,000	$ 665,376	$ 316,280	$ –	$ –	$ –
Capital	–	203,920	293,296	202,000	202,323	201,658
Provincial government						
Operating	–	–	–	–	–	–
Other	–	–	–	–	–	88,700
	310,000	869,296	609,576	202,000	202,323	290,358
EXPENSES						
Salaries and benefits	135,000	162,347	134,703	200,000	267,573	132,802
Debt servicing	–	–	–	7,000	6,596	8,460
Other	465,000	769,162	469,250	450,000	285,910	259,298
Amortization	–	–	–	–	–	–
	600,000	931,509	603,953	657,000	560,079	400,560
ANNUAL SURPLUS (DEFICIT)	$ (290,000)	$ (62,213)	$ 5,623	$ (455,000)	$ (357,756)	$ (110,202)

	Social Development			Band Government		
	Budget	2017 Actual	2016 Actual	Budget	2017 Actual	2016 Actual
	(unaudited)			(unaudited)		
REVENUES						
Federal government						
Operating	$ 1,921,000	$ 1,922,172	$ 1,915,858	$ 432,500	$ 471,584	$ 478,535
Capital	–	–	–	–	–	–
Provincial government						
Operating	–	–	–	–	–	–
Other	–	–	–	–	–	–
	1,921,000	1,922,172	1,915,858	432,500	471,584	478,535
EXPENSES						
Salaries and benefits	230,000	209,111	215,936	600,000	655,910	572,788
Debt servicing	–	–	–	10,000	10,614	22,245
Other	1,070,000	885,666	1,204,620	290,000	496,691	279,704
Amortization	–	–	–	–	–	–
	1,300,000	1,094,777	1,420,556	900,000	1,163,215	874,737
ANNUAL SURPLUS (DEFICIT)	$ 621,000	$ 827,395	$ 495,302	$ (467,500)	$ (691,631)	$ (396,202)

16. SEGMENT DISCLOSURE (CONTINUED)

	Other			Total		
	Budget	2017 Actual	2016 Actual	Budget	2017 Actual	2016 Actual
	(unaudited)			(unaudited)		
REVENUES						
Federal government						
Operating	$ 858,700	$ 801,966	$ 661,477	$ 6,672,200	$ 7,238,604	$ 6,463,829
Capital	–	165,926	193,790	202,000	754,926	955,002
Provincial government						
Operating	–	125,000	97,927	–	225,161	193,432
Other	6,728,000	7,129,571	7,059,044	6,728,000	7,233,564	7,228,366
	7,586,700	8,222,463	8,012,238	13,602,200	15,452,255	14,840,629
EXPENSES						
Salaries and benefits	2,400,000	2,701,253	2,187,837	6,015,000	6,688,943	5,436,607
Debt servicing	85,000	80,695	102,209	109,000	106,454	139,858
Other	3,968,000	4,485,619	4,062,174	7,136,000	7,856,172	7,585,760
Amortization	835,000	826,382	839,158	835,000	826,382	839,158
	7,288,000	8,093,949	7,191,378	14,095,000	15,477,951	14,001,383
ANNUAL SURPLUS (DEFICIT)	$ 298,700	$ 128,514	$ 820,860	$ (492,800)	$ (25,696)	$ 839,246

17. 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 $191,337 (2016 - $97,784), which represents the total cash amount paid or payable by the First Nation to the plan during the year.

18. CONTINGENCIES

Contribution agreements

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.

Legal matters

The First Nation has been named defendant in a legal action. The outcome of this matter is not determinable and settlement, if any, will be accounted for as a charge to operations in the period of settlement.

19. FINANCIAL INSTRUMENTS

The First Nation is exposed to various risks through its financial instruments and includes the following significant risks at March 31, 2017.

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.

20. 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.

21. COMPARATIVE FIGURES

Certain of the 2016 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

22. BUDGETED FIGURES

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