

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

Annapolis Valley First Nation
Financial Statements
For the year ended March 31, 2016

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ANNAPOLIS VALLEY FIRST NATION

Management's Responsibility for the Consolidated Financial Statements

March 31, 2016

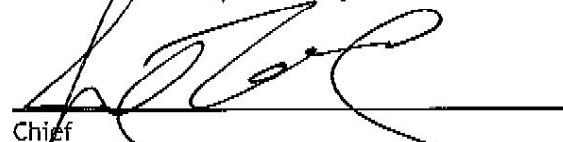
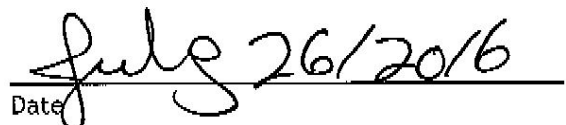
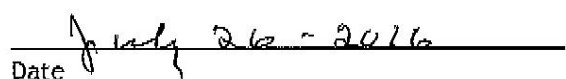
The accompanying consolidated financial statements of Annapolis Valley First Nation are the responsibility of management and have been approved by the Council.

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 external auditors, BDO Canada LLP, conduct an audit, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of Annapolis Valley First Nation and meet when required.

On behalf of Annapolis Valley First Nation:


Chief
Date
Councillor
Date
Councillor
Date



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BDO Canada LLP
215 Dominion Street, Suite 102
Bridgewater, Nova Scotia B4V 2K7

INDEPENDENT AUDITOR'S REPORT

To the Members of
Annapolis Valley First Nation

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

Band Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Annapolis Valley First Nation as at March 31, 2016, and its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Without modifying our opinion, we draw attention to Note 2 of the financial statements, which explains that certain comparative information for the year ended March 31, 2015 has been restated.

BDO Canada LLP

CHARTERED ACCOUNTANTS

Bridgewater, Nova Scotia
July 19, 2016

**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016**

	2016	2015 Restated (Note 2)
	\$	\$
ASSETS		
Cash and cash equivalents (Note 3)	397,067	154,713
Restricted cash (Note 3)	163,003	152,574
Investments (Note 5)	76,973	77,049
Accounts receivable (Note 6)	326,151	216,211
	<u>963,194</u>	<u>600,547</u>
LIABILITIES		
Bank operating loan (Note 7)	140,000	160,000
Accounts payable and accrued liabilities (Note 8)	210,766	177,442
Deferred revenue (Note 10)	9,947	15,625
Long-term debt (Note 11)	1,062,903	1,108,208
	<u>1,423,616</u>	<u>1,461,275</u>
NET FINANCIAL DEBT	<u>(460,422)</u>	<u>(860,728)</u>
NON-FINANCIAL ASSETS		
Tangible Capital Assets (Notes 12)	4,201,958	4,285,405
Inventory	129,883	95,820
Prepays	4,281	4,281
	<u>4,336,122</u>	<u>4,385,506</u>
ACCUMULATED SURPLUS (Note 13)	<u>3,875,700</u>	<u>3,524,778</u>

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

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**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016**

	Budget 2016	2016	2015 Restated (Note 2)
		\$	\$
REVENUE			
Indigenous and Northern Affairs Canada	856,526	856,527	835,507
Canada Mortgage and Housing Corporation	16,150	81,003	62,461
Confederacy of Mainland Mi'kmaq	44,549	48,049	41,411
Department of Fisheries and Oceans	115,000	113,077	100,020
Department of Health and Wellness	24,000	24,000	50,000
Health Canada	316,200	316,200	301,560
Mi'kmaq Employment Training Secretariat	111,517	101,677	104,314
Mi'kmaw Kina'matnewey	160,000	154,865	155,856
Rent - Social Housing	-	137,870	274,564
Replacement reserve withdrawal	-	47,570	33,977
Amounts earned and held in trust by federal government (Note 4)	-	443	574
Other revenue	3,608	5,141,207	4,995,102
	1,647,550	7,022,488	6,955,346
EXPENDITURES			
Administration	484,365	595,305	522,581
Commercial Buildings	-	8,331	140,978
Commercial Fisheries	-	833,923	609,244
Community Health	316,200	303,164	305,814
Community Fisheries	115,000	88,702	74,819
Courses and summer students	115,075	101,677	114,864
Economic Development	44,549	28,754	41,396
Education	162,249	156,556	136,037
Gaming	-	3,818,443	3,620,639
Operations, Capital & Maintenance	179,876	177,099	205,192
Social Housing	16,150	285,943	297,304
Social Services	290,375	243,642	267,286
	1,723,839	6,641,539	6,336,154
ANNUAL SURPLUS	(76,289)	380,949	619,192
ACCUMULATED SURPLUS - beginning of year	3,348,405	3,348,405	2,729,213
ACCUMULATED SURPLUS - end of year	3,272,116	3,729,354	3,348,405

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

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**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL DEBT
FOR THE YEAR ENDED MARCH 31, 2016**

	Budget 2016	2016	2015 Restated Note 2
		\$	\$
ANNUAL SURPLUS	(76,289)	380,949	619,192
Acquisition of tangible capital assets	-	(251,365)	(229,736)
Amortization of tangible capital assets	-	334,812	395,013
Decrease in replacement reserve	-	(30,470)	(15,977)
Increase in trust held by federal government	-	443	574
	-	53,420	149,874
Acquisition of supplies inventories	-	(34,063)	-
Consumption of supplies inventories	-	-	16,067
Use of prepaid expense	-	-	4,690
	-	(34,063)	20,757
INCREASE IN NET FINANCIAL DEBT	(76,289)	400,306	789,823
NET FINANCIAL DEBT - beginning of year	(860,728)	(860,728)	(1,650,551)
NET FINANCIAL DEBT - end of year	(937,017)	(460,422)	(860,728)

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**ANNAPOLIS VALLEY FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016**

	2016	2015 Restated Note 2
	\$	\$
CASH FLOWS FROM: OPERATING ACTIVITIES		
Annual surplus	380,949	619,192
Items in earnings not involving cash		
Amortization	334,812	395,013
	715,761	1,014,205
Net changes in working capital balances		
Accounts receivable	(109,940)	96,200
Inventory	(34,063)	16,067
Prepaid expenses	-	4,690
Accounts payable and accrued liabilities	33,324	(144,643)
Deferred revenue	(5,678)	(4,364)
	599,404	982,155
CAPITAL ACTIVITIES		
Decrease in replacement reserve	(30,470)	(15,977)
Purchase and transfer of tangible capital assets	(251,365)	(229,736)
INVESTING ACTIVITIES		
Purchase of short term investments	(10,353)	(20,796)
Investment in capital fund	443	574
	(9,910)	(20,222)
FINANCING ACTIVITIES		
Repayments of long-term debt	(122,692)	(431,480)
Advances of long-term debt	77,387	-
Repayment of bank operating loan	(20,000)	(170,000)
	(65,305)	(601,480)
INCREASE CASH AND EQUIVALENTS DURING THE YEAR	242,354	114,740
CASH AND EQUIVALENTS - beginning of year	154,713	39,973
CASH AND EQUIVALENTS - end of year	397,067	154,713
Supplementary cash flow information		
Interest received in year	12,244	9,829
Interest paid in year	44,193	79,994

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**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards and include all organizations, operations and activities that are accountable for the administration of their financial affairs and resources directly to the First Nation.

b. Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity. The reporting entity is comprised of all organizations which are owned or controlled by the First Nation. These financial statements include:

- Annapolis Valley First Nation Gaming Commission
- Annapolis Valley Commercial Fisheries
- 2501745 Nova Scotia Limited

c. Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis.

d. Cash and Cash Equivalents

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

e. Income Taxes

Income taxes are not reflected on these financial statements as the Band's operations are conducted entirely on reserve lands and are therefore not taxable.

f. Pension Plan

Annapolis Valley First Nation provides a defined contribution plan for its employees. The pension costs are charged to operations as contributions are due. Contributions are a defined amount based on a set percentage of salary.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Tangible Capital Assets

Tangible Capital Assets are valued at acquisition cost and amortized over their useful life using the straight line method for the following number of years:

Land Improvements	30 years
Wooden Buildings	25 years
Brick Buildings	40 years
Machinery & Equipment	10 years
Computers	4 years
Water & Sewer Networks	50 years
Band Housing	25 years
Vehicles	5 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Annapolis Valley First Nations' 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 statement of operations.

h. Revenue Recognition

Revenues are recognized in the period in which the transactions or events occur that give rise to the revenues. All revenues are recorded on an accrual basis.

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 a liability. Transfer revenue is recognized in the 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 performed is deferred and recognized when the fee is earned or service is performed.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

2. PRIOR PERIOD ADJUSTMENT

During the current year, the band determined that three of its components (Annapolis Valley First Nation Gaming Commission, Annapolis Valley Commercial Fisheries, 2501745 Nova Scotia Limited) should have been fully consolidated rather than reported using the modified equity method because they do not meet the definition of government business enterprises. As a result, the statement of financial position and statement of operations have been adjusted to report the assets, liabilities, revenues and expenses for these components on a gross basis rather than on a net basis. This error has been corrected retroactively with restatement of the prior period. This correction had the following effect on the financial statements.

	2015 \$	Increase/ (Decrease) \$	2015 restated \$
Cash	-	154,713	154,713
Investments	-	77,049	77,049
Accounts receivable	156,755	59,456	216,211
Inventory	-	95,820	95,820
Investment in controlled entities	2,307,995	(2,307,995)	-
Accounts payable	69,981	107,461	177,442
Long-term debt	946,609	161,599	1,108,208
Net Financial Assets (Net Debt)	1,536,957	(2,397,685)	(860,728)
Tangible Capital assets	2,312,813	1,972,592	4,285,405
Opening accumulated surplus	3,222,948	(493,735)	2,729,213
Closing accumulated surplus	3,849,770	(501,365)	3,348,405
Revenue	2,585,741	4,369,605	6,955,346
Expenses	1,958,918	4,377,236	6,336,154

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

3. CASH AND CASH EQUIVALENT

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Annapolis Valley First Nation must set aside funds annually for the repair, maintenance and replacement of aged assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation with any interest earned to be credited as revenue to the Replacement Reserve.

Annapolis Valley First Nation is also required to have Trust funds in Ottawa in a separate bank account. These funds increase annually by the interest earned. They can be withdrawn for their intended purposes if requested.

	2016 \$	2015 \$
<u>Unrestricted</u>		
Operating	391,157	153,720
Housing	5,910	993
	<u>397,067</u>	<u>154,713</u>
 <u>Externally Restricted</u>		
Replacement Reserve	141,686	131,700
Ottawa Trust Funds (Note 4)	21,317	20,874
	<u>163,003</u>	<u>152,574</u>

4. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

	March 31, 2015 \$	Additions 2016 \$	Withdrawals 2016 \$	March 31, 2016 \$
Revenue	15,227	443	-	15,670
Capital	5,647	-	-	5,647
Total	<u>20,874</u>	<u>443</u>	<u>-</u>	<u>21,317</u>

The trust funds arise 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. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

5. TEMPORARY INVESTMENTS

	2016 \$	2015 \$
GIC maturing on April 14, 2016 at a rate of 0.65%	51,021	51,097
GIC maturing on February 24, 2017 at a rate of 0.60%	15,504	15,504
GIC maturing on March 22, 2017 at a rate of 0.60%	10,448	10,448
	76,973	77,049

6. ACCOUNTS RECEIVABLE

	2016 \$	2015 \$
<u>Description</u>		
Atlantic Integrated Commercial Fisheries Initiative	123,358	25,020
Breakfast Clubs of Canada	370	1,000
Confederacy of Mainland Mi'kmaq	3,500	-
Department of Fisheries and Oceans	73,274	75,197
Groundfish quota	11,029	-
Indigenous and Northern Affairs Canada	-	23,885
Mi'kmaq Employment Training Secretariat	24,922	23,683
Mi'kmaw Kina'matnewey	12,675	7,830
Other	6,570	4,473
Scallop quota	66,953	55,123
Wagmatcook Band Council	3,500	-
	326,151	216,211

7. OPERATING LOANS

The First Nation has the following operations loans:

An operating loan, secured by a Band Council Resolution. It has a borrowing facility available of \$200,000 bearing interest at a rate of prime plus 0.7%.

An overdraft, secured by a Band Council Resolution. It has a borrowing facility available of \$140,000 bearing interest at a rate of prime plus 0.7%.

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016 \$	2015 \$
Trade payables and accruals	205,239	161,327
Accrued interest	1,742	1,742
	<u>210,766</u>	<u>177,442</u>

9. EMPLOYEE BENEFIT OBLIGATIONS

The First Nation provides defined contribution plan for eligible members of its staff. Members are required to contribute 5% of their salary. The First Nation contributes 5% which is directed to the Member's contribution account. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the Member's share of the pension plan at the time of the Member's withdrawal from the plan. Annapolis Valley First Nation contributed during the year \$21,471 (2015 - \$20,733) for retirement benefits.

10. DEFERRED REVENUE

	2016 \$	2015 \$
Air Canada Breakfast Program	760	1,273
Confederacy of Mainland Mi'kmaq	-	3,500
Give us Wings Projects	8,187	1,237
Mi'kmaq Physical Activity Leadership Program	1,000	-
Mi'kmaw Kina'matnewey	-	7,250
Town of Berwick	-	2,365
	<u>9,947</u>	<u>15,625</u>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

11. LONG-TERM DEBT

	2016 \$	2015 \$
Prime plus 2.75% loan payable to Royal Bank of Canada, secured by a vessel with book value of \$301,440. This loan is for a 5 year term maturing March 2018 and is amortized to 2023. Repayable in semi-annual principal payments of \$14,475 plus interest paid monthly. General security agreement in place.	202,650	231,600
1.13% first mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$840. The loan is secured by a first mortgage over certain buildings with a carrying value of \$1,085 and a ministerial guarantee, Government of Canada. The loan matures in 2016.	2,517	12,508
1.34% first mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$626. The loan is secured by a first mortgage over certain buildings with a carrying value of \$13,612 and a ministerial guarantee, Government of Canada. The loan matures in 2018.	15,445	22,694
4.28% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$659. The loan is secured by a first mortgage over certain buildings with a carrying value of \$13,918 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2016 and matures in 2018.	3,784	11,240
2.62% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$934. The loan is secured by a first mortgage over certain buildings with a carrying value of \$24,802 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2016 and matures in 2020.	1,874	12,909
1.30% first mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$529. The loan is secured by a first mortgage over certain buildings with a carrying value of \$33,545 and a ministerial guarantee, Government of Canada. The loan matures in 2021.	31,217	36,333

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

11. LONG-TERM DEBT (continued)

	2016 \$	2015 \$
2.55% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$377. The loan is secured by a first mortgage over certain buildings with a carrying value of \$25,491 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2017 and matures in 2022.	27,377	31,212
4.56% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$861. The loan is secured by a first mortgage over certain buildings with a carrying value of \$53,922 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2018 and matures in 2023.	62,452	70,020
2.65% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$471. The loan is secured by a first mortgage over certain buildings with a carrying value of \$30,212 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2018 and matures in 2023.	26,465	31,418
2.65% first mortgage payable to Royal Bank of Canada requires monthly installments of principal and interest of \$404. The loan is secured by a first mortgage over certain buildings with a carrying value of \$38,964 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2018 and matures in 2026.	23,746	27,978
1.80% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$304. The loan is secured by a first mortgage over certain buildings with a carrying value of \$35,420 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2016 and matures in 2026.	34,434	37,439
1.53% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$291. The loan is secured by a first mortgage over certain buildings with a carrying value of \$46,682 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2017 and matures in 2027.	37,125	40,032

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

11. LONG-TERM DEBT (continued)

	2016	2015
	\$	\$
1.92% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$281. The loan is secured by a first mortgage over certain buildings with a carrying value of \$52,626 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2019 and matures in 2029.	39,077	41,679
1.39% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$300. The loan is secured by a first mortgage over certain buildings with a carrying value of \$83,663 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2020 and matures in 2030.	46,524	49,436
1.11% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$303. The loan is secured by a first mortgage over certain buildings with a carrying value of \$72,510 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2021 and matures in 2031.	50,376	53,076
1.67% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$326. The loan is secured by a first mortgage over certain buildings with a carrying value of \$66,430 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2017 and matures in 2032.	54,995	57,968
1.53% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$324. The loan is secured by a first mortgage over certain buildings with a carrying value of \$64,061 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2017 and matures in 2032.	57,277	60,271

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

11. LONG-TERM DEBT (continued)

	2016 \$	2015 \$
2.04% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$815. The loan is secured by a first mortgage over certain buildings with a carrying value of \$143,624 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2019 and matures in 2034.	146,405	153,142
2.35% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$345. The loan is secured by a first mortgage over certain buildings with a carrying value of \$71,585 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2018 and matures in 2033.	59,523	62,242
1.83% mortgage payable to Canada Mortgage & Housing Corporation requires monthly installments of principal and interest of \$326. The loan is secured by a first mortgage over certain buildings with a carrying value of \$100,968 and a ministerial guarantee, Government of Canada. The loan has a renewal date of 2019 and matures in 2034.	62,253	65,011
Non-interest bearing promissory note payable to Indigenous and Northern Affairs Canada on or before March 31, 2020 or the date on which the claim is settled.	77,387	-
	<u>1,062,903</u>	<u>1,108,208</u>

Approximate principal payments for the next 5 years are as follows:

	\$		
2017	104,613		
2018	97,708		
2019	92,288		
2020	93,104		
2021	170,491		
		2016 \$	2015 \$
Interest expense for the year on long-term debt		<u>30,034</u>	<u>49,620</u>

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

2. T 12. TANGIBLE CAPITAL ASSETS

		Cost			Accumulated Amortization				Net Book Value			
		Opening Balance	Additions	Disposals	Transfers of Assets	Closing Balance	Opening Balance	Amort.	Disposals, W/O & Other Adj.	Closing Balance	2016	2015
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
C	QWHC Housing	2,449,904	21,554	-	-	2,471,458	1,370,598	98,433	-	1,469,031	1,002,427	1,079,306
B	Band Owned Housing	1,911,504	52,413	-	-	1,963,917	881,204	50,957	-	932,161	1,031,756	1,030,300
C	Commercial Buildings	1,858,300	87,328	-	-	1,945,628	768,443	79,867	-	848,310	1,097,318	1,089,857
C	Computer Equipment	26,687	19,294	-	-	45,981	14,957	10,350	-	25,307	20,674	11,730
L	Land & Improvements	95,078	13,000	-	-	108,078	15,055	3,314	-	18,368	89,710	80,023
F	Fishing Vessels	612,605	-	-	-	612,605	311,164	84,503	-	395,667	216,938	301,441
R	Roadways	404,065	1,426	-	-	405,491	175,430	6,182	-	181,612	223,879	228,635
L	Underground Networks	201,258	-	-	-	201,258	93,380	5,913	-	99,294	101,964	107,878
V	Vehicles & Equipment	2,250,829	141,296	84,946	-	2,307,179	1,894,594	79,063	83,770	1,889,887	417,292	356,235
		7,360,326	314,757	84,946	-	7,590,137	4,154,227	320,149	83,770	4,390,606	3,199,531	3,206,099
		9,810,230	336,311	84,946	-	10,061,595	5,524,825	418,582	83,770	5,859,637	4,201,958	4,285,405

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

13. ACCUMULATED SURPLUS

	2016 \$	2015 \$
Housing Projects - Replacement Reserve (Note 14)	125,029	155,499
Accumulated Operating Surplus	3,729,354	3,348,405
Ottawa Trust Funds (Note 4)	21,317	20,874
	<u>3,875,700</u>	<u>3,524,778</u>

14. REPLACEMENT RESERVE

	2016 \$	2015 \$
Balance - beginning of year	155,499	171,476
Current year allocation	17,100	18,000
Withdrawals	(47,570)	(33,977)
	<u>125,029</u>	<u>155,499</u>

	2016 \$ Pre 1997 Units	2016 \$ Post 1997 Units
ACCUMULATED INTEREST		
Balance - beginning of year	<u>3,314</u>	<u>3,314</u>
Balance - end of year	<u>3,314</u>	<u>3,314</u>

The Annapolis Valley First Nation operates 19 CMHC subsidized housing projects as at March 31, 2016. Under the terms of the agreement with CMHC, the replacement reserve account is to be credited annually with an amount established by CMHC. These funds, plus accumulated interest, must be held in a separate bank account and used for future repairs or other expenditures only as approved by CMHC.

As at March 31, 2016, the Annapolis Valley First Nation has provided funding of reserves as follows:

	Amount of Reserve \$	Amount Funded \$
Replacement Reserve (Note 3)	<u>125,029</u>	<u>141,686</u>

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

15. ECONOMIC DEPENDENCE

The Annapolis Valley First Nation receives its principal source of funding under a funding arrangement with Indian and Northern Affairs Canada. The present agreement is for a two year term ending March 31, 2016.

16. CONTINGENCIES

Annapolis Valley 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.

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

7. C 17. GOVERNMENT TRANSFERS

	2016		2015	
	Operating	Capital	Operating	Capital
	\$	\$	\$	\$
F Federal government transfers:				
ii Indigenous and Northern Affairs Canada	797,103	59,424	777,332	58,175
F Health Canada	305,625	10,575	301,560	-
C Canada Mortgage and Housing Corporation	81,003	-	62,461	-
D Department of Fisheries and Oceans	113,077	-	100,020	-
T Total	1,296,808	69,999	1,241,373	58,175
F Provincial grant transfer:				
A Municipal Physical Activity Leadership Program	24,000	-	50,000	-
T Total	1,320,808	69,999	1,291,373	58,175

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

18. SEGMENT DISCLOSURE

The Annapolis Valley First Nation is a diversified community that provides a wide range of services to its members. For management reporting purposes, the Annapolis Valley First Nation's operations and activities are organized and reported by program. Programs were created for the purpose of recording specific activities to attain certain objectives in accordance with specific regulations, restrictions or limitations. The activities can be categorized into segments. The following segments have been identified and as such are separately disclosed.

Administration

The administration department oversees the delivery of all government services that are needed to run the Annapolis Valley First Nation.

Social Services

The social assistance department is responsible for administering assistance payments as well as providing services directed towards members.

Community Health

The community health department provides medical services to band members.

Education

The education department contains activities that provide education to band members for primary, secondary schooling, and sponsorship to attend post secondary institutions.

Operations, Maintenance and Capital

The operations, maintenance and capital department provides public services that contribute to community development and sustainability through the provision of operating services such as roads, water and sanitation, fire protection, electrical and community buildings. They are also responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations.

Other Projects

The First Nation provides a wide array of other services, including youth employment projects, economic development, housing activities, and others.

Annapolis Valley Gaming Commission

The Gaming Commission was set up to enter into an Agreement with Atlantic Lottery Corporation for the operations of video lottery terminals on the Annapolis Valley First Nation reserve. It also operates a convenience store, gaming facility and gas bar on the reserve.

Annapolis Valley Commercial Fisheries

Annapolis Valley Commercial Fisheries is an enterprise operated by the First Nation. It operates one lobster vessel and maintains three lobster licences.

2501745 Nova Scotia Limited

The Company was incorporated for the purposes of constructing a gaming facility and bingo hall on reserve lands which is leased to the Annapolis Valley First Nation Gaming Commission.

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

7. 5 17. SEGMENT DISCLOSURE

	For the year ended March 31, 2016	Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Gaming Commission	Fisheries	2501745 NS Ltd.	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue											
Indigenous and Northern Affairs Canada	217,334	454,121	-	-	-	185,072	-	-	-	-	856,527
Atlantic Integrated Commercial											
CMHC	-	-	-	-	-	-	81,003	-	-	-	81,003
Confederacy of Mainland											
Mi'kmaq	-	-	-	-	-	-	48,049	-	-	-	48,049
Dept. of Fisheries & Oceans	-	-	-	-	-	-	113,077	-	-	-	113,077
Health Canada	-	-	-	316,200	-	-	-	-	-	-	316,200
Mi'kmaq Employment Training											
Secretariat	-	-	-	-	-	-	101,677	-	-	-	101,677
Mi'kmaq Kinatnewey	-	-	-	-	154,865	-	-	-	-	-	154,865
Rent	-	-	-	-	-	-	137,870	-	-	-	137,870
Replacement Reserve	-	-	-	-	-	-	47,570	-	-	-	47,570
Other Revenue	-	-	-	-	-	-	100,782	3,871,388	1,193,480	-	5,165,650
	217,334	454,121	316,200	154,865	185,072	630,028	3,871,388	1,193,480	-	-	7,022,488
Salaries and wages	316,016	38,954	169,353	122,608	26,588	58,145	470,342	417,621	-	-	1,619,627
Employee benefits	38,745	-	-	6,192	-	-	211,387	89,888	-	-	346,212
Supplies and services	-	182,201	51,722	82,746	-	-	1,818,765	143,675	-	-	2,279,109
Bank Charges and Interest	2,284	926	-	-	-	-	21,339	415	-	-	24,964
Repairs and maintenance	9,398	-	17,970	-	139,778	49,107	54,079	25,037	-	-	295,369
Professional fees	30,000	-	-	-	-	14,377	123,025	6,950	-	-	174,352
Debt servicing	14,159	-	-	-	-	17,930	4,592	12,104	-	-	48,785
Other	85,500	21,561	64,119	46,687	10,733	165,407	1,019,511	12,690	-	-	1,426,208
Amortization	99,203	-	-	-	-	98,433	95,403	125,543	8,331	-	426,913
	595,305	243,642	303,164	258,233	177,099	403,399	3,818,443	833,923	8,331	-	6,641,539
Total	(377,971)	210,479	13,036	(103,368)	7,973	226,629	52,945	359,557	(8,331)	-	380,949

ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

7. 17. SEGMENT DISCLOSURE (continued)

		Administration	Social Services	Community Health	Education	Capital, Operations & Maintenance	Other Projects	Gaming Commission	Fisheries	2501745 NS Ltd.	Total
	For the year ended March 31, 2015	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue											
Indigenous and Northern Affairs Canada	211,519	444,575	-	-	-	179,413	-	-	-	-	835,507
Atlantic Integrated Commercial CWHC	-	-	-	-	-	-	62,461	-	-	-	62,461
Confederacy of Mainland Miikmaq	-	-	-	-	-	-	41,411	-	-	-	41,411
Dept. of Fisheries & Oceans Health Canada	-	-	-	-	-	-	100,020	-	-	-	100,020
Miikmaq Employment Training Secretariat	-	-	-	301,560	-	-	-	-	-	-	301,560
Miikmaq Kinamatnewey	-	-	-	-	-	-	104,314	-	-	-	104,314
Rent	-	-	-	-	155,856	-	-	-	-	-	155,856
Replacement Reserve	-	-	-	-	-	-	274,564	-	-	-	274,564
Other Revenue	-	-	-	-	-	-	33,977	-	-	-	33,977
							95,271	3,657,555	1,172,850	120,000	5,045,676
	211,519	444,575	301,560	301,560	155,856	179,413	712,018	3,657,555	1,172,850	120,000	6,955,346
Salaries and wages	190,243	37,682	169,354	169,354	113,324	25,714	52,049	453,560	332,059	65,002	1,438,987
Employee benefits	67,189	-	6,121	6,121	-	-	-	195,966	41,895	-	311,171
Supplies and services	-	226,148	38,238	38,238	96,384	-	-	1,778,774	71,142	-	2,210,686
Bank Charges and interest	1,532	2,233	-	-	-	-	-	8,748	675	-	13,188
Repairs and maintenance	3,601	-	15,838	15,838	4,529	158,998	63,142	72,083	23,431	-	341,622
Professional fees	39,000	-	-	-	-	-	13,512	129,018	4,488	1,000	187,018
Debt servicing	30,373	-	-	-	-	-	22,708	4,493	26,912	-	84,486
Other	93,208	1,223	76,263	76,263	36,664	20,480	164,111	882,367	4,690	66,000	1,345,006
Amortization	97,435	-	-	-	-	-	97,997	95,630	103,952	8,976	403,990
	522,581	267,286	305,814	305,814	250,901	205,152	413,519	3,620,639	609,244	140,978	6,336,154
Total	(311,062)	177,289	(4,254)	(4,254)	(95,045)	(25,779)	298,499	36,916	563,606	(20,978)	619,192

**ANNAPOLIS VALLEY FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

19. EXPENSES BY OBJECT

The following is a summary of expenses by object.

	2016 \$	2015 \$
Salaries and wages	1,619,627	1,438,987
Employee benefits	346,212	311,171
Repairs and Maintenance	295,369	341,622
Supplies and services	2,279,109	2,210,686
Bank charges and interest	24,964	13,188
Debt servicing	48,785	84,486
Professional services	174,352	187,018
Amortization	426,913	403,990
Atlantic Lottery Commission	172,584	162,899
Assistance to band members	501,698	549,189
Sydney Casino Profit Share	47,400	50,200
Travel	113,064	109,578
Other	591,462	473,140
	<u>6,641,539</u>	<u>6,336,154</u>