

Financial Statements of

ZHIIBAAHAASING FIRST NATION

Year ended March 31, 2014

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of **Zhiibaahaasing First Nation** are the responsibility of management and have been approved by the Chief and Council of the First Nation.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. 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 financial statements are presented fairly, in all material respects.

The First Nation maintains a system of internal accounting and administrative controls. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and are ultimately responsible for reviewing and approving the financial statements.

The Chief and Council review the First Nation's financial statements and recommend their approval. The Chief and Council meet periodically to discuss and to review the annual report, the financial statements and the external auditors' report. The Chief and Council takes this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The financial statements have been audited by KPMG LLP in accordance with Canadian generally accepted auditing standards on behalf of the First Nation.









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INDEPENDENT AUDITORS' REPORT

To the Chief and Council of Zhiibaahaasing First Nation

We have audited the accompanying financial statements of **Zhiibaahaasing First Nation** which comprise the statement of financial position as at March 31, 2014, the statements of financial activities, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of Zhiibaahaasing First Nation as at March 31, 2014 and its results of financial activities, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

November 6, 2014

Sudbury, Canada

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Year ended March 31, 2014

Financial Statements

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Exhibit A - Statement of Financial Position

March 31, 2014, with comparative information for 2013

	2014	2013
Financial assets:		
Cash	\$ -	\$ 351,511
Accounts receivable	187,959	564,711
Consolidated revenue trust fund (note 2)	39,536	38,559
Investments (note 3)	17,271	17,029
	<u>244,766</u>	<u>971,810</u>
Financial liabilities:		
Bank indebtedness (note 4)	37,352	-
Accounts payable and accrued liabilities	178,450	669,416
Deferred revenue (note 5)	115,892	405,003
Long-term debt (note 6)	597,452	661,925
	<u>929,146</u>	<u>1,736,344</u>
Net debt	(684,380)	(764,534)
Non-financial assets:		
Tangible capital assets (note 7)	3,292,938	3,039,146
Prepaid expenses	42,046	47,468
	<u>3,334,984</u>	<u>3,086,614</u>
Accumulated surplus (note 8)	<u>\$ 2,650,604</u>	<u>\$ 2,322,080</u>

See accompanying notes to financial statements.

On behalf of the First Nation:

Chief 

Councillor 

Councillor 

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Exhibit B - Statement of Financial Activities

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Government transfers - Federal	\$ 1,199,787	\$ 1,587,884
- Provincial	400,563	405,228
Other	279,081	257,026
Insurance proceeds	110,248	-
Rental	60,995	71,545
	<u>2,050,674</u>	<u>2,321,683</u>
Expenses:		
Band Government	432,456	504,176
Medical Transportation	34,479	46,221
Community Health Services	263,817	251,726
Education	396,696	244,127
Band Housing	88,204	56,108
Public Works and Facilities	271,523	220,312
Employment and Economic Development	61,849	91,136
Equipment Rental	33,446	79,847
Social Housing	31,408	30,909
Community Property	108,272	78,082
	<u>1,722,150</u>	<u>1,602,644</u>
Excess of revenue over expenses	328,524	719,039
Accumulated surplus, beginning of year	2,322,080	1,603,041
Accumulated surplus, end of year	\$ 2,650,604	\$ 2,322,080

See accompanying notes to financial statements.

ZHIIBAAHAASING FIRST NATION

Exhibit C - Statement of Changes in Net Debt

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Excess of revenue over expenses	\$ 328,524	\$ 719,039
Acquisition of tangible capital assets	(436,352)	(1,015,132)
Amortization of tangible capital assets	146,959	132,534
Loss on property	35,601	-
	74,732	(163,559)
Use (acquisition) of prepaid expenses	5,422	(35,931)
Change in net financial assets (net debt)	80,154	(199,490)
Net debt, beginning of year	(764,534)	(565,044)
Net debt, end of year	\$ (684,380)	\$ (764,534)

See accompanying notes to financial statements.

ZHIIBAAHAASING FIRST NATION

Exhibit D - Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 328,524	\$ 719,039
AdjustmentS for:		
Amortization of tangible capital assets	146,959	132,534
Loss on property	35,601	-
	511,084	851,573
Changes in non-cash working capital:		
Decrease (increase) in accounts receivable	376,752	(370,880)
Decrease (increase) in prepaid expenses	5,422	(35,931)
Increase (decrease) in accounts payable and accrued liabilities	(490,966)	474,367
Increase (decrease) in deferred revenue	(289,111)	405,003
	113,181	1,324,132
Cash flows from financing activities:		
Long-term debt issued	-	100,000
Principal repayments on long-term debt	(64,473)	(44,948)
	(64,473)	55,052
Cash flows from investing activities:		
Purchase of tangible capital assets	(436,352)	(1,015,132)
Investments	(242)	3,009
Consolidated revenue trust fund	(977)	(924)
	(437,571)	(1,013,047)
Net increase (decrease) in cash	(388,863)	366,137
Cash (bank indebtedness), beginning of year	351,511	(14,626)
Cash (bank indebtedness), end of year	\$ (37,352)	\$ 351,511

See accompanying notes to financial statements.

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Notes to Financial Statements

Year ended March 31, 2014

Zhiibaahaasing First Nation (the "First Nation"), located on Manitoulin Island, administers programs and provides services on behalf of its members.

1. Significant accounting policies:

The financial statements of the First Nation are the representation of management and have been prepared in accordance with Canadian generally accepted accounting principles for local governments as recommended by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants of Canada. The following is a summary of the significant accounting policies followed in the preparation of these financial statements:

(a) Reporting entity:

The reporting entity includes activities of all committees of the First Nation under control of the Chief and Council.

(b) Revenue recognition:

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements which relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the statement of financial position.

(c) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(d) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Estimated Life – Years
Buildings and band housing	10 - 50 years
Infrastructure	10 - 40 years
Machinery and equipment	5 - 15 years
Furniture, computers and fixtures	4 - 10 years
Assets under construction	-

Annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

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Notes to Financial Statements

Year ended March 31, 2014

1. Significant accounting policies (continued):

(d) Tangible capital assets (continued):

- i) Works of art and cultural and historical assets are not recorded as assets in these financial statements.
- ii) Natural resources that have not been purchased are not recognized as assets in the financial statements.

(e) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and valuation allowances for receivables. Actual results could differ from those estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the year in which they become known.

(f) Consolidated revenue trust funds:

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 and are subject to Audit by the office of the Auditor General of Canada. Funds held by the Government of Canada on behalf of the First Nation are included on the statement of financial position.

(g) Prior year funding adjustments:

The First Nation has entered into accountable contribution agreements with several funding agencies. All such programs are subject to audit by the various agencies, with audit adjustments repayable to the funding agencies.

Adjustments made under funding arrangements relating to prior years are recorded in the year during which the adjustments are made.

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Notes to Financial Statements

Year ended March 31, 2014

2. Consolidated revenue trust fund:

	Revenue	Capital	2014	2013
Balance, beginning of year	\$ 14,773	23,786	38,559	37,635
Interest	977	—	977	924
Balance, end of year	\$ 15,750	23,786	39,536	38,559

3. Investments:

The investment in U.C.C.M. Building Material Supply Limited Partnership is reflected at cost and represents a 14.28% ownership interest.

	2014	2013
Investment in U.C.C.M. Building Material Supply Limited Partnership	\$ 17,271	17,029

4. Bank indebtedness:

Under its credit agreement, the First Nation has a demand operating facility to a maximum of \$100,000, bearing interest at prime plus 2.5% (2013 - prime plus 2.5%).

Borrowings under the credit facility are secured by a general security agreement and an assignment of fire insurance.

The balance on the line of credit at March 31, 2014 is \$5,000 (2013 - \$Nil)

5. Deferred revenue:

	Band Housing	Water Treatment Plant	2014	2013
Balance, beginning of year	\$ —	405,003	405,003	—
Insurance proceeds	143,616	—	143,616	—
Aboriginal Affairs and Northern Development Canada	—	—	—	1,172,367
Revenue earned	(110,248)	(322,479)	(432,727)	(767,364)
Balance, end of year	\$ 33,368	82,524	115,892	405,003

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Notes to Financial Statements

Year ended March 31, 2014

6. Long-term debt:

	2014	2013
9.4% Caterpillar Financial Services Limited, secured by specified equipment, repayable in monthly payments of \$1,138, due May 2014	\$ 2,249	15,030
Toronto Dominion loan, repayable in monthly payments of \$2,083 plus interest at prime plus 2.5%, due December 2016	68,750	93,750
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$605 including interest at 2.08%, due February 2029	93,010	97,972
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$1,695 including interest at 2.51%, due March 2034	331,862	342,789
Mortgage payable to Canada Mortgage and Housing Corporation in monthly payments of \$555 including interest at 2.39%, due September 2030	90,789	94,874
5.49% GMAC loan, secured by specific vehicle, repayable in monthly payments of \$626, due October 2016	10,792	17,510
	\$ 597,452	661,925

Scheduled principal repayments, assuming loans are renewed with similar repayment terms, are estimated as follows:

2015	\$ 56,781
2016	51,670
2017	42,274
2018	24,086
2019	24,664
2020 and subsequent	397,977

The Toronto Dominion loan is secured by the security as described in note 4.

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Notes to Financial Statements

Year ended March 31, 2014

7. Tangible capital assets:

Cost	Balance March 31, 2013	Transfer	Additions	Disposals	Balance at March 31, 2014
Buildings	\$ 860,083	\$ -	\$ -	\$ -	\$ 860,083
Water treatment plant	-	767,365	322,479	-	1,089,844
Band housing	2,060,118	-	-	(64,743)	1,995,375
Infrastructure	548,815	-	-	-	548,815
Machinery and equipment	572,893	-	3,625	-	576,518
Computers	23,635	-	-	-	23,635
Assets under construction	767,365	(767,365)	110,248	-	110,248
Total	\$ 4,832,909	\$ -	\$ 436,352	\$ (64,743)	\$ 5,204,518

Accumulated amortization	Balance March 31, 2013	Disposals	Amortization expense	Balance at March 31, 2014
Buildings	\$ 289,295	\$ -	\$ 29,994	\$ 319,289
Water treatment plant	-	-	14,758	14,758
Band housing	643,016	(29,142)	49,884	663,758
Infrastructure	474,864	-	8,792	483,656
Machinery and equipment	368,930	-	41,481	410,411
Computers	17,658	-	2,050	19,708
Total	\$ 1,793,763	\$ (29,142)	\$ 146,959	\$ 1,911,580

	Net book value March 31, 2013	Net book value March 31, 2014
Buildings	\$ 570,788	\$ 540,794
Water treatment plant	-	1,075,086
Band housing	1,417,102	1,331,617
Infrastructure	73,951	65,159
Machinery and equipment	203,963	166,107
Furniture, computers and fixtures	5,977	3,927
Assets under construction	767,365	110,248
Total	\$ 3,039,146	\$ 3,292,938

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Notes to Financial Statements

Year ended March 31, 2014

7. Tangible capital assets (continued):

Cost	Balance March 31, 2012	Additions	Disposals	Balance at March 31, 2013
Buildings	\$ 620,860	\$ 239,223	\$ -	\$ 860,083
Band housing	2,060,118	-	-	2,060,118
Infrastructure	548,815	-	-	548,815
Machinery and equipment	526,762	46,131	-	572,893
Computers	23,635	-	-	23,635
Assets under construction	37,586	784,598	(54,819)	767,365
Total	\$ 3,817,776	\$ 1,069,952	\$ (54,819)	\$ 4,832,909

Accumulated amortization	Balance March 31, 2012	Disposals	Amortization expense	Balance at March 31, 2013
Buildings	\$ 264,850	\$ -	\$ 24,445	\$ 289,295
Band housing	591,513	-	51,503	643,016
Infrastructure	466,057	-	8,807	474,864
Machinery and equipment	323,200	-	45,730	368,930
Computers	15,608	-	2,050	17,658
Total	\$ 1,661,228	\$ -	\$ 132,535	\$ 1,793,763

	Net book value March 31, 2012	Net book value March 31, 2013
Buildings	\$ 356,010	\$ 570,788
Band housing	1,468,605	1,417,102
Infrastructure	82,758	73,951
Machinery and equipment	203,562	203,963
Furniture, computers and fixtures	8,027	5,977
Assets under construction	37,586	767,365
Total	\$ 2,156,548	\$ 3,039,146

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Notes to Financial Statements

Year ended March 31, 2014

8. Accumulated surplus:

Accumulated surplus consists of individual program surplus and reserves as follows:

	2014	2013
Surplus:		
Invested in tangible capital assets	\$ 2,695,486	2,377,221
CMHC Section 95	62,327	47,908
Operations	(168,978)	(158,542)
Reserve funds set aside for specific purpose by Council:		
CMHC Section 95 Replacement	22,233	16,933
Consolidated trust	39,536	38,560
	\$ 2,650,604	2,322,080

9. Comparative information:

Certain 2013 comparative information have been reclassified where necessary to conform to the current year presentation.

10. Budget information:

Budget information was unavailable and has not been presented.

11. Segmented information:

Zhiibaahaasing First Nation is a diversified First Nation that provides a wide range of services to its Members, including band government, medical and community services, education, rental housing, infrastructure, community development, capital and business operations.

Services are provided by departments and their activities are organized and reported by functional area. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Band Government

The band government department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of chief and council.

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Notes to Financial Statements

Year ended March 31, 2014

11. Segmented information (continued):

Medical Transportation and Community Health Services

The medical and community services department provides medical transportation and delivers other programming designed to enhance the wellness of members.

Education

The education department provides student transportation and manages the education requirements for students of the First Nation.

Rental Housing

The rental housing department manages the various on-reserve housing operations of the First Nation including CMHC housing.

Public Works and Facilities

The infrastructure or public works department provides the First Nation with support services for the repair and maintenance of all First Nation owned assets including buildings, roads, water systems and equipment. In addition, the department arranges for fire protection services to be provided to the First Nation.

Employment and Economic Development

The community development department is responsible for identifying economic development and employment opportunities for the First Nation.

Community Property

The community property department provides services for the longevity of the First Nation through the acquisition and development of equipment, roads and housing. Revenue and expenses included in this department are generally long-term in nature, capitalized in the accounts of the First Nation and amortized over their useful life.

Business Enterprises and Other

Business ventures undertaken by the First Nation are managed through the business enterprise department of the First Nation.

For each reported segment, revenues and expenses include amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information, including transfers that have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in the summary of significant accounting policies.

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Notes to Financial Statements

Note 11 - Segmented Information (continued)

Year ended March 31, 2014

	Band Government	Medical Transportation and Community Health Services	Education	Rental Housing	Public Works and Facilities	Employment and Economic Development	Community Property	Business Enterprises and Other	2014 Total
Revenue	\$ 164,924	296,303	369,945	90,376	136,989	51,160	540,414	400,563	2,050,674
Expenses:									
Salaries, wages and benefits	217,200	162,319	27,396	-	103,675	61,849	585	5,224	578,248
Materials, supplies, rentals and general	97,515	44,736	-	2,197	39,749	-	106,097	706	291,000
Contractual services	18,659	4,995	34,671	-	44,953	-	-	-	103,278
Travel	77,614	58,303	2,007	-	4,071	-	1,590	-	143,585
Tuition	-	-	261,814	-	-	-	-	-	261,814
Other	6,342	25,950	70,308	31,929	27,136	-	-	-	161,665
Amortization of tangible capital assets	15,126	1,993	500	85,486	51,939	-	-	27,516	182,560
	432,456	298,296	396,696	119,612	271,523	61,849	108,272	33,446	1,722,150
Excess (deficiency) of revenue over expenses	\$ (267,532)	(1,993)	(26,751)	(29,236)	(134,534)	(10,689)	432,142	367,117	328,524

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Notes to Financial Statements

Note 11 - Segmented Information (continued)

Year ended March 31, 2013

	Band Government	Medical Transportation and Community Health Services	Education	Rental Housing	Public Works and Facilities	Employment and Economic Development	Community Property	Business Enterprise and Other	2013 Total
Revenue	\$ 146,765	299,818	262,690	84,160	102,500	40,200	965,322	420,228	2,321,683
Expenses:									
Salaries, wages and benefits	223,379	151,594	-	-	13,607	90,086	36,752	35,579	550,997
Materials, supplies, rentals and general	56,568	34,442	-	2,385	125,998	-	39,839	8,412	267,644
Contractual services	40,340	-	-	-	-	1,050	-	-	41,390
Travel	90,162	65,363	-	-	10,253	-	1,491	339	167,608
Tuition	-	-	172,004	-	-	-	-	-	172,004
Other	85,978	46,381	71,623	33,129	32,656	-	-	700	270,467
Amortization of tangible capital assets	7,749	167	500	51,503	37,798	-	-	34,817	132,534
	504,176	297,947	244,127	87,017	220,312	91,136	78,082	79,847	1,602,644
Excess (deficiency) of revenue over expenses	\$ (357,411)	1,871	18,563	(2,857)	(117,812)	(50,936)	887,240	340,381	719,039