

Consolidated Financial Statements of

# **POTLOTEK FIRST NATION**

Year ended March 31, 2018

# POTLOTEK FIRST NATION

## Consolidated Financial Statements

Year ended March 31, 2018

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### **Management's Responsibility for the Consolidated 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 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 Professional 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  
Chief Administrative Officer



**MGM & Associates**  
**Chartered Professional Accountants**  
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Telephone (902) 539-3900  
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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, 2018 and the consolidated statements of operations, change in fund balances, 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, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in dark ink that reads "MGM &amp; Associates". The signature is written in a cursive, flowing style.

Chartered Professional Accountants  
Licensed Public Accountants

Sydney, Canada  
July 26, 2018

# POTLOTEK FIRST NATION

## Consolidated Statement of Financial Position

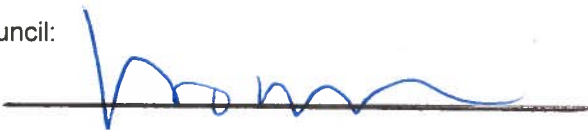
March 31, 2018, with comparative figures for 2017

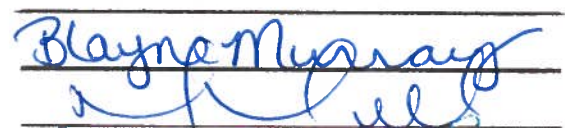
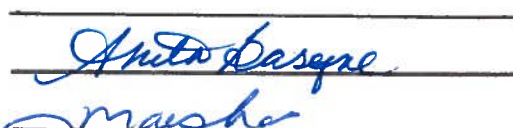
	2018	2017
<b>FINANCIAL ASSETS</b>		
Cash	\$ —	\$ 1,006,639
Restricted cash – CMHC replacement reserve	339,848	306,972
Accounts receivable (note 2)	320,726	137,445
Due from federal government (note 3)	1,767,926	1,606,478
Due from provincial government (note 4)	214,655	255,052
Inventories held for resale (note 5)	127,263	136,475
Trust funds – Indigenous Services Canada (note 6)	6,259	6,050
	<u>2,776,677</u>	<u>3,455,111</u>
<b>LIABILITIES</b>		
Cheques issued in excess of funds on deposit	399,871	—
Operating loans (note 7)	34,686	138,433
Accounts payable and accrued liabilities (note 8)	3,963,932	1,877,202
Payable arrangements with Canada Revenue Agency (note 9)	1,049,754	1,049,754
Deferred revenue (note 10)	1,563,570	3,495,640
Long-term debt (note 11)	3,465,590	3,487,408
	<u>10,477,403</u>	<u>10,048,437</u>
<b>NET DEBT</b>	<u>(7,700,726)</u>	<u>(6,593,326)</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 12)	10,016,352	10,492,228
Work in progress (note 12)	3,768,344	497,216
Intangible assets	600,000	600,000
Inventory, prepaid expenses and other	53,766	84,043
	<u>14,438,462</u>	<u>11,673,487</u>
<b>ACCUMULATED SURPLUS</b>	<u>\$ 6,737,736</u>	<u>\$ 5,080,161</u>

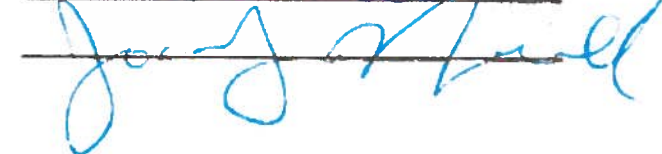

Contingencies (note 18)

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, 2018, with comparative figures for 2017

	2018		2017
	Budget (unaudited)	Actual	Actual
<b>REVENUES</b>			
Transfers from Federal Government			
Indigenous Services Canada	\$ 2,993,000	\$ 6,037,545	\$ 3,559,031
Mi'kmaw Kina'matnewey	2,300,000	2,778,076	2,663,064
Health Canada	850,000	951,767	897,199
METS	230,000	230,628	307,481
Fisheries and Oceans Canada	135,000	307,792	300,926
Canada Mortgage and Housing Corporation	200,000	167,270	265,829
Transfers from Provincial Government	—	355,512	225,161
Revenue from own sources	7,000,000	7,580,118	6,776,709
Rental income	230,000	231,665	237,204
Other	150,000	171,810	219,651
	14,088,000	18,812,183	15,452,255
<b>EXPENSES</b>			
Administration and management	952,000	1,293,133	1,155,437
Economic and employment development	50,000	38,641	50,161
Operations and maintenance	600,000	859,898	931,508
Social development	1,300,000	1,385,929	1,094,776
Education	2,500,000	3,094,049	2,675,477
Capital, housing and infrastructure	657,000	784,223	560,079
Health	868,000	1,211,776	958,945
Fisheries – Fisheries and Oceans Canada	413,000	245,716	221,282
Fisheries – commercial	1,500,000	1,521,945	1,530,592
Gas bar	3,600,000	3,838,212	3,092,219
METS	320,000	415,138	454,027
Gaming	600,000	1,011,715	1,490,169
Other	28,000	74,243	97,052
Tobacco	150,000	171,216	157,000
Social housing	200,000	351,732	182,845
Amortization of tangible capital assets	825,000	831,723	826,382
	14,563,000	17,129,289	15,477,951
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (475,000)</b>	<b>\$ 1,682,894</b>	<b>\$ (25,696)</b>

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, 2018, with comparative figures for 2017

	2018					2017	
	Operating	Capital	Social Housing	Trust	Replacement Reserve	Total	Total
<b>BALANCE, BEGINNING OF YEAR</b>	<b>\$(2,060,079)</b>	<b>\$ 6,195,113</b>	<b>\$ 623,474</b>	<b>\$ 6,050</b>	<b>\$ 315,603</b>	<b>\$ 5,080,161</b>	<b>\$ 5,166,327</b>
Annual surplus (deficit)	(444,293)	2,307,974	(180,787)	-	-	1,682,894	(25,696)
Current year allocations	-	-	(46,812)	-	46,812	-	-
Withdrawals	-	-	-	-	(25,528)	(25,528)	(60,585)
Interest earned	-	-	-	209	-	209	115
<b>BALANCE, END OF YEAR</b>	<b>\$(2,504,372)</b>	<b>\$ 8,503,087</b>	<b>\$ 395,875</b>	<b>\$ 6,259</b>	<b>\$ 336,887</b>	<b>\$ 6,737,736</b>	<b>\$ 5,080,161</b>

# POTLOTEK FIRST NATION

## Consolidated Statement of Change in Net Debt

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ 1,682,894</b>	<b>\$ (25,696)</b>
Tangible capital assets		
Acquisition of tangible capital assets	(3,626,975)	(635,243)
Amortization of tangible capital assets	831,723	826,382
	(2,795,252)	191,139
Other non-financial assets		
Decrease (increase) in inventory, prepaid expenses and other	30,277	(27,074)
Other		
Withdrawal from replacement reserve	(25,528)	(60,585)
Interest earned on trust fund	209	115
	(25,319)	(60,470)
<b>DECREASE (INCREASE) IN NET DEBT</b>	<b>(1,107,400)</b>	<b>77,899</b>
<b>NET DEBT, BEGINNING OF YEAR</b>	<b>(6,593,326)</b>	<b>(6,671,225)</b>
<b>NET DEBT, END OF YEAR</b>	<b>\$ (7,700,726)</b>	<b>\$ (6,593,326)</b>

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



# POTLOTEK FIRST NATION

## Consolidated Statement of Cash Flows

Year ended March 31, 2018, with comparative figures for 2017

	2018	2017
Cash provided by (used in)		
<b>OPERATING ACTIVITIES</b>		
Annual surplus (deficit)	\$ 1,682,894	\$ (25,696)
Add amortization of tangible capital assets	831,723	826,382
Change in non-cash operating items		
Decrease (increase) in accounts receivable	(183,281)	81,569
Increase in due from federal government	(161,448)	(783,392)
Decrease (increase) in due from provincial government	40,397	(159,292)
Decrease (increase) in inventories held for resale	9,212	(20,180)
Decrease (increase) in inventory, prepaid expenses and other	30,277	(27,074)
Increase in accounts payable and accrued liabilities	2,086,730	74,034
Increase (decrease) in deferred revenue	(1,932,070)	2,668,846
	2,404,434	2,635,197
<b>FINANCING ACTIVITIES</b>		
Proceeds from long-term debt	288,000	—
Principal payments on long-term debt	(309,818)	(369,801)
Principal payments on operating loans	(103,747)	(136,665)
Withdrawals from replacement reserve	(25,528)	(60,585)
	(151,093)	(567,051)
<b>INVESTING ACTIVITIES</b>		
Additions to tangible capital assets and work in progress	(3,626,975)	(635,243)
Interest on trust fund	209	115
	(3,626,766)	(635,128)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,373,425)	1,433,018
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,319,661	(113,357)
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ (53,764)	\$ 1,319,661
<b>Cash and cash equivalents is comprised of the following</b>		
Cash	\$ —	\$ 1,006,639
Restricted cash – CMHC replacement reserve	339,848	306,972
Cheques issued in excess of funds on deposit	(399,871)	—
Trust fund – Indigenous Services Canada	6,259	6,050
	\$ (53,764)	\$ 1,319,661

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

# POTLOTEK FIRST NATION

## Notes to Consolidated Financial Statements

Year ended March 31, 2018

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### 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.

# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

## 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.

# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

## 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.

# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

## 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

	2018	2017
Members	\$ 57,554	\$ 78,269
Lottery retailers	205,844	23,701
Tobacco supplier	9,390	24,786
Other	49,912	46,902
	322,700	173,658
Allowance for doubtful accounts	1,974	36,213
	\$ 320,726	\$ 137,445

## 3. DUE FROM FEDERAL GOVERNMENT

	2018	2017
Indigenous Services Canada	\$ 403,238	\$ 297,520
Mi'kmaq Employment/Training Secretariat Inc.	7,085	148,176
Mi'kmaw Kina'matnewey	432,517	375,877
Fisheries and Oceans Canada	466,406	456,949
HST	422,425	244,057
Canada Mortgage and Housing Corporation	20,153	83,899
Health Canada	16,102	—
	\$ 1,767,926	\$ 1,606,478

# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

## 4. DUE FROM PROVINCIAL GOVERNMENT

	2018	2017
Province of Nova Scotia	\$ 214,655	\$ 255,052

## 5. INVENTORIES HELD FOR RESALE

	2018	2017
Gas bar	\$ 127,263	\$ 136,475

## 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

	2018	2017
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	\$ 34,686	\$ 52,364
Loan payable to Peace Hills Trust Company repaid during the year	—	86,069
	\$ 34,686	\$ 138,433

Principal repayments for the next two years are as follows:

2019	\$18,500
2020	16,186

# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
Trade	\$ 2,684,877	\$ 941,974
Accrued salaries and employee benefits payable	1,279,055	935,228
	<u>\$ 3,963,932</u>	<u>\$ 1,877,202</u>

## 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, 2017	Funding received 2018	Revenue recognized 2018	Balance March 31, 2018
Federal government				
Indigenous Services Canada				
Water project	\$ 322,538	\$ 54,500	\$ 144,966	\$ 232,072
A & C water	28,941	22,500	31,018	20,423
Wastewater	1,200,000	—	1,200,000	—
Roads and bridges	963,914	476,309	1,018,595	421,628
Capacity development	70,000	—	19,950	50,050
Recovery	143,685	—	143,685	—
Renovations and additions - 2017	113,434	—	67,172	46,262
A&C wastewater	—	40,000	—	40,000
Erosion	—	153,340	93,229	60,111
RV Park	—	64,700	24,155	40,545
Renovations and additions - 2018	—	77,500	53,837	23,663
Economic development	—	180,122	—	180,122
	<u>2,842,512</u>	<u>1,068,971</u>	<u>2,796,607</u>	<u>1,114,876</u>
Health Canada	30,000	—	30,000	—
Mi'kmaw Kina'matnewey	234,500	—	192,206	42,294
Provincial government				
Other	20,000	—	20,000	—
Other	368,628	75,293	37,521	406,400
Total	<u>\$ 3,495,640</u>	<u>\$ 1,144,264</u>	<u>\$ 3,076,334</u>	<u>\$ 1,563,570</u>

# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

## 11. LONG-TERM DEBT

	2018	2017
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, 2018 – September, 2022	\$ 2,493,719	\$ 2,664,257
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	116,980	131,500
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	61,717	72,310
Mortgage payable to Peace Hills Trust Company with a mortgage rate of 3.95% with monthly instalments from \$1,040, maturing January, 2022	49,040	59,739
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	268,129	314,711
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	101,358	118,008
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	38,401	41,450
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	48,246	51,872
	3,177,590	3,453,847



# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

## 11. LONG-TERM DEBT (CONTINUED)

	2018	2017
Carry forward	\$ 3,177,590	\$ 3,453,847
Loan payable to Peace Hills Trust Company with an interest rate of 5.0%, with monthly payments of principal and interest of \$5,435, maturing and amortized to April 15, 2023	288,000	—
Loan payable to Peace Hills Trust Company repaid during the year	—	30,391
Loan payable to Peace Hills Trust Company repaid during the year	—	3,170
<b>Total long-term debt</b>	<b>\$ 3,465,590</b>	<b>\$ 3,487,408</b>

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
2019	\$1,413,700
2020	693,300
2021	597,200
2022	243,200
2023	518,190

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

# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

## 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	650,087	-	-	-	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	10,373,526	-	-	-	10,373,526
Equipment					
Garbage trucks	72,060	-	-	-	72,060
Snow plow	113,845	-	-	-	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	361,052	8,723	-	-	369,775
Backhoe	122,250	-	-	-	122,250
Minibus	72,500	-	-	-	72,500
Dump truck	-	288,500	-	-	288,500
Utility vehicle	-	26,800	-	-	26,800
Floating docks	-	10,169	-	-	10,169
Portable restrooms	-	21,320	-	-	21,320
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	335	-	-	51,210
Co-op	48,786	-	-	-	48,786
Expedition Gas and Convenience	103,399	-	-	-	103,399
Roads	765,672	-	-	-	765,672
	25,191,873	355,847	-	-	25,547,720
Work in progress					
Generator	-	192,206	-	-	192,206
Land improvements	-	93,229	-	-	93,229
Social housing	-	674,096	-	-	674,096
Roads, sewer and water	497,216	2,311,597	-	-	2,808,813
	497,216	3,271,128	-	-	3,768,344
Total	\$ 25,689,089	\$ 3,626,975	\$ -	\$ -	\$ 29,316,064

# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

## 12. TANGIBLE CAPITAL ASSETS (CONTINUED)

	Accumulated amortization				Net book value	
	Opening Balance	Amortization	Disposals, write-offs and other adjustments	Closing Balance	Total 2018	Total 2017
<b>Tangible assets</b>						
Land	\$ -	\$ -	\$ -	\$ -	\$ 70,000	\$ 70,000
<b>Buildings</b>						
Fire Hall	88,668	4,668	-	93,336	-	4,668
Island church	20,579	1,583	-	22,162	17,416	18,999
Band office	106,912	-	-	106,912	-	-
Daycare	71,586	2	-	71,588	-	2
Gas bar	654,850	65,485	-	720,335	589,367	654,852
Fishery Complex	429,441	24,516	-	453,957	196,130	220,646
Housing demo	159,742	7,987	-	167,729	31,954	39,941
Police station	133,950	8,914	-	142,864	79,985	88,899
Youth centre	62,972	4,844	-	67,816	53,282	58,126
School	2,364,162	124,478	-	2,488,640	623,311	747,789
Medical centre	362,945	21,395	-	384,340	150,532	171,927
School Board admin	105,528	10,972	-	116,500	102,945	113,917
Mobile homes	54,240	7,254	-	61,494	119,853	127,107
Old store	180,384	9,665	-	190,049	3,249	12,914
Investment in housing	303,566	17,228	-	320,794	109,905	127,133
Co-op	17,952	1,208	-	19,160	11,050	12,258
Social housing	5,677,452	206,350	-	5,883,802	4,489,724	4,696,074
<b>Equipment</b>						
Garbage trucks	72,060	-	-	72,060	-	-
Snowplow	108,417	5,428	-	113,845	-	5,428
Medical	24,299	-	-	24,299	-	-
Fire trucks	180,983	-	-	180,983	-	-
Old store	10,700	-	-	10,700	-	-
Co-op	128,948	459	-	129,407	1,377	1,836
Truck	84,422	2,085	-	86,507	-	2,085
School bus	26,385	8,795	-	35,180	52,770	61,565
Computers	10,265	-	-	10,265	-	-
High school	31,519	18,053	-	49,572	320,203	329,533
Backhoe	6,113	12,225	-	18,338	103,912	116,137
Minibus	3,625	7,250	-	10,875	61,625	68,875
Dump truck	-	14,425	-	14,425	274,075	-
Utility vehicle	-	1,340	-	1,340	25,460	-
Floating docks	-	1,017	-	1,017	9,152	-
Portable restrooms	-	2,132	-	2,132	19,188	-
<b>Other</b>						
Fishing vessels	1,158,007	72,499	-	1,230,506	219,469	291,968
Sewer and water	1,721,572	139,967	-	1,861,539	1,637,646	1,777,613
Tennis courts	40,605	-	-	40,605	-	-
Ball fields	50,875	17	-	50,892	318	-
Co-op	48,786	-	-	48,786	-	-
Expedition Gas and Convenience	63,141	10,340	-	73,481	29,918	40,258
Roads	133,994	19,142	-	153,136	612,536	631,678
	14,699,645	831,723	-	15,531,368	10,016,352	10,492,228

# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

## 12. TANGIBLE CAPITAL ASSETS (CONTINUED)

	Accumulated amortization				Net book value	
	Opening Balance	Amortization	Disposals, write-offs and other adjustments	Closing Balance	Total 2018	Total 2017
Carry forward	\$ 14,699,645	\$ 831,723	\$ —	\$ 15,531,368	\$ 10,016,352	\$ 10,492,228
Work in progress						
Generator	—	—	—	—	192,206	—
Land improvements	—	—	—	—	93,229	—
Social housing	—	—	—	—	674,096	—
Roads, sewer and water	—	—	—	—	2,808,813	497,216
	—	—	—	—	3,768,344	497,216
Total	\$ 14,699,645	\$ 831,723	\$ —	\$ 15,531,368	\$ 13,784,696	\$ 10,989,444

## 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, 2018, funds along with interest held in these housing reserve bank savings accounts are \$339,848.

# POTLOTEK FIRST NATION

## Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

### 14. GOVERNMENT TRANSFERS

	2018			2017		
	Operating	Capital	Total	Operating	Capital	Total
Federal government transfers						
Indigenous Services						
Canada	\$ 3,450,933	\$ 2,586,612	\$ 6,037,545	\$ 3,152,788	\$ 406,243	\$ 3,559,031
Mi'kmaw Kina'matnewey	2,585,870	192,206	2,778,076	2,523,064	140,000	2,663,064
Health Canada	951,767	—	951,767	854,442	42,757	897,199
METS	230,628	—	230,628	307,481	—	307,481
Fisheries and Oceans						
Canada	135,000	172,792	307,792	135,000	165,926	300,926
Canada Mortgage and Housing Corporation	167,270	—	167,270	265,829	—	265,829
Total	7,521,468	2,951,610	10,473,078	7,238,604	754,926	7,993,530
Provincial government transfers	355,512	—	355,512	225,161	—	225,161
	\$ 7,876,980	\$ 2,951,610	\$ 10,828,590	\$ 7,463,765	\$ 754,926	\$ 8,218,691

### 15. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2018		2017
	Budget (unaudited)	Actual	Actual
Salaries, wages and employee benefits	\$ 6,015,000	\$ 6,792,187	\$ 6,688,943
Professional development and travel	185,000	246,050	203,077
Supplies and services	100,000	126,588	121,339
Interest	111,000	83,550	106,454
Professional services	300,000	476,694	381,854
Fees and contract services	200,000	177,620	188,637
Utilities	250,000	304,861	277,473
Expedition Gas and Convenience purchases	2,750,000	3,374,440	2,727,645
Other	3,817,000	4,715,576	3,956,147
Amortization	835,000	831,723	826,382
	\$ 14,563,000	\$ 17,129,289	\$ 15,477,951

# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

## 16. SEGMENT DISCLOSURE

	Education			Health		
	Budget	2018 Actual	2017 Actual	Budget	2018 Actual	2017 Actual
	(unaudited)			(unaudited)		
<b>REVENUES</b>						
Federal government						
Operating	\$ 2,300,000	\$ 2,613,870	\$ 2,523,064	\$ 850,000	\$ 951,767	\$ 854,442
Capital	—	192,206	140,000	—	—	42,757
Provincial government						
Operating	—	108,336	62,161	—	88,593	38,000
Other	—	38,685	103,993	—	14,712	—
	2,300,000	2,953,097	2,829,218	850,000	1,055,072	935,199
<b>EXPENSES</b>						
Salaries and benefits	1,900,000	1,910,904	2,077,958	550,000	693,572	614,791
Debt servicing	7,000	7,027	8,549	—	—	—
Other	593,000	1,176,118	588,970	318,000	518,204	344,154
Amortization	—	—	—	—	—	—
	2,500,000	3,094,049	2,675,477	868,000	1,211,776	958,945
<b>ANNUAL SURPLUS (DEFICIT)</b>						
	\$ (200,000)	\$ (140,952)	\$ 153,741	\$ (18,000)	\$ (156,704)	\$ (23,746)

	Operations and Maintenance			Capital Housing and Infrastructure		
	Budget	2018 Actual	2017 Actual	Budget	2018 Actual	2017 Actual
	(unaudited)			(unaudited)		
<b>REVENUES</b>						
Federal government						
Operating	\$ 300,000	\$ 688,309	\$ 665,376	\$ —	\$ —	\$ —
Capital	500,000	1,273,951	203,920	202,000	1,312,661	202,323
Provincial government						
Operating	—	—	—	—	—	—
Other	—	—	—	—	2,250	—
	800,000	1,962,260	869,296	202,000	1,314,911	202,323
<b>EXPENSES</b>						
Salaries and benefits	135,000	324,025	162,347	200,000	559,192	267,573
Debt servicing	—	—	—	7,000	1,587	6,596
Other	465,000	535,873	769,161	450,000	223,444	285,910
Amortization	—	—	—	—	—	—
	600,000	859,898	931,508	657,000	784,223	560,079
<b>ANNUAL SURPLUS (DEFICIT)</b>						
	\$ 200,000	\$ 1,102,362	\$ (62,212)	\$ (455,000)	\$ 530,688	\$ (357,756)

# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

## 16. SEGMENT DISCLOSURE (CONTINUED)

	Social Development			Band Government		
	Budget	2018 Actual	2017 Actual	Budget	2018 Actual	2017 Actual
	(unaudited)			(unaudited)		
<b>REVENUES</b>						
Federal government						
Operating	\$ 1,906,000	\$ 1,966,027	\$ 1,922,172	\$ 400,000	\$ 486,083	\$ 471,584
Capital	—	—	—	—	—	—
Provincial government						
Operating	—	—	—	—	—	—
Other	—	—	—	—	—	—
	1,906,000	1,966,027	1,922,172	400,000	486,083	471,584
<b>EXPENSES</b>						
Salaries and benefits	230,000	270,152	209,111	600,000	734,452	655,910
Debt servicing	—	—	—	12,000	19,305	10,614
Other	1,070,000	1,115,777	885,665	340,000	539,376	488,913
Amortization	—	—	—	—	—	—
	1,300,000	1,385,929	1,094,776	952,000	1,293,133	1,155,437
<b>ANNUAL SURPLUS (DEFICIT)</b>						
	\$ 606,000	\$ 580,098	\$ 827,396	\$ (552,000)	\$ (807,050)	\$ (683,853)

	Other			Total		
	Budget	2018 Actual	2017 Actual	Budget	2018 Actual	2017 Actual
	(unaudited)			(unaudited)		
<b>REVENUES</b>						
Federal government						
Operating	\$ 250,000	\$ 815,412	\$ 801,966	\$ 6,006,000	\$ 7,521,468	\$ 7,238,604
Capital	—	172,792	165,926	702,000	2,951,610	754,926
Provincial government						
Operating	—	158,583	125,000	—	355,512	225,161
Other	7,380,000	7,927,946	7,129,571	7,380,000	7,983,593	7,233,564
	7,630,000	9,074,733	8,222,463	14,088,000	18,812,183	15,452,255
<b>EXPENSES</b>						
Salaries and benefits	2,400,000	2,299,890	2,701,253	6,015,000	6,792,187	6,688,943
Debt servicing	85,000	55,631	80,695	111,000	83,550	106,454
Other	4,366,000	5,313,037	4,493,399	7,602,000	9,421,829	7,856,172
Amortization	835,000	831,723	826,382	835,000	831,723	826,382
	7,686,000	8,500,281	8,101,729	14,563,000	17,129,289	15,477,951
<b>ANNUAL SURPLUS (DEFICIT)</b>						
	\$ (56,000)	\$ 574,452	\$ 120,734	\$ (475,000)	\$ 1,682,894	\$ (25,696)

# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

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## 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 \$194,787 (2017 - \$191,337), which represents the total cash amount paid or payable by the First Nation to the plan during the year.

## 18. 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.

## 19. FINANCIAL INSTRUMENTS

The First Nation is exposed to various risks through its financial instruments and includes the following significant risks at March 31, 2018.

### **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.



# POTLOTEK FIRST NATION

Notes to Consolidated Financial Statements (continued)

Year ended March 31, 2018

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## 19. FINANCIAL INSTRUMENTS (CONTINUED)

### 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 11.

## 20. ECONOMIC DEPENDENCE

The Potlotek First Nation receives a major portion of its revenues pursuant to funding arrangements with Indigenous Services 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. BUDGETED FIGURES

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

## 22. COMPARATIVE FIGURES

Certain of the 2017 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

# POTLOTEK FIRST NATION

Schedule A – Non-Consolidated Schedule of Education  
(Unaudited)

Year ended March 31, 2018, with comparative figures for 2017

	2018		2017
	Budget	Actual	Actual
<b>REVENUES</b>			
Mi'kmaw Kina'matnewey	\$ 2,300,000	\$ 2,585,870	\$ 2,882,564
Province of Nova Scotia	–	108,336	62,161
Indigenous Services Canada			
Family Violence Program	–	28,000	–
Other	–	38,685	103,993
Deferred – current year	–	–	(234,500)
Deferred – prior year	–	192,206	15,000
	2,300,000	2,953,097	2,829,218
<b>EXPENSES</b>			
Band operated school	1,240,000	1,682,030	1,237,622
Counselling	30,000	35,279	43,278
Daily transportation	200,000	208,878	257,879
Governance	90,000	106,406	92,382
MK language initiative costs	60,000	77,103	91,975
Operating and maintenance	225,000	288,703	231,034
Post secondary	400,000	417,277	455,832
School supplies	25,000	34,878	22,546
Service delivery	30,000	39,577	34,369
Special Education	200,000	203,918	208,560
	2,500,000	3,094,049	2,675,477
Excess (deficiency) of revenues over expenses before the following	(200,000)	(140,952)	153,741
Financing and transfers			
Transfer to capital fund	–	(200,929)	(50,924)
Transfer from Band – Administration and Management	200,000	200,000	314,017
	200,000	(929)	263,093
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>	<b>\$ –</b>	<b>\$ (141,881)</b>	<b>\$ 416,834</b>

# POTLOTEK FIRST NATION

## Schedule B – Non-Consolidated Schedule of Health (Unaudited)

Year ended March 31, 2018, with comparative figures for 2017

	2018		2017
	Budget	Actual	Actual
<b>REVENUES</b>			
Health Canada			
Transitional funding	\$ 503,440	\$ 559,105	\$ 595,743
Set funding	346,560	362,662	343,988
Unexpended funds repayable	–	–	(12,532)
	850,000	921,767	927,199
Other	–	178,598	141,292
Deferred – current year	–	(75,293)	(133,292)
Deferred – prior year	–	30,000	–
	850,000	1,055,072	935,199
<b>EXPENSES</b>			
Children and Youth	86,000	115,955	100,367
Mental Health and Addictions	208,500	228,520	224,020
Chronic Disease and Injury Prevention	160,000	219,066	176,735
Health protection communicable disease	500	968	5,767
Home and Community Care	122,500	135,469	115,814
Oral Health Strategy	5,000	8,411	6,497
Health Governance & Infrastructure Support	197,500	282,299	222,449
Medical Transportation	88,000	125,794	97,160
Other	–	95,294	10,136
	868,000	1,211,776	958,945
<b>DEFICIENCY OF REVENUES OVER EXPENSES</b>	<b>\$ (18,000)</b>	<b>\$ (156,704)</b>	<b>\$ (23,746)</b>

# POTLOTEK FIRST NATION

Schedule C – Non-Consolidated Schedule of Nova Scotia Gaming Agreement  
(Unaudited)

Year ended March 31, 2018, with comparative figures for 2017

		2018	2017
	Budget	Actual	Actual
<b>REVENUES</b>			
Machine revenue gaming	\$ 1,300,000	\$ 1,403,605	\$ 1,367,918
Casino profits	100,000	87,312	100,000
	1,400,000	1,490,917	1,467,918
<b>EXPENSES</b>			
Atlantic Lotto share of proceeds	165,000	167,316	167,112
Site holders share of proceeds	200,000	209,767	289,896
Administration	10,000	5,232	8,800
Youth centre expenses	5,000	4,074	3,936
Mission expenses	20,000	24,867	59,665
Assistance to band members	–	11,750	14,646
Community events	–	23,182	–
Works projects	200,000	539,210	927,786
Other	–	26,317	18,328
	600,000	1,011,715	1,490,169
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>			
	\$ 800,000	\$ 479,202	\$ (22,251)