



Consolidated financial statements

Millbrook Band Council

March 31, 2018

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Management's responsibility for financial reporting

The accompanying consolidated financial statements of the [Millbrook Band Council](#) and all the information contained therein are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with accounting standards as disclosed in Note 1 to the consolidated financial statements. Consolidated financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.


The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external independent auditor's report.

The Band Council maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Band's assets are appropriately accounted for and adequately safeguarded.

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

The consolidated financial statements have been audited by Grant Thornton LLP in accordance with Canadian generally accepted auditing standards. Grant Thornton LLP has full and free access to the Council.



Councillor

Councillor



Independent auditor's report

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To the Chief and Councillors of the **Millbrook Band Council**

We have audited the accompanying consolidated financial statements of the **Millbrook Band Council**, which comprise the consolidated statement of financial position as at **March 31, 2018**, and the consolidated statements of operations, changes in net financial liabilities, changes in surplus, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with **Canadian public sector accounting standards**, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for qualified opinion

The consolidated statement of financial position includes intangible assets in the amount of \$5,245,000 for fishing licenses and permits purchased by Millbrook Band Council. Recording intangible assets is a departure from Canadian public sector accounting standards. Accordingly, both the purchased licenses and permits and accumulated surplus are overstated by \$5,245,000 as at March 31, 2018. If intangible assets were not recorded in order to be in compliance with Canadian public sector accounting standards, purchased licenses and permits and accumulated surplus would both decrease by \$5,245,000.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph above, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the [Millbrook Band Council](#) as at [March 31, 2018](#), and the results of its consolidated operations, changes in net financial liabilities and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Truro, Canada
July 31, 2018

Chartered Professional Accountants
Licensed Public Accountants

Millbrook Band Council

Consolidated statement of operations

Year ended March 31	Budget 2018	2018	2017
Revenues			
Fisheries	\$ 7,147,558	\$ 7,769,041	\$ 6,445,139
Gaming, net (Note 2)	11,127,521	12,837,145	11,721,512
Rental	4,627,536	4,458,493	4,062,729
Retail sales	10,647,534	10,205,631	9,464,770
Taxation	601,677	586,468	547,745
Government transfers (Note 3)	9,640,472	12,245,165	12,280,236
Other revenues (Note 4)	2,083,526	1,088,544	1,076,840
	<u>45,875,824</u>	<u>49,190,487</u>	<u>45,598,971</u>
Expenditures			
Advertising	240,845	170,291	182,811
Atlantic Lotto	911,040	848,640	848,640
Bad debts	371,475	103,507	306,270
Chief and Council honorariums	630,760	630,752	630,752
Chief and Council travel	13,000	7,462	3,765
Community health	2,817,707	1,212,808	1,459,056
Contributions to band members and activities (Note 5)	4,517,391	4,843,334	4,759,007
Direct sales costs	7,566,849	11,185,174	9,764,441
Economic development	241,400	64,531	65,132
Education – other	2,706,076	1,935,355	1,949,544
Education – tuition agreement	1,700,000	1,689,115	1,765,046
Elections	-	51,005	-
Employment training	60,712	453,197	384,960
Franchise costs	-	132,178	-
Insurance	230,192	230,038	233,976
Interest and bank charges	136,198	334,066	232,823
Interest on long-term debt	1,000,984	644,615	656,139
Office and supplies	546,808	373,921	395,319
Professional fees	910,136	890,184	1,288,905
Property management	448,200	253,934	226,978
Rent	512,875	412,428	295,516
Repairs, maintenance and renovations	3,596,712	3,156,973	2,814,039
Salaries and benefits	7,784,406	8,072,210	7,379,358
Security	347,567	305,542	412,535
Social – basic and special needs	3,131,023	3,309,994	3,145,900
Sundry	354,947	398,148	482,778
Travel – other	55,416	74,280	68,253
Utilities and telephone	474,613	472,896	383,298
	<u>41,307,332</u>	<u>42,256,578</u>	<u>40,135,241</u>
Annual surplus before non-cash items	4,568,492	6,933,909	5,463,730
Amortization	4,296,569	4,144,798	3,872,272
Gain on sale of tangible capital assets	-	-	(62,000)
Gain on exchange of licenses and permits	-	-	(2,300,000)
	<u>4,296,569</u>	<u>4,144,798</u>	<u>1,510,272</u>
Annual surplus	<u>\$ 271,923</u>	<u>\$ 2,789,111</u>	<u>\$ 3,953,458</u>

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Consolidated statement of financial position

Year ended March 31

2018

2017

Financial assets

Cash and cash equivalents	\$ 5,855,193	\$ 11,749,888
Restricted cash and deposits		
Replacement reserve fund (Note 6)	748,743	704,105
Subsidy surplus reserve fund (Note 7)	33,966	33,609
Member allowances (Note 8)	12,974,051	11,223,384
Receivables (Note 9)	4,361,656	3,617,651
Loans receivable (Note 10)	7,371,621	7,207,579
Trust Fund assets (Note 11)	30,038	528,606
Inventories	275,922	227,996
Investments (Note 12)	8,654,203	5,119,518
	<u>40,305,393</u>	<u>40,412,336</u>

Liabilities

Bank indebtedness (Note 13)	3,000,000	2,880,000
Payables and accruals	3,795,854	3,246,623
Deferred revenue	496,664	406,831
Demand loans (Note 14)	1,356,502	5,812,653
Bond payable (Note 15)	7,845,895	8,165,541
Long term debt (Note 16)	17,924,411	13,666,632
Promissory note payable (Note 17)	1,016,838	758,022
Member allowances (Note 8)	12,974,051	11,223,384
	<u>48,410,215</u>	<u>46,159,686</u>

Net financial liabilities (Page 7)

(8,104,822) (5,747,350)

Non-financial assets

Tangible capital assets (Note 18)	55,600,056	47,229,478
Other assets – deferred 1919		
Halifax County Land Claim	1,135,084	1,061,608
Deferred development costs (Note 19)	3,243,940	6,676,115
Purchased fishing licenses and permits (Note 20)	5,245,000	5,245,000
Prepays	254,377	132,975
	<u>65,478,457</u>	<u>60,345,176</u>

Surplus (Page 6)

\$ 57,373,635 \$ 54,597,826

Millbrook Band Council

Consolidated statement of financial position

March 31

2018

2017

Surplus (Page 8)

Operating	\$ 26,523,728	\$ 32,220,278
Replacement Reserve	789,337	744,336
Equity in Trust	<u>493,168</u>	<u>824,398</u>
	27,806,233	33,789,012

Investment in tangible capital assets	<u>29,567,402</u>	<u>20,808,814</u>
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	<u>\$ 57,373,635</u>	<u>\$ 54,597,826</u>
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Contingencies and Commitment (Notes 22 and 25)

On Behalf of the Band



Councillor



Councillor

Millbrook Band Council

Consolidated statement of changes in net financial liabilities

Year ended March 31	Budget 2018	2018	2017
<hr/>			
Annual surplus	\$ 271,923	\$ 2,789,111	\$ 3,953,458
Acquisition of tangible capital assets	(1,000,000)	(4,635,921)	(1,905,739)
Amortization of tangible capital assets	4,296,569	4,144,798	3,872,272
Gain on disposal of tangible capital assets	-	-	(62,000)
Gain on exchange of fishing licenses and permits	-	-	(2,300,000)
Proceeds on disposals	-	-	2,362,000
Acquisition of deferred development costs, net	-	(4,447,280)	(6,532,468)
	<u>3,568,492</u>	<u>(2,149,292)</u>	<u>(612,477)</u>
Withdrawals from Replacement Reserve	-	(13,302)	(73,490)
Acquisition of purchased fishing licenses and permits	-	-	(2,300,000)
Acquisition of prepaid expenses, net of usage	-	(121,402)	136,395
Change in other assets, net	-	(73,476)	8,991
	<u>-</u>	<u>(208,180)</u>	<u>(2,228,104)</u>
Change in net financial liabilities	<u>\$ 3,568,492</u>	<u>(2,357,472)</u>	<u>(2,840,581)</u>
Net financial liabilities, beginning of year		<u>(5,747,350)</u>	<u>(2,906,769)</u>
Net financial liabilities, end of year		<u>\$ (8,104,822)</u>	<u>\$ (5,747,350)</u>

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Consolidated statement of changes in surplus

Year ended March 31, 2018

	<u>Operating</u>	(Note 11) <u>Trust Fund</u> <u>Equity</u>	<u>Investment</u> <u>in Tangible</u> <u>Capital Assets</u>	<u>Replacement</u> <u>Reserve</u> <u>Fund</u>	<u>Total</u> <u>2018</u>	<u>Total</u> <u>2017</u>
Surplus, beginning of year	\$ 32,220,278	\$ 824,398	\$ 20,808,814	\$ 744,336	\$ 54,597,826	\$ 50,717,858
Annual surplus (deficit)	6,465,139	468,770	(4,144,798)	-	2,789,111	3,953,458
Tangible capital assets						
Additions	(12,515,376)	-	12,515,376	-	-	-
Issuance of capital debt	1,425,190	-	(1,425,190)	-	-	-
Repayment of capital debt	(1,813,200)	-	1,813,200	-	-	-
Withdrawals from Replacement Reserve, net of interest income	-	-	-	(13,302)	(13,302)	(73,490)
Transfers, net	<u>741,697</u>	<u>(800,000)</u>	<u>-</u>	<u>58,303</u>	<u>-</u>	<u>-</u>
Surplus, end of year	\$ <u>26,523,728</u>	\$ <u>493,168</u>	\$ <u>29,567,402</u>	\$ <u>789,337</u>	\$ <u>57,373,635</u>	\$ <u>54,597,826</u>

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Consolidated statement of cash flows

Year ended March 31	2018	2017
Operating activities		
Annual surplus	\$ 2,789,111	\$ 3,953,458
Amortization	4,144,798	3,872,272
Gain on disposal of tangible capital assets	-	(62,000)
Gain on exchange of fishing licenses and permits	-	(2,300,000)
	<u>6,933,909</u>	<u>5,463,730</u>
Change in non-cash working capital		
Receivables	(744,005)	(1,164,917)
Inventories	(47,926)	(128,953)
Prepays	(121,402)	136,395
Payables and accruals	549,231	(335,424)
Deferred revenue	89,833	(95,598)
	<u>6,659,640</u>	<u>3,875,233</u>
Financing activities		
Proceeds from (Repayment of):		
Bank indebtedness, net	120,000	830,000
Proceeds from issuance:		
Bond payable	-	8,400,000
Demand debt	-	4,000,000
Long term debt	5,684,006	1,944,568
Repayment of:		
Bond payable	(319,646)	(234,459)
Demand debt	(4,456,151)	(8,938,718)
Long term debt	(1,167,411)	(1,659,925)
	<u>(139,202)</u>	<u>4,341,466</u>
Investing activities		
Reserve fund	(44,995)	(125,179)
Payments from Replacement Reserve	(13,302)	(73,490)
Loan receivable	(164,042)	(4,915,596)
Trust fund assets	498,568	(122,626)
Purchase of investments, net	(3,534,685)	510,077
Proceeds on disposition	-	62,000
Acquisition of tangible capital assets, net of transfers	(4,635,921)	(1,905,739)
Acquisition of deferred development costs	(4,447,280)	(6,532,468)
Other assets	(73,476)	8,991
	<u>(12,415,133)</u>	<u>(13,094,030)</u>
Change in net cash and cash equivalents	(5,894,695)	(4,877,331)
Opening, net cash and cash equivalents	<u>11,749,888</u>	<u>16,627,219</u>
Closing, net cash and cash equivalents	\$ <u>5,855,193</u>	\$ <u>11,749,888</u>

See accompanying notes to the consolidated financial statements

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2018

1. Summary of significant accounting policies

Basis of presentation and consolidation

The consolidated financial statements of Millbrook Band Council are the representations of management prepared in accordance with accounting standards for governments as established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada with the exception of capitalizing purchased fishing licenses and permits as intangible assets. These consolidated financial statements have been prepared using the following significant accounting policies:

Consolidation

The consolidated statement of financial position includes all of the assets and liabilities of the Band.

The consolidated financial statements include the accounts of Millbrook Band Council and its principal operating entities which are both incorporated and unincorporated. The unincorporated entities are as follows:

- Millbrook Administration which reports the general activities of the First Nation Administration including Social Services, band support, education, operations capital, operating and maintenance, economic development, community health and welfare, employment training, and miscellaneous.
- Millbrook Band Housing Projects which reports the social housing assets of the First Nation, together with related activities.
- The Trust Fund which reports on trust funds owned by the First Nation and held by third parties.
- Tobacco Store which reports the First Nation's retail tobacco store operations.
- Millbrook Rental Authority which provides rental operations.
- Millbrook Gaming Commission which reports the First Nation's gaming activities.
- Millbrook Treaty Gas operation which reports the First Nation's retail commercial operations.
- Millbrook First Nation Aboriginal Fisheries which reports the First Nation's commercial fishing operations.

Incorporated and unincorporated business entities, which are owned and controlled by Millbrook Band Council are included in the consolidated financial statements. These are:

- 3031611 Nova Scotia Limited (Land holding)
- 3050587 Nova Scotia Limited (Sheet Harbour wharf)
- 3051802 Nova Scotia Limited (Aquaculture)
- 3051803 Nova Scotia Limited (Caldwell Glen apartments)
- 3061881 Nova Scotia Limited (Joggins Wharf)
- 3151517 Nova Scotia Limited (Mill Mel partnership holding)
- 3273476 Nova Scotia Limited (Hampton Inn holding)
- 3288180 Nova Scotia Limited (Heritage Centre)
- 3288613 Nova Scotia Limited (Millbrook Finance Authority)
- 3043339 Nova Scotia Limited (Fishing license holding)
- 3269804 Nova Scotia Limited (Truro Millbrook Wind Limited Partnership holding)
- 3233312 Nova Scotia Limited
- 3310689 Nova Scotia Limited (Cheese Curds & Habaneros franchise)
- Mill Mel Residential Developments Partnership
- Millbrook First Nation Economic Development Corporation Limited
- Millbrook Technologies Inc.

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

Investments in common shares of business enterprises in which the Band Council holds less than 20% interest are recorded at cost, less any distribution from the business enterprises for return of capital.

Investments in business partnerships and joint ventures are accounted for by the modified equity method and applied using the Band Council's share of the business partnership and the joint venture.

All investments are reviewed by management for impairment and if a decline in the value is considered other than temporary, the investment is written down to reflect the impairment with a charge to income.

Use of estimates

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts of assets and liabilities, and disclosure of contingent liabilities at the date of the consolidated financial statements and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates. Estimates include depreciation and amortization of tangible capital assets and deferred development costs, allowances on receivables, and valuation allowances on long-term investments.

Revenue recognition

Unconditional and conditional transfers from other governments for operating and capital purposes are recognized as revenue in the period in which all eligibility criteria and/or stipulations have been met and the amounts are authorized. Any funding received prior to satisfying these conditions is deferred until conditions have been met. When revenue is received without eligibility criteria or stipulations, it is recognized when the transfer is authorized.

All non-government contribution or grant revenues that are externally restricted for a specified purpose are recognized as revenue in the period in which the resources are used for the purpose or purposes specified. Any externally received revenues not yet used for the purpose or purposes specified are reported as deferred revenues.

Rental revenue is recognized in the period it is earned as agreed to by the rental entities and their tenants.

Revenues from business operations are recorded as revenue when earned at the point of sale.

Interest and other revenues are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Net gaming revenue from video lottery net of corresponding direct expenses are recognized at the time of play and are recorded net of commissions and credits paid out. Other gaming revenues are recognized as earned when received or receivable as long as collection is reasonably assured.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2018

1. Summary of significant accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realizable value.

Deferred development costs

Costs related to specific projects under construction and development have been deferred until the projects are completed (See Note 19). Once completed, the costs are transferred to tangible capital assets and amortized in accordance with the tangible capital asset amortization rates as set forth below.

Costs related to infrastructure development and business start ups have been deferred and are being amortized in accordance with the accounting policies of the applicable entity.

Tangible capital assets and amortization

Tangible capital asset expenditures are capitalized at cost. The investment in tangible capital assets represents the equity in tangible capital assets of the consolidated group.

Rates and basis of amortization applied to write off the cost of capital assets over their estimated lives are as follows:

Buildings	2.5%, 4% and 5%, straight line
Paving and roads	4% - 10%, straight line
Equipment and school buses	30%, straight line
Trailers	20%, declining balance
Water tower	4%, straight line
Wharfs	5%, straight line
Land improvements	6.67%, straight line
Paving	10%, straight line
Equipment	20%, declining balance
	20% and 10%-20%, straight line
Mobile Homes	10%, declining balance
Motor vessels	10%, straight line
Automotive equipment	30%, declining balance
Signs	20%, straight line
Software development	20%, straight line

Purchased fishing licenses and permits

Purchased fishing licenses and permits assets are intangible capital assets. These indefinite-lived fishing licences and permits are recognized at cost and are not amortized. The capitalization of intangible assets is a departure from Canadian public sector accounting standards.

The Band evaluates the carrying value of its licenses and permits annually for impairment. Should a permanent impairment be identified, the impairment will be recognized as a reduction in the carrying value and as a charge against income on the statement of operations in the period in which the impairment occurred.

The Band also owns other communal fishing licenses and permits which were not purchased by the Band but were given to, or granted to, the Band. These fishing licenses and permits have been disclosed within Note 20 to the consolidated financial statements.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2018

1. Summary of significant accounting policies (continued)

Other assets

Costs incurred related to the 1919 Halifax County Land Claim have been deferred and will be recognized at the time of settlement of the claim of which the settlement date cannot be estimated at this time.

Impairment of long-lived assets

Long-lived assets such as development costs are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and term deposits net of bank overdraft.

The cash balance includes \$21,857 (2017 - \$21,628) restricted for pension contributions on behalf of employees of the Band.

2. Gaming revenues, net

	<u>2018</u>	<u>2017</u>
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Net gaming revenues include the following components:

VLT Cash in	\$ 56,782,490	\$ 53,193,210
VLT Cash out	(44,204,475)	(41,649,194)
Commission to vendors	(67,640)	(134,274)
Province of Nova Scotia Gaming Agreement	218,705	192,153
Other lottery revenues	<u>108,065</u>	<u>119,617</u>
	<u>\$ 12,837,145</u>	<u>\$ 11,721,512</u>

3. Government transfers

	<u>2018</u>	<u>2017</u>
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Indigenous Services Canada	\$ 9,436,213	\$ 9,609,947
Canada Mortgage and Housing Corporation	632,601	378,222
Department of Fisheries and Oceans	-	225,000
Indigenous Services Canada –		
First Nations and Inuit Health Branch	1,289,183	1,240,394
Mi'kmaq Employment/Training Secretariat	723,958	683,160
Province of Nova Scotia	<u>163,210</u>	<u>143,513</u>
	<u>\$ 12,245,165</u>	<u>\$ 12,280,236</u>

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2018

4. Other revenues	<u>2018</u>	<u>2017</u>
Contract revenues	\$ 178,660	\$ 251,071
Day-care – parent fees	30,376	18,203
Heritage centre	98,127	35,973
Interest income	532,088	488,983
Investment income (loss)	(774,682)	(380,652)
Land rental	453,766	313,347
Wind land rental	13,427	14,328
Wind farm revenue	483,306	273,839
Miscellaneous	49,110	49,643
Technologies	24,366	12,105
	<u>\$ 1,088,544</u>	<u>\$ 1,076,840</u>

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

5. Contributions to band members and activities

During the year, the Band Council paid allowances to its Band members totalling \$4,553,497 (2017 - \$4,446,101) and for band activities in the amount of \$289,837 (2017 - \$312,906).

6. Replacement reserve fund	<u>2018</u>	<u>2017</u>
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Under the terms of the agreement with the C.M.H.C., during the year ended March 31, 2018, the replacement reserve account was credited in the amount of \$91,156 (2017 - 95,437). These funds along with accumulated interest must be held in a separate interest bearing bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by the C.M.H.C. from time to time. Interest of \$4,545 was earned on the reserve balance during the year. The funds in the account may only be used as approved by the C.M.H.C. At year end, the funds in reserve consisted of the following:

Cash	\$ <u>748,743</u>	\$ <u>704,105</u>
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As at March 31, 2018 the required Replacement Reserve Fund balance is \$789,337. Cash balance within the Replacement Reserve account is \$748,743, leaving a deficit of \$40,594.

7. Subsidy surplus reserve fund	<u>2018</u>	<u>2017</u>
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Under the terms of the agreement with C.M.H.C., excess federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of \$500 per unit plus interest. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by C.M.H.C. from time to time. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. At year-end the funds in the Subsidy Surplus Reserve consisted of the following:

Cash	\$ <u>33,966</u>	\$ <u>33,609</u>
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Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2018

8. Member allowances

The Band Council established trust accounts to control member allowances for children under the age of nineteen. The principal and interest are held in trust by an independent financial institution. Upon turning nineteen years of age, the principal and accumulated interest are paid to the individual Band member.

The balance of the investment portfolio at cost is \$12,974,051 at March 31, 2018 (market value is \$14,767,598).

9. Receivables	2018	2017
Indigenous Services Canada	\$ 382,530	\$ 895,398
Indigenous Services Canada – First Nation And Inuit Health Branch	7,701	-
Harmonized Sales Tax	758,380	903,677
Honorariums	146,565	132,582
Mi'kmaq Employment/Training Secretariat	199,400	198,151
Band members receivables and payroll advances	142,424	199,355
Trade and sundry	2,724,656	1,288,488
	<u>\$ 4,361,656</u>	<u>\$ 3,617,651</u>

10. Loans receivable	2018	2017
Loan at 4.50% to Pacrim Hospitality Services Inc., repayable in monthly instalments of \$7,273, including principal and interest. Secured by a personal guarantee, maturing in 2019.	\$ 65,932	\$ 159,733
Loan at 4.98% to We'kopekwitk Service Hotel Limited Partnership, repayable in monthly instalments of \$47,492 of principal and interest, maturing fiscal 2024.	7,031,189	7,047,846
Demand loan at 6.00% to We'kopekwitk Service Hotel Limited Partnership, with interest calculated and payable quarterly, no set terms for principal repayment.	274,500	-
	<u>\$ 7,371,621</u>	<u>\$ 7,207,579</u>

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

2019	\$ 113,424
2020	47,492
2021	47,492
2022	47,492
2023	47,492

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2018

11. Trust Fund

The Trust Fund arises from monies derived from capital or revenue sources as outlined in Section 62 of the *Indian Act*. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the *Indian Act*.

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

	<u>2018</u>	<u>2017</u>
Trust cash balance	\$ 30,038	\$ 528,606
Funds receivable (net of payables)	596,768	300,724
Deferred trust revenues	(133,638)	(4,932)
Trust Fund equity balance	<u>\$ 493,168</u>	<u>\$ 824,398</u>

A summary of the Trust Fund revenues is as follows:

	<u>2018</u>	<u>2017</u>
Revenues		
Rent		
Millbrook First Nation Economic Development Corporation Limited	\$ 453,766	\$ 313,347
Interest	15,004	3,469
Total revenues	<u>\$ 468,770</u>	<u>\$ 316,816</u>

12. Investments

	<u>2018</u>	<u>2017</u>
Equity basis accounting		
Amherst 8 Motel Partnership 13.58% interest	\$ 205,009	\$ 181,899
Caraquet Super 8 Motel Joint Venture 19.85% interest	-	284,195
Holloway Lodging Real Estate Investment Trust, 5,750 units, at cost less unit distributions to date of \$289,225 and estimated impairment provisions	11,543	11,543
Truro-Millbrook Wind Limited Partnership	1,226,348	1,254,698
We'kopekwik Service Hotel Limited Partnership	1,578,195	2,754,078
	<u>3,021,095</u>	<u>4,486,413</u>
Other		
Melford International Terminal Incorporated, 250,000 common shares issued at cost of \$1 US per share	333,105	333,105
Deer Lake Express Hotel Limited, 300,000 common shares at \$1 per share, at cost	300,000	300,000
Sun Pharm Investments Limited, 316,790 Class A common shares at cost of \$15.78334 per share, representing 2.10% interest.	5,000,003	-
	<u>\$ 8,654,203</u>	<u>\$ 5,119,518</u>

During the year, the Caraquet Super 8 was sold and partners were paid out based on their share in the joint venture. As at March 31, 2018 a note receivable has been recognized by the Band related to this sale in the amount of \$99,250 to be received over five years.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2018

13. Bank indebtedness

The Band Council has a consolidated banking arrangement with RBC which provides an operating line of credit of \$3,000,000, at RBC prime, all of which is used at March 31, 2018.

As security, the Band Council has provided a general security agreement with a first ranking security interest in all property of the Band. Band Council resolutions have been provided to authorize specific borrowing.

14. Demand loans	<u>2018</u>	<u>2017</u>
RBC loan at prime plus 0.75%, principal payments of \$12,813 monthly.	\$ 102,504	\$ 256,261
RBC loans at prime plus 1.10%, principal payments of \$10,417 monthly.	374,972	499,976
RBC loan at prime plus 0.55%, principal payable at \$11,111 monthly.	811,110	944,444
RBC loan at prime plus 0.50%, refinanced during the year.	-	4,000,000
Housing project mortgages bearing interest at 1.75% to 2.53%, payable in equal monthly amounts of principal and interest totalling \$3,909.	67,916	111,972
	<u>\$ 1,356,502</u>	<u>\$ 5,812,653</u>

All demand loans are secured by a guarantee of the Millbrook Band Council except for the First Nations Finance Authority loan which is also secured by the revenues of Millbrook Gaming Commission and Housing mortgages, for which the Minister of Indigenous Services Canada has provided a guarantee.

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

2019	\$ 392,422
2020	284,286
2021	268,683
2022	133,333
2023	133,333

15. Bond payable	<u>2018</u>	<u>2017</u>
2.90% First Nations Finance Authority debenture, amortized over a 20 year period with payments of interest and principal, maturing in fiscal 2025.	\$ 7,845,895	\$ 8,165,541

The debenture is secured by revenues of Millbrook Gaming Commission.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2018

16. Long term debt	<u>2018</u>	<u>2017</u>
Housing project mortgages maturing in 2019 to 2043, bearing interest at 1.04% to 2.39%, payable in equal monthly amounts of principal and interest totalling \$33,713. As security for the mortgages, the Minister of Indigenous Services Canada has provided a guarantee.	\$ 5,336,106	\$ 4,419,783
3.26% mortgage maturing in 2022, amortized to December 2033, payable in equal monthly instalments of principal and interest of \$16,088. As security, Mill Mel Residential Developments Partnership has provided a building having a net book value of \$4,000,857.	2,388,975	2,502,665
3.75% RBC loan, principal and interest payable at \$51,926 monthly, secured by a guarantee of Millbrook Band Council.	3,219,857	3,712,169
3.20% mortgage maturing June 2019, amortized to 2027, payable in equal monthly instalments of principal and interest of \$17,732. As security, 3051803 Nova Scotia limited has provided a building with a net book value of \$3,512,269, a general assignment of rents and leases, and a general security agreement.	1,650,254	1,807,853
RBP + 0.75% RBC loan, principal and interest payable in equal monthly instalments of \$10,834, secured by a guarantee of Millbrook Band Council.	1,094,154	1,224,162
RBP + 0.50% RBC loan, principal and interest payable in equal monthly instalments of \$24,196, secured by a guarantee of Millbrook Band Council.	4,000,000	-
4.50% RBC loan, principal and interest payable in equal monthly instalments of \$3,824, secured by a guarantee of Millbrook Band Council, maturing in 2024.	<u>235,065</u>	<u>-</u>
	\$ <u>17,924,411</u>	\$ <u>13,666,632</u>

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

2019	\$ 1,387,781
2020	1,436,151
2021	1,470,914
2022	1,515,065
2023	1,560,843

17. Promissory note payable	<u>2018</u>	<u>2017</u>
Non-interest bearing promissory note, payable on the settlement of 1919 land claims.	\$ <u>1,016,838</u>	\$ <u>758,022</u>

Millbrook Band Council

Notes to the consolidated financial statements

Year ended March 31, 2018

18. Tangible capital assets

	<u>Land</u>	<u>Land Improvements</u>	<u>Automotive Equipment</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Roads</u>
Cost:						
Balance, beginning of year	\$ 1,312,022	\$ 401,940	\$ 629,647	\$ 85,084,522	\$ 5,577,492	\$ 8,151,179
Acquisition of tangible capital assets	-	-	271,333	11,071,218	1,170,917	-
Disposal of tangible capital assets	-	-	-	(750,266)	-	-
Balance, end of year	1,312,022	401,940	900,980	95,405,474	6,748,409	8,151,179
Accumulated amortization:						
Balance, beginning of year	-	401,433	350,447	43,773,216	5,099,479	6,181,419
Annual amortization	-	507	133,126	3,062,613	229,258	465,375
Accumulated amortization on disposals	-	-	-	(750,266)	-	-
Balance, end of year	-	401,940	483,573	46,085,563	5,328,737	6,646,794
Net book value of tangible capital assets	\$ 1,312,022	\$ -	\$ 417,407	\$ 49,319,911	\$ 1,419,672	\$ 1,504,385
	<u>Software</u>	<u>Vessels</u>	<u>Wharf</u>	<u>Water Tower</u>	<u>Total 2018</u>	<u>Total 2017</u>
Cost:						
Balance, beginning of year	\$ 316,181	\$ 2,779,479	\$ 1,531,600	\$ 1,998,798	\$ 107,782,860	\$ 106,105,471
Acquisition of tangible capital assets	1,908	-	-	-	12,515,376	1,905,739
Disposal of tangible capital assets	-	-	-	-	(750,266)	(228,350)
Balance, end of year	318,089	2,779,479	1,531,600	1,998,798	119,547,970	107,782,860
Accumulated amortization:						
Balance, beginning of year	316,181	2,440,291	953,130	1,037,786	60,553,382	56,909,460
Annual amortization	477	96,910	76,580	79,952	4,144,798	3,872,272
Accumulated amortization on disposals	-	-	-	-	(750,266)	(228,350)
Balance, end of year	316,658	2,537,201	1,029,710	1,117,738	63,947,914	60,553,382
Net book value of tangible capital assets	\$ 1,431	\$ 242,278	\$ 501,890	\$ 881,060	\$ 55,600,056	\$ 47,229,478

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2018

19. Deferred development costs

Represented by:

	<u>2018</u>	<u>2017</u>
Beaver Dam Mine Project	\$ 15,866	\$ -
Cole Harbour Gaming Building	-	1,897,784
Diversion Centre	188,643	-
Future Residential Developments	90,019	10,000
Millbrook Power Centre	1,731,672	3,743,413
Subdivision expansion	844,188	823,977
Tuft's Cove	373,552	200,941
	<u>\$ 3,243,940</u>	<u>\$ 6,676,115</u>

20. Purchased fishing licenses and permits

	<u>2018</u>	<u>2017</u>
District 35 Lobster License #111601	\$ 2,300,000	\$ 2,300,000
District 35 Lobster License #112025	2,300,000	2,300,000
Area 23 Snow Crab Allocation Permit #152701	225,000	225,000
Area 24 Snow Crab Allocation Permit #152739	210,000	210,000
Area 24 Snow Crab Allocation Permit #152741	<u>210,000</u>	<u>210,000</u>
	<u>\$ 5,245,000</u>	<u>\$ 5,245,000</u>

The Band records all purchased commercial fishing licenses and permits as intangible assets. All other permits and licenses owned by Millbrook Band Council have been granted for a \$nil consideration and therefore have not been capitalized. These licenses and permits have been disclosed in Note 21.

21. Other fishing licenses and permits

In addition to the purchased licenses and permits disclosed in Note 20, Millbrook Band Council also owns the following licenses and permits, which were granted for a \$nil consideration:

<u>Species</u>	<u>Area</u>	<u># of Tags/Quota</u>
Groundfish	Digby	35,000 lbs
Lobster	35 – Digby	7 tags
Lobster	32 – Sheet Harbour	2 tags
Swordfish	SF Area	30,000 lbs
Tuna	Canso	5,000 lbs
Tuna	Pictou/Canso	4 tags

22. Contingencies

- a) The Band entered into a five year funding agreement with Indigenous Services Canada, effective April 1, 2013. This agreement has been renewed for an additional five years as at April 1, 2018. These funds are to be used to provide certain programs and services to band members and recipients as defined in the agreement.

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2018

22. Contingencies (continued)

- b) The Band has entered into contribution agreements with various government departments. Funding received under these contribution agreements are subject to repayment if the Band fails to comply with the terms and conditions of the agreements.
 - c) One of the Band's incorporated companies has provided a guarantee of \$67,800 for an outstanding loan of Amherst 8 Motel Limited.
 - d) The First Nation may, from time to time, be involved in legal proceedings, claims and litigation that arise in the normal course of business, which the First Nation believes would not reasonably be expected to have a material adverse effect on its financial position.
-

23. Subsidy assistance payments

The Housing Projects have received Federal assistance through C.M.H.C. pursuant to Section 56.1 of the National Housing Act to reduce the mortgage interest expense to enable the projects to provide housing to low income individuals. The amount of assistance recorded in 2018 was \$245,407 (2017 - \$260,994) which reduced interest on the mortgage with respect to the residential component.

24. Economic dependence

The Millbrook First Nation receives a portion of its revenues pursuant to a funding arrangement with Indigenous Services Canada.

As explained in Note 21 (a), the First Nation is a party to an *Alternative Funding Agreement* (AFA) with Indigenous Services Canada. Under the terms of the agreement, funding from the arrangement with Indigenous Services Canada can be suspended if terms of the AFA are not complied with by the First Nation.

25. Commitment

During the year, the First Nation signed a franchise agreement to own and operate a franchised restaurant. Under the terms of the agreement, the Band is required to pay a monthly royalty fee to the franchisor of 5% of gross sales for the immediately preceding month. This royalty fee is required for the duration of the franchise agreement.

26. Retirement service awards

- a) The Band Council has a policy which provides for its Chief and Council members, upon retirement an award in recognition of service, equal to \$1,000 for each year of service for Chief and Council. The liability at March 31, 2018 is \$608,000 (2017 - \$597,000).
- b) During the year, Millbrook Band Council paid out retirement allowances in the amount of \$2,000 (2017 - \$nil).

Millbrook Band Council

Notes to the consolidated financial statements

March 31, 2018

27. Tuition agreement

On August 1, 1987, the Band Council entered into a tuition agreement with the Chignecto-Central Regional School Board respecting the provision of education services to Indian children. The cost to the Band Council is based on the net operating expenditures of the school board prorated by the Indian student ratio enrolment in the schools administered by the School Board.

28. Comparative figures

Certain of the 2017 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2018.

Millbrook Band Council

Schedule of segment reporting

Year ended March 31, 2018

	Band Management and Support			Social Services			Education			Land Trust		
	Budget 2018	Actual 2018	Actual 2017	Budget 2018	Actual 2018	Actual 2017	Budget 2018	Actual 2018	Actual 2017	Budget 2018	Actual 2018	Actual 2017
Revenues												
Federal government operating transfers	2,409,377	5,183,903	5,538,809	3,764,259	3,764,259	3,728,270	2,771,918	2,771,918	2,745,416	-	-	-
Federal government capital transfers										-	-	-
Provincial government operating transfers										-	-	-
Provincial government capital transfers					-	-				-	-	-
Economic activities	679,677	642,428	458,732		-	-				-	-	-
Other	1,208,537	178,660	251,071		-	-		-	-	415,000	468,770	316,816
	4,297,591	6,004,991	6,248,612	3,764,259	3,764,259	3,728,270	2,771,918	2,771,918	2,745,416	415,000	468,770	316,816
Expenses												
Salaries and benefits	2,971,145	2,397,263	2,382,024	-	124,753	122,685	-	769,708	750,271	-	-	-
Amortization and depreciation	984,000	963,108	1,075,959		-	-		-		-	-	-
Interest	240,000	108,127	58,411		-	-		-		-	-	-
Other	9,639,507	9,941,904	9,867,031	3,131,024	3,337,775	3,178,696	4,406,076	3,624,470	3,714,590	-	-	-
	13,834,652	13,410,402	13,383,425	3,131,024	3,462,528	3,301,381	4,406,076	4,394,178	4,464,861	-	-	-
Surplus (deficit) for the year	(9,537,061)	(7,405,411)	(7,134,813)	633,235	301,731	426,889	(1,634,158)	(1,622,260)	(1,719,445)	415,000	468,770	316,816

Millbrook Band Council

Schedule of segment reporting (continued)

Year ended March 31, 2018

	Fisheries			Gaming			Housing			Rental		
	Budget 2018	Actual 2018	Actual 2017	Budget 2018	Actual 2018	Actual 2017	Budget 2018	Actual 2018	Actual 2017	Budget 2018	Actual 2018	Actual 2017
Revenues												
Federal government operating transfers	-	-	-	-	-	-	251,418	563,694	181,352	-	-	-
Federal government capital transfers	-	-	-	-	-	-			-	-	-	-
Provincial government operating transfers	-	-	-	-	-	-			-	-	-	-
Provincial government capital transfers	-	-	-	-	-	-			-	-	-	-
Economic activities	7,147,558	7,769,041	6,670,140	8,780,000	10,312,157	9,406,686	587,820	229,006	235,834	1,806,729	2,051,563	1,864,705
Other		-	2,322,500	-	-	-	3,780	5,355	3,536	3,650	31,418	4,053
	7,147,558	7,769,041	8,992,640	8,780,000	10,312,157	9,406,686	843,018	798,055	420,722	1,810,379	2,082,981	1,868,758
Expenses												
Salaries and benefits	1,023,955	1,732,442	1,467,327	-	-	-	-	-	-	-	106,410	105,511
Amortization and depreciation	133,356	149,376	150,744	-	-	-	301,589	298,589	288,740	112,250	497,290	440,095
Interest	-	43,704	31,814	-	-	-	117,242	76,515	67,638	136,497	136,979	156,032
Other	2,939,771	3,895,882	3,484,440	1,214,645	1,059,038	1,111,619	339,200	514,117	426,805	1,059,407	1,082,765	1,023,513
	4,097,082	5,821,404	5,134,325	1,214,645	1,059,038	1,111,619	758,031	889,221	783,183	1,308,154	1,823,444	1,725,151
Surplus (deficit) for the year	3,050,476	1,947,637	3,858,315	7,565,355	9,253,119	8,295,067	84,987	(91,166)	(362,461)	502,225	259,537	143,607

Millbrook Band Council

Schedule of segment reporting (continued)

Year ended March 31, 2018

	Tobacco			Treaty Gas			First Nation Economic Development			Totals		
	Budget 2018	Actual 2018	Actual 2017	Budget 2018	Actual 2018	Actual 2017	Budget 2018	Actual 2018	Actual 2017	Budget 2018	Actual 2018	Actual 2017
Revenues												
Federal government operating transfers	-	-	-	-	-	-	-	-	-	9,196,972	12,283,774	12,193,847
Federal government capital transfers	-	-	-	-	-	-	-	-	-	-	-	-
Provincial government operating transfers	-	-	-	-	-	-	-	37,000	26,220	-	37,000	26,220
Provincial government capital transfers	-	-	-	-	-	-	-	-	-	-	-	-
Economic activities	6,368,762	6,638,027	6,462,514	5,239,825	5,124,785	5,233,452	3,569,955	2,629,116	2,435,205	34,180,326	35,562,319	32,767,268
Other	236,767	54,962	-	161,642	166,830	-	469,150	567,595	75,660	2,498,526	1,307,394	2,973,636
	6,605,529	6,692,989	6,462,514	5,401,467	5,291,615	5,233,452	4,039,105	3,233,711	2,537,085	45,875,824	49,190,487	47,960,971
Expenses												
Salaries and benefits	121,476	95,953	126,403	2,436,630	2,477,421	2,350,968	660,633	579,186	204,727	7,213,839	8,283,136	7,509,916
Amortization and depreciation	2,700	4,492	3,885	-	285,793	71,409	2,762,674	1,946,150	1,841,440	4,296,569	4,144,798	3,872,272
Interest	10,861	9,775	8,553	48,781	34,438	50,500	583,196	568,559	515,658	1,136,577	978,097	888,606
Other	4,633,005	4,990,863	4,548,889	3,347,468	3,144,391	3,223,262	2,246,813	1,404,140	1,157,874	32,956,916	32,995,345	31,736,719
	4,768,042	5,101,083	4,687,730	5,832,879	5,942,043	5,696,139	6,253,316	4,498,035	3,719,699	45,603,901	46,401,376	44,007,513
Surplus (deficit) for the year	1,837,487	1,591,906	1,774,784	(431,412)	(650,428)	(462,687)	(2,214,211)	(1,264,324)	(1,182,614)	271,923	2,789,111	3,953,458