

**MORICETOWN BAND COUNCIL**  
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**  
**YEAR ENDED MARCH 31, 2014**

The accompanying financial statements of the Moricetown Band Council and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include some 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 Moricetown 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 that the Band's assets are appropriately accounted for and adequately safeguarded.

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

The Chief and Council review the Band's financial statements and recommend their approval. The Chief and Council meet 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 annual report, the financial statements and the external auditor's report. The Chief and Council take 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 Carlyle Shepherd & Co. in accordance with Canadian generally accepted auditing standards on behalf of the Members. Carlyle Shepherd & Co. has full access to Chief and Council.

  
Chief

  
Councillor

Moricetown, BC  
May 28, 2014

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**MORICETOWN BAND COUNCIL**  
**CONSOLIDATED FINANCIAL STATEMENTS**

**MARCH 31, 2014**

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**MORICETOWN BAND COUNCIL**  
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**INDEPENDENT AUDITOR'S REPORT****TO THE MORICETOWN BAND COUNCIL****Report on the Financial Statements**

We have audited the accompanying consolidated statement of financial position of the Moricetown Band Council as at March 31, 2014 and the consolidated statements of financial activities, cash flows and changes in net financial liabilities and a summary of significant accounting policies.

**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 controls as management determines are necessary to enable the preparation of financial statements that are free of 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 the audit in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance 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 depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

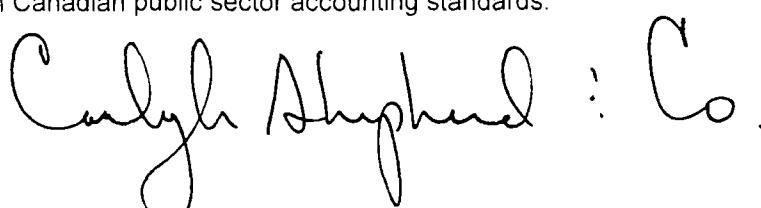
**Basis for Qualified Opinion**

In accordance with the CICA handbook, section PS-3150, First Nation organizations are required to compile a comprehensive listing of all property and equipment owned by the organization. This has not been completed. The impact of this on the statement of financial position only affects property and equipment values and equity in property and equipment. The operating surplus is not impacted by this omission.

**Opinion**

In our opinion, except for the effect of adjustments, if any, which might be required regarding the above condition, these financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2014 and the results of its operations, cash flows, and net financial liabilities for the year then ended in accordance with Canadian public sector accounting standards.

Smithers, BC  
May 28, 2014



**MORICETOWN BAND COUNCIL**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**MARCH 31**

	2014	2013
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash	2,199,972	296,632
Accounts receivable (note 2)	271,521	1,172,349
Inventory (note 1)	113,218	81,228
Prepaid expenditures	29,207	41,417
Ottawa Trust funds (note 3)	<u>122,088</u>	<u>114,064</u>
	<u>2,736,006</u>	<u>1,705,690</u>
<b>LIABILITIES</b>		
Bank loan (note 4)	-	18,000
Accounts payable and accruals	1,258,412	889,728
Replacement reserve (note 5)	111,101	92,566
Long-term debt (note 7)	<u>2,596,304</u>	<u>1,629,261</u>
	<u>3,965,817</u>	<u>2,629,555</u>
<b>NET FINANCIAL LIABILITIES</b>	<u>-1,229,811</u>	<u>-923,865</u>
<b>NON-FINANCIAL ASSETS</b>		
Property and equipment (notes 1 and 6)	14,676,352	14,707,239
Investments (note 1)	<u>1,356,469</u>	<u>1,656,458</u>
	<u>16,032,821</u>	<u>16,363,697</u>
	<u>14,803,010</u>	<u>15,439,832</u>
<b>BAND POSITION</b>		
Surplus (deficit) (note 8)	1,244,384	591,312
Equity in property and equipment (note 9)	12,512,069	13,077,998
Equity in investments (note 10)	924,469	1,656,458
Equity in Ottawa Trust funds (note 3)	<u>122,088</u>	<u>114,064</u>
<b>CONTINGENT LIABILITIES (note 11)</b>	<u>14,803,010</u>	<u>15,439,832</u>

APPROVED BY OF THE COUNCIL

By J.R. Chief Councillor

Lucy Dagnon Band Administrator

**MORICETOWN BAND COUNCIL**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**YEAR ENDED MARCH 31**

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>REVENUE</b>		
AANDC	5,837,723	5,440,782
Province of British Columbia	467,190	727,392
First Nations Health Authority	1,130,390	1,310,277
Gas Bar sales/rentals	2,605,429	2,315,815
Other	<u>2,514,462</u>	<u>3,217,957</u>
	<u>12,555,194</u>	<u>13,012,223</u>
 <b>EXPENDITURE</b>		
Administration	645,488	650,717
Amortization	845,320	819,839
Capital Projects	878,171	973,619
Community Health	1,115,409	1,104,218
Economic Development	4,557,237	3,466,119
Kyah Wiget Education Society	3,443,671	3,115,365
Municipal Services	487,792	577,534
Social Housing	79,123	91,556
Social Services	<u>1,139,805</u>	<u>1,213,729</u>
	<u>13,192,016</u>	<u>12,012,696</u>
 <b>REVENUE OVER EXPENDITURE</b>	 -636,822	 999,527
 <b>OPENING POSITION</b>	 <u>15,439,832</u>	 <u>14,440,305</u>
 <b>CLOSING POSITION</b>	 <u>14,803,010</u>	 <u>15,439,832</u>

**MORICETOWN BAND COUNCIL**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31**

	<b>2014</b>	<b>2013</b>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Revenue over expenditure	-636,822	999,527
Amortization	845,320	819,839
Loss on investments	790,678	1,046,450
Accounts payable and accruals	368,684	-236,809
Accounts receivable	900,828	-758,127
Inventory	-31,990	1,051
Prepaid expenditures	12,210	919
Ottawa Trust funds	<u>-8,024</u>	<u>-7,315</u>
	<u>2,240,884</u>	<u>1,865,535</u>
<b>FINANCING ACTIVITIES</b>		
Bank loan	-18,000	-36,000
Long-term debt	967,043	-25,795
Replacement reserve	<u>18,535</u>	<u>-100,951</u>
	<u>967,578</u>	<u>-162,746</u>
<b>INVESTING ACTIVITIES</b>		
Investments	-490,689	-1,107,387
Property and equipment additions	-814,433	-975,389
Property and equipment disposals	<u>-</u>	<u>47,834</u>
	<u>-1,305,122</u>	<u>-2,034,942</u>
<b>CHANGE IN CASH</b>	<b>1,903,340</b>	<b>-332,153</b>
<b>OPENING CASH BALANCE</b>	<b><u>296,632</u></b>	<b><u>628,785</u></b>
<b>CLOSING CASH BALANCE</b>	<b><u>2,199,972</u></b>	<b><u>296,632</u></b>

**MORICETOWN BAND COUNCIL**

**CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES**

**YEAR ENDED MARCH 31**

	<b>2014</b>	<b>2013</b>
	\$	\$
Revenue over expenditure	-636,822	999,527
Amortization	845,320	819,839
Loss on investments	790,678	1,046,450
Investments	-490,689	-1,107,387
Property and equipment additions	-814,433	-975,389
Property and equipment disposals	-	<u>47,834</u>
Change in the year	-305,946	830,874
Opening net financial liabilities	<u>-923,865</u>	<u>-1,754,739</u>
Closing net financial liabilities	<u>-1,229,811</u>	<u>-923,865</u>

## MORICETOWN BAND COUNCIL

### NOTES

MARCH 31, 2014

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### a) Fund Accounting

These consolidated financial statements have been prepared using the fund accounting method and guidelines issued by Aboriginal Affairs and Northern Development Canada which include compliance with Canadian public sector accounting standards.

The Band maintains the following funds which are consolidated into the financial statements:

- Operating fund reports the general activities of the Band.
- Capital fund reports the property and equipment of the Band, together with related financing.
- Social housing fund reports the social housing assets, together with related activities.
- Ottawa trust fund reports the trust funds owned by the Band and held by the federal government.

These consolidated financial statements are a summary of financial position and activities of Moricetown Band Council and Kyah Wiget Education Society. Financial statements with supporting revenue and expenditure statements for each organization have been prepared and are available to Band members.

##### b) Inventory

Inventory is reported at cost.

##### c) Property and Equipment

Property and equipment are reported at cost and are amortized using the declining balance method, for non-social housing assets, at the following annual rates:

Buildings	5%
Engineered structures	5%
Equipment	20%

For social housing, amortization on buildings and equipment is based on the annual principal reduction of the related mortgages.

## MORICETOWN BAND COUNCIL

### NOTES

MARCH 31, 2014

#### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### d) Investments

Investments in Houston Pellet LP (10% interest) and Moricetown Band Development LP, (including Kyahwood Forest Products Ltd.) are reported on the modified equity method. Income is recognized in the operating results of the Band when cash distributions from the entities are received.

The Band assesses the carrying amount of long-lived assets initially based on the net recoverable amounts determined on an undiscounted cash flow basis. If the carrying amount of an asset exceeds its net recoverable amount, an impairment loss is recognized to the extent that fair value is below the asset's carrying amount. Fair value is determined based on quoted market prices when available, otherwise on the discounted cash flows over the life of the asset.

The Band received cash distributions of \$600,000 from Houston Pellet LP in the 2014 fiscal year.

Financial statement information for the entities is as follows:

	Kyah Industries Ltd.	Houston Pellet LP
	October 31, 2013	December 31, 2013
Assets	\$ 528,192	\$ 16 523 031
Liabilities	851,150	1,960,947
Revenue	1,272,130	34,745,340
Net income (loss)	\$ -234,801	\$ 3,007,663

Financial information was not available for Moricetown Band Development LP fiscal year to December 31, 2013.

In prior years, auditors for the Moricetown Band Development LP noted a going concern reservation in respect of its sawmill operated by Kyahwood Forest Products Ltd. The sawmill ceased to operate in November 2013 and was not operating as at March 31, 2014. As a result, the investment has been recognized as a permanent impairment loss.

# MORICETOWN BAND COUNCIL

## NOTES

MARCH 31, 2014

### 1. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### e) Recognition of Revenue and Expenditures

Revenue is recorded in the period in which the transactions or events that give rise to the revenue occur. Funding from external parties restricted by agreement or legislation are recorded as deferred revenue until used for the purposes specified. Investment revenue is recognized when earned.

Expenditures are recorded in the period when the goods and services are acquired and the liability is incurred.

#### f) Use Of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the amounts reported. Actual results could differ from these estimates.

#### g) Financial Instruments

It is management's opinion that the Band's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks.

Financial assets and financial liabilities are reported at market value at date of acquisition.

#### h) Budget Information

Budget information is not reported because consolidated budgets are not prepared.

### 2. ACCOUNTS RECEIVABLE

Accounts receivable are reported net of a \$1,764,380 allowance for doubtful accounts (2013 \$1,493,930).

### 3. OTTAWA TRUST FUNDS

Aboriginal Affairs and Northern Development Canada holds funds in trust for the Band. These funds are designated as revenue or capital funds as is required by the Indian Act. The Band is permitted to expend its revenue fund for any purpose that will promote the general progress and welfare of the Band and its members. The expenditure of capital funds must be for projects of a capital nature and require the consent of the Minister of Aboriginal Affairs and Northern Development Canada.

# MORICETOWN BAND COUNCIL

## NOTES

MARCH 31, 2014

### 3. OTTAWA TRUST FUNDS (continued)

	Capital	Revenue	Total 2014	Total 2013
Opening balance	\$ 21,172	\$ 92,892	\$ 114,064	\$ 106,749
Interest	-	8,024	8,024	7,315
Closing balance	<u>\$ 21,172</u>	<u>\$ 100,916</u>	<u>\$ 122,088</u>	<u>\$ 114,064</u>

### 4. BANK LOANS

General account - Royal Bank of Canada line of credit to \$200,000, interest at prime plus 1.5% per annum; secured by a general security agreement.

Gas Bar account - Royal Bank of Canada line of credit to \$25,000, interest at prime plus 1.5% per annum; secured by a general security agreement.

Kyah Wiget Education Society account - Royal Bank of Canada revolving loan to \$175,000, interest at prime plus 4% per annum; secured by a general security agreement.

Kyah Wood Forest Products account - Royal Bank of Canada revolving loan to \$250,000, interest at prime plus 4% per annum; secured by a general security agreement.

### 5. REPLACEMENT RESERVE

Under terms of agreements with Canada Mortgage and Housing Corporation, replacement reserve accounts are to be credited annually. These funds, with accumulated interest, must be held in separate bank accounts or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as approved by CMHC. Withdrawals are first from interest, then from principal.

Opening balance	\$ 92,566
Current provision	<u>18,535</u>
Closing balance	<u>\$ 111,101</u>

At year-end, \$107,882 of the funds are in a separate bank account.

**MORICETOWN BAND COUNCIL**

**NOTES**

**MARCH 31, 2014**

**6. PROPERTY AND EQUIPMENT**

	PROPERTY AND EQUIPMENT			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Opening Balance	Additions	Closing Balance	Opening Balance	Annual Amortization	Closing Balance	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$
Buildings	12,272,480	606,108	12,878,588	4,869,819	365,761	5,235,580	7,643,008	7,402,661
Engineered structures	12,178,570	-	12,178,570	5,326,957	342,580	5,669,537	6,509,033	6,851,613
Equipment	1,993,353	208,325	2,201,678	1,540,388	136,979	1,677,367	524,311	452,965
	<u>26,444,403</u>	<u>814,433</u>	<u>27,258,836</u>	<u>11,737,164</u>	<u>845,320</u>	<u>12,582,484</u>	<u>14,676,352</u>	<u>14,707,239</u>

# MORICETOWN BAND COUNCIL

## NOTES

MARCH 31, 2014

### 7. LONG-TERM DEBT

All Nations Trust Company; secured by housing units.

\$2,276/month including interest at 1.61% per annum. \$ 522,549

\$2,215/month including interest at 1.8% per annum 503,341

\$1,505/month including interest at 2.61% per annum. 2,997

\$2,716/month including interest at 2.11% per annum. 522,792

First Nations Financial Authority, principal repayment of \$100,00 per year, interest charged monthly at 2.6% per annum. 432,000

John Deere Limited capital lease, \$4,549/month including interest at 8.5% per annum; secured by specific equipment. 26,048

Community Futures Development Corporation of CFIN, \$4,152/month including interest at 9% per annum, secured by a general security agreement. 100,556

Community Futures Development Corporation of 16-37, \$700/month including interest at 9% per annum; secured by a general security agreement. 66,421

Business Development Bank of Canada; secured by general security agreements.

\$1,250/month plus interest at 8% per annum. 26,250

\$5,734/month plus interest at 8% per annum. 143,350

Royal Bank of Canada revolving loan, interest at prime plus 2.5% per annum; secured by a general security agreement

250,000

\$ 2,596,304

Scheduled principal repayment during the next five years is as follows:

2015	\$ 933,335
2016	183,329
2017	109,670
2018	61,813
2019	62,970

\$ 1,351,117

**MORICETOWN BAND COUNCIL**

**NOTES**

**MARCH 31, 2014**

**8. SURPLUS (DEFICIT)**

	<b>2014</b>	<b>2013</b>
Administration	\$ -36,486	\$ 51,894
Capital Projects	98,502	21,046
Community Health	155,951	139,337
Economic Development	46,425	-99,486
Kyah Wiget Education Society	1,323,414	813,809
Municipal Services	-24,065	-
Social Housing	-3,660	-4,144
Social Services	<u>-315,697</u>	<u>-331,144</u>
	<u><u>\$ 1,244,384</u></u>	<u><u>\$ 591,312</u></u>

**9. EQUITY IN PROPERTY AND EQUIPMENT**

	<b>2014</b>	<b>2013</b>
Opening balance	\$ 13,077,998	\$ 13,194,487
Contribution from operations	182,277	300,593
Long-term debt repayment	97,114	406,068
Amortization	-845,320	-819,839
Disposal of property and equipment	<u>-</u>	<u>-3,311</u>
Closing balance	<u><u>\$ 12,512,069</u></u>	<u><u>\$ 13,077,998</u></u>

## MORICETOWN BAND COUNCIL

### NOTES

MARCH 31, 2014

#### 10. EQUITY IN INVESTMENTS

Opening balance	\$ 1,656,458
Houston Pellett LP	
Share of net income	300,511
Cash distribution	-600,500
Equity reduction due to loan proceeds drawn on account of Moricetown Development LP	<u>-432,000</u>
Closing balance	<u>\$ 924,469</u>

#### 11. CONTINGENT LIABILITIES

Guarantor of Kyah Industries Ltd. line of credit to \$125,000 and corporate VISA to \$5,000 total \$130,000.

#### 12. SEGMENT DISCLOSURE

The presentation by segment is based on the same accounting policies as described in the summary of significant accounting policies as described in note one. The following table presents the expenses incurred and the revenue generated by main object of expense and by major revenue type. The segment results for the year are as follows:

## MORICETOWN BAND COUNCIL

## SEGMENT DISCLOSURE

MARCH 31, 2014

NOTE 12 continued

	Administration	Amortization	Capital Projects	Community Health	Economic Development	Kyah Wiget Education Society	Municipal Services	Social Housing	Social Services	Total 2014	Total 2013
<b>REVENUE</b>											
AANDC	455,253	-	467,269	59,010	100,079	3,283,508	424,354	-	1,048,250	5,837,723	5,440,782
Province of BC	-	-	-	-	363,337	44,814	-	-	59,039	467,190	727,392
Health Canada	-	-	-	1,130,390	-	99,000	-	-	-	1,229,390	1,310,277
CMHC	-	-	107,931	-	-	-	-	57,409	-	165,340	184,872
Gas Bar sales/rentals	-	-	-	-	2,605,429	-	-	-	-	2,605,429	2,315,815
Other	78,426	-	380,427	-57,399	928,475	682,073	93,734	96,437	47,949	2,250,122	3,033,085
	<b>533,679</b>	<b>-</b>	<b>955,627</b>	<b>1,132,001</b>	<b>3,997,320</b>	<b>4,109,395</b>	<b>518,088</b>	<b>153,846</b>	<b>1,155,238</b>	<b>12,555,194</b>	<b>13,012,223</b>
<b>EXPENDITURES</b>											
AANDC FNIHB recovery	-	-	18,522	-	53,899	14,484	-	-	27,267	114,202	252,849
Allowances and programs	-	-	-	142,260	-	1,362,173	-	-	790,186	2,294,619	2,561,212
Amortization	-	845,320	-	-	-	-	-	-	-	845,320	819,839
Bad debts	60,454	-	-	60,331	192,000	-	6,340	15,380	-	334,505	47,670
Bank charges and interest	11,395	-	-	-	448	3,162	1,149	12,548	-	28,702	71,403
Contract services	36,258	-	279,199	80,430	862,417	45,671	68,015	3,160	11,810	1,356,960	341,063
Equipment rentals/purchases	13,854	-	-	2,728	-	26,734	14,522	-	544	58,382	130,377
Honoraria	111,650	-	-	-	-	-	-	-	-	111,650	100,522
Insurance	26,165	-	-	4,930	32,389	17,892	9,639	10,260	-	101,275	49,996
Loss on investment (note 1)	-	-	-	-	790,678	-	-	-	-	790,678	1,046,450
Materials, supplies and other	24,360	-	472,813	156,306	27,752	246,537	100,815	34,275	1,109,823	1,109,823	1,300,124
Professional services	29,366	-	-	2,000	-	26,065	-	3,500	-	60,931	109,650
Rent	12,000	-	-	12,049	7,500	34,762	-	-	18,000	84,311	48,000
Resale goods	-	-	-	11,362	2,162,504	-	-	-	-	2,173,866	1,947,390
Telephone and utilities	41,813	-	-	30,917	44,036	69,383	140,689	-	6,521	333,359	248,455
Travel and training	28,984	-	-	53,994	15,353	86,083	4,591	-	9,043	198,048	88,685
Wages and benefits	249,189	-	107,607	558,102	368,261	1,510,725	172,032	-	229,469	3,195,385	2,849,011
	<b>645,488</b>	<b>845,320</b>	<b>878,171</b>	<b>1,115,409</b>	<b>4,557,237</b>	<b>3,443,671</b>	<b>487,792</b>	<b>79,123</b>	<b>1,139,805</b>	<b>13,192,016</b>	<b>12,012,696</b>
<b>REVENUE OVER EXPENDITURE</b>											
	<b>-111,809</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-559,917</b>	<b>665,724</b>	<b>30,296</b>	<b>74,723</b>	<b>15,433</b>	<b>-636,822</b>	<b>999,527</b>
<b>INTERFUND TRANSFERS</b>											
	<b>32,632</b>	<b>-</b>	<b>-</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>-32,668</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>-</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>											
	<b>-79,177</b>	<b>-845,320</b>	<b>77,456</b>	<b>16,614</b>	<b>-559,917</b>	<b>665,724</b>	<b>-2,372</b>	<b>74,723</b>	<b>15,447</b>	<b>-636,822</b>	<b>999,527</b>