

MORICETOWN BAND COUNCIL
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

MORICETOWN BAND COUNCIL
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MARCH 31, 2015

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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, 2015 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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Band as at March 31, 2015 and the consolidated results of its operations, cash flows and changes in net financial liabilities for the year then ended in accordance with Canadian public sector accounting standards.

Smithers, BC
August 31, 2015



MORICETOWN BAND COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2015	2014
	\$	\$
FINANCIAL ASSETS		
Cash	1,425,363	2,199,972
Accounts receivable (note 2)	1,964,994	271,521
Inventory (note 1)	103,202	113,218
Ottawa Trust funds (note 3)	<u>129,844</u>	<u>122,088</u>
	<u>3,623,403</u>	<u>2,706,799</u>
LIABILITIES		
Accounts payable and accruals (note 4)	1,589,737	1,258,412
Replacement reserve (note 5)	74,561	111,101
Long-term debt (note 6)	<u>3,004,465</u>	<u>2,596,304</u>
	<u>4,668,763</u>	<u>3,965,817</u>
NET FINANCIAL LIABILITIES	<u>-1,045,360</u>	<u>-1,259,018</u>
NON-FINANCIAL ASSETS		
Property and equipment (notes 1 and 7)	13,696,845	14,676,352
Investments (notes 1 and 8)	2,577,545	1,356,469
Prepaid expenditures	<u>62,272</u>	<u>29,207</u>
	<u>16,336,662</u>	<u>16,062,028</u>
	<u>15,291,302</u>	<u>14,803,010</u>
BAND POSITION		
Surplus (note 9)	1,891,534	1,244,384
Equity in property and equipment (note 10)	12,192,379	12,512,069
Equity in Investments (note 11)	1,077,545	924,469
Equity in Ottawa Trust funds (note 3)	<u>129,844</u>	<u>122,088</u>
CONTINGENT LIABILITIES (note 12)	<u>15,291,302</u>	<u>14,803,010</u>

APPROVED ON BEHALF OF COUNCIL

D. Miller Chief Councillor

S. Smith Band Administrator

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

	Unaudited Budget	2015	2015	2014
		\$	\$	\$
REVENUE				
AANDC	5,289,631	5,311,566	5,837,723	
CMHC	131,694	130,357	165,340	
Province of British Columbia	1,074,444	1,304,618	717,190	
First Nations Health Authority	3,165,918	3,309,552	1,130,390	
Gas Bar sales/rentals	2,600,000	2,627,164	2,605,429	
Other	<u>2,518,406</u>	<u>2,164,142</u>	<u>2,099,122</u>	
	<u>14,780,093</u>	<u>14,847,399</u>	<u>12,555,194</u>	
EXPENDITURE				
Administration	660,552	607,299	645,488	
Amortization	845,320	839,492	845,320	
Capital Projects	2,158,667	2,675,880	878,171	
Community Health	1,165,957	1,123,228	1,115,409	
Economic Development	3,948,180	3,314,485	4,557,237	
Kyah Wiget Education Society	4,442,893	4,048,415	3,406,671	
Municipal Services	546,556	564,130	524,792	
Social Housing	134,346	57,816	79,123	
Social Services	<u>1,121,600</u>	<u>1,128,362</u>	<u>1,139,805</u>	
	<u>15,024,071</u>	<u>14,359,107</u>	<u>13,192,016</u>	
REVENUE OVER EXPENDITURE	-243,978	488,292	-636,822	
OPENING POSITION	<u>14,803,010</u>	<u>14,803,010</u>	<u>15,439,832</u>	
CLOSING POSITION	<u>14,559,032</u>	<u>15,291,302</u>	<u>14,803,010</u>	

MORICETOWN BAND COUNCIL

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	488,292	-636,822
Amortization	839,492	845,320
Loss on investments	339,788	790,678
Accounts payable and accruals	331,325	368,684
Accounts receivable	-1,693,473	900,828
Inventory	10,016	-31,990
Prepaid expenditures	-33,065	12,210
Ottawa Trust funds	<u>-7,756</u>	<u>-8,024</u>
	<u>274,619</u>	<u>2,240,884</u>
FINANCING ACTIVITIES		
Bank loans	-	-18,000
Long-term debt	408,161	967,043
Replacement reserve	<u>-36,540</u>	<u>18,535</u>
	<u>371,621</u>	<u>967,578</u>
INVESTING ACTIVITIES		
Investments	-1,560,864	-490,689
Property and equipment additions	-579,647	-814,433
Property and equipment disposals	<u>719,662</u>	<u>-</u>
	<u>-1,420,849</u>	<u>-1,305,122</u>
CHANGE IN CASH	<u>-774,609</u>	<u>1,903,340</u>
OPENING CASH BALANCE	<u>2,199,972</u>	<u>296,632</u>
CLOSING CASH BALANCE	<u>1,425,363</u>	<u>2,199,972</u>

MORICETOWN BAND COUNCIL

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES

YEAR ENDED MARCH 31

	2015	2014
	\$	\$
Revenue over expenditure	488,292	-636,822
Amortization	839,492	845,320
Loss on investments	339,788	790,678
Investments	-1,560,864	-490,689
Property and equipment additions	-579,647	-814,433
Property and equipment disposals	719,662	-
Prepaid expenditures	<u>-33,065</u>	<u>12,210</u>
Change in the year	213,658	-293,736
Opening net financial liabilities	<u>-1,259,018</u>	<u>-965,282</u>
Closing net financial liabilities	<u>-1,045,360</u>	<u>-1,259,018</u>

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2015

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 and Kyah Wiget Education Society.
- 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 funds reports the trust funds owned by the Band and held by the federal government.

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, 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments

Investments include entities that are either controlled or owned by the Band. All controlled entities are fully consolidated on a line-by-line basis except for business enterprises that are consolidated on the modified equity basis.

Controlled entities include the following:

Kyah Wiget Education Society	100%
Moricetown Gas Bar	100%

Business enterprises include the following:

Houston Pellet Limited Partnership	10%
Kyah Industries Ltd.	100%
Moricetown Band Development Limited Partnership	99.9%

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 liabilities are reported at market value at date of acquisition.

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2015

2. ACCOUNTS RECEIVABLE

	2015	2014
	\$	\$
AANDC	60,719	45,980
First Nations Health Authority	729,823	15,000
Trade and Other	2,843,253	1,974,921
Allowance for doubtful accounts	<u>-1,668,801</u>	<u>-1,764,380</u>
	<u>1,964,994</u>	<u>271,521</u>

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.

	Capital	Revenue	Total 2015	Total 2014
	\$	\$	\$	\$
Opening balance	21,172	100,916	122,088	114,064
Interest	<u>-</u>	<u>7,756</u>	<u>7,756</u>	<u>8,024</u>
Closing balance	<u>21,172</u>	<u>108,672</u>	<u>129,844</u>	<u>122,088</u>

4. ACCOUNTS PAYABLE AND ACCRUALS

	2015	2014
	\$	\$
Governmental payables	61,483	32,671
Trade and other	1,473,097	1,194,400
Wages and benefits	<u>55,157</u>	<u>31,341</u>
	<u>1,589,737</u>	<u>1,258,412</u>

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2015

5. REPLACEMENT RESERVE

Under terms of agreements with Canada Mortgage and Housing Corporation, the replacement reserve accounts are to be credited with an annual charge against earnings. 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	\$ 111,101
Current provision	24,966
Complete phase	<u>-61,506</u>
Closing balance	<u>\$ 74,561</u>

6. LONG-TERM DEBT

All Nations Trust Company; secured by housing units.

\$2,276/month including interest at 1.61% per annum.	\$ 517,847
\$2,215/month including interest at 1.8% per annum.	485,638
\$2,716/month including interest at 2.11% per annum.	500,980

Bank of Montreal; interest only at 2.85% until September 2015, \$8,930/month plus interest at prime plus .75% starting October 2015; secured by a general security agreement.

1,500,000

\$ 3,004,465

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

2016	\$ 112,914
2017	167,603
2018	168,735
2019	169,887
2020	<u>171,062</u>

\$ 790,201

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2015

7. PROPERTY AND EQUIPMENT

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE			
	Opening Balance	Additions	Disposals	Closing Balance	Annual Amortization	Disposals	Closing Balance	2015	\$	2014
Buildings	12,878,588	230,440	-880,686	12,228,342	5,235,580	347,751	-221,929	5,361,402	6,866,940	7,643,008
Engineered structures	12,178,570	-	-	12,178,570	5,669,537	325,452	-	5,994,989	6,183,581	6,509,033
Equipment	2,201,678	349,207	-60,905	2,489,980	1,677,367	166,289	-	1,843,656	646,324	524,311
	<u>27,258,836</u>	<u>579,647</u>	<u>-941,591</u>	<u>26,896,892</u>	<u>12,582,484</u>	<u>839,492</u>	<u>-221,929</u>	<u>13,200,047</u>	<u>13,696,845</u>	<u>14,676,352</u>

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2015

8. INVESTMENTS

Investments in business enterprises are comprised of:

	Houston Pellet Plant LP	Kyah Industries Ltd	Moricetown Band Development LP	Total
	\$	\$	\$	\$
Opening balance	1,356,465	4	-	1,356,469
Share of net income	553,382	-	-	553,382
Distribution	-550,000	-	-	-550,000
Contribution	<u>-</u>	<u>-</u>	<u>1,217,694</u>	<u>1,217,694</u>
Closing balance	<u>1,359,847</u>	<u>4</u>	<u>1,217,694</u>	<u>2,577,545</u>

Financial information for entities is as follows:

	Kyah Industries Ltd.	Houston Pellet Plant LP
	October 31, 2014	December 26, 2014
	\$	\$
Assets	112,046	17,458,003
Liabilities	591,968	1,861,494
Revenue	1,022,867	19,196,271
Net income (loss)	-156,964	5,533,826

Financial information for Moricetown Band Development LP at December 31, 2014 is not available.

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2015

9. SURPLUS (DEFICIT)

	2015	2014
Administration	\$ -3,238	\$ -36,486
Capital Projects	-260,921	98,502
Community Health	252,776	155,951
Economic Development	1,622,901	46,425
Kyah Wiget Education Society	566,092	1,323,414
Municipal Services	-65,853	-24,065
Social Housing	81,596	-3,660
Social Services	<u>-301,819</u>	<u>-315,697</u>
	<u><u>\$ 1,891,534</u></u>	<u><u>\$ 1,244,384</u></u>

10. EQUITY IN PROPERTY AND EQUIPMENT

	2015	2014
Opening balance	\$ 12,512,069	\$ 13,077,998
Contribution from operations	565,398	182,277
Long-term debt repayment	674,086	97,114
Amortization	-839,492	-845,320
Disposal of property and equipment	<u>-719,682</u>	<u>-</u>
Closing balance	<u><u>\$ 12,192,379</u></u>	<u><u>\$ 12,512,069</u></u>

11. EQUITY IN INVESTMENTS

	2015	2014
	\$	\$
Investments	2,577,545	1,356,469
Funded by long-term debt	<u>-1,500,000</u>	<u>-432,000</u>
	<u><u>1,077,545</u></u>	<u><u>924,469</u></u>

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2015

12. CONTINGENT LIABILITIES

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

13. BANK LOANS

General account – Bank of Montreal line of credit to \$500,000, interest at prime plus .75% per annum; secured by a general security agreement.

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.

14. COMPARATIVES

Certain comparatives have been restated to conform with current year presentation.

15. 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

NOTES

MARCH 31, 2015

15. SEGMENT DISCLOSURE (continued)

	Total Budget 2015 \$	Administration \$	Amortization \$	Capital Projects \$	Community Health \$	Economic Development \$	Kyrah Wiget Education Society \$	Municipal Services \$	Social Housing \$	Social Services \$	Total 2015 \$	Total 2014 \$
REVENUE												
ANNDIC	5,289,631	487,028	-	27,974	-	216,203	3,126,873	432,125	-	1,021,363	5,311,566	5,837,723
CMHC	131,694	-	-	59,325	-	-	-	-	71,032	-	130,357	165,340
Province of British Columbia	1,074,444	-	-	-	2,116,014	1,193,538	804,444	446,906	-	53,268	1,304,618	467,190
First Nations Health Authority	3,165,918	-	-	-	-	-	-	-	-	-	3,309,552	1,229,380
Gas Bar Sales/rentals	2,600,000	-	-	-	-	-	2,627,164	-	-	-	2,627,164	2,605,429
Other	2,518,406	219,874	-	113,144	-	26,515	1,324,278	262,238	90,217	60,367	2,164,142	2,250,122
	14,780,093	706,902	-	2,316,457	1,220,053	4,972,089	3,836,017	522,342	131,399	1,142,140	14,847,399	12,555,194
EXPENDITURE												
ANNDIC FNHA recovery	13,818	-	-	-	-	-	-	-	-	-	-	-
Administration	57,220	-	-	48,454	-	-	-	-	-	8,765	89,320	103,138
Allowances and programs	2,155,325	-	-	227,649	-	-	1,436,453	-	16,285	751,741	2,432,128	57,219
Amortization	-	-	839,492	-	-	-	-	-	-	-	839,492	89,729
Bad debts	55,000	47,597	-	-	-	-	-	5,009	-	-	52,606	845,320
Bank charges and interest	37,940	14,113	-	-	2,164,590	173,195	228,840	4,576	-	-	259,341	334,505
Contract services	2,647,919	35,355	-	-	-	706,130	69,533	25,729	3,160	-	3,180,120	28,702
Equipment rentals/purchases	830,250	13,305	-	12,041	-	54,551	-	16,778	-	493	97,168	1,356,960
Honoraria	114,600	110,160	-	-	-	1,350	-	-	-	-	111,510	111,650
Insurance	96,330	7,507	-	8,606	1,700	29,631	27,031	17,948	-	8,830	2,199	103,452
Loss on investment	-	-	-	-	339,788	-	-	-	-	-	339,788	101,275
Materials, supplies and other	1,579,999	34,725	-	357,277	95,965	1,285,319	144,304	61,932	524	-	34,513	909,375
Professional services	772,340	29,985	-	3,600	3,500	-	18,500	-	-	2,840	-	58,425
Rent	94,500	12,000	-	6,000	12,000	9,685	-	-	-	-	18,000	57,685
Repairs and maintenance	155,000	-	-	-	9,105	11,044	194,115	86,799	5,600	-	-	306,663
Resale goods	2,200,000	-	-	-	-	-	-	-	-	-	-	110,719
Telephone and utilities	349,200	31,412	-	5,955	8,437	39,441	36,984	146,233	-	11,333	279,775	2,173,866
Travel and training	276,500	15,613	-	7,773	30,799	140,130	85,056	3,145	-	6,234	288,750	198,048
Wages and benefits	3,588,630	255,527	-	122,079	500,383	466,576	2,018,065	200,557	-	212,101	3,777,288	3,195,385
	15,024,071	607,299	-	839,492	2,675,880	1,123,228	3,314,485	4,048,415	564,130	57,816	1,128,362	14,359,107
REVENUE OVER EXPENDITURE	-243,978	99,603	-839,492	-359,423	96,825	1,657,604	-212,398	-41,788	73,583	13,778	488,292	-636,822
TRANSFERS	-	-58,599	-	-	-	-	-14,538	-	-	73,137	-	-
ANNUAL SURPLUS (DEFICIT)	-243,978	41,004	-839,492	-359,423	96,825	1,643,066	-212,398	-41,788	146,720	13,778	488,292	-636,822

CARLYLE SHEPHERD & CO.

CHARTERED ACCOUNTANTS

