

MORICETOWN BAND COUNCIL

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

YEAR ENDED MARCH 31, 2016

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
July 14, 2016

**RECONCILIATION OF
INDIGENOUS AND NORTHERN AFFAIRS CANADA (INAC)
REVENUE FROM FINANCIAL STATEMENTS TO
FEDERAL GOVERNMENT FUNDING (SFGF)
AND INAC FUNDING CONFIRMATION
2015/2016 FISCAL YEAR**

Recipient Name	Recipient #
MORICETOWN BAND COUNCIL	530
INAC REVENUE PER FINANCIAL STATEMENTS	\$5,505,314
Explanations:	Adjustments:
	Add / (Subtract)
	\$
Net Adjustments	0
Net Budget per INAC TPMS (1)	\$5,505,314

(1) Includes Current year end payable from INAC
Excludes BCTC Treaty Loans
Excludes Recoveries for the prior year
Includes Reimbursements for the prior year

MORICETOWN BAND COUNCIL
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

MORICETOWN BAND COUNCIL
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES

NOTES

**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, 2016 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 Council as at March 31, 2016 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
July 14, 2016

Carlyle Shepherd: Co.

MORICETOWN BAND COUNCIL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

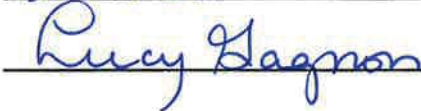
MARCH 31

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash	1,719,166	1,425,363
Accounts receivable (note 2)	460,050	1,964,994
Inventory (note 1)	93,963	103,202
Ottawa Trust funds (note 3)	137,297	129,844
Moricietown Legacy Fund (note 4)	824,997	-
	<u>3,235,473</u>	<u>3,623,403</u>
LIABILITIES		
Accounts payable and accruals (note 5)	877,197	1,589,737
Replacement reserve (note 6)	90,641	74,561
Long-term debt (note 7)	2,900,127	3,004,465
	<u>3,867,965</u>	<u>4,668,763</u>
NET FINANCIAL LIABILITIES	<u>-632,492</u>	<u>-1,045,360</u>
NON-FINANCIAL ASSETS		
Property and equipment (notes 1 and 10)	15,948,727	15,812,859
Investments (notes 1 and 8)	1,613,112	1,359,851
Loan to business enterprise (note 9)	1,201,543	1,217,694
Prepaid expenditures	92,320	62,272
	<u>18,855,702</u>	<u>18,452,676</u>
	<u>18,223,210</u>	<u>17,407,316</u>
BAND POSITION		
Surplus (note 11)	2,222,658	1,891,534
Equity in property and equipment (note 12)	14,503,636	14,308,393
Equity in investments and loan to business enterprise (note 13)	1,359,619	1,077,545
Equity in Ottawa Trust funds (note 3)	137,297	129,844
CONTINGENT LIABILITIES (note 14)	<u>18,223,210</u>	<u>17,407,316</u>

APPROVED ON BEHALF OF COUNCIL



Chief Councillor



Band Administrator

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

	Unaudited Budget 2016 \$	2016 \$	2015 \$
REVENUE			
INAC	5,657,383	5,505,314	5,311,566
CMHC	181,000	175,992	130,357
Province of British Columbia	1,370,000	1,330,344	1,304,618
First Nations Health Authority	2,120,000	2,030,581	3,309,552
Gas Bar sales/rentals	2,700,000	2,687,455	2,627,164
Other	<u>3,023,387</u>	<u>3,103,696</u>	<u>2,164,142</u>
	<u>15,051,770</u>	<u>14,833,382</u>	<u>14,847,399</u>
EXPENDITURE			
Administration	551,170	657,127	607,299
Amortization	900,000	971,230	839,492
Capital Projects	600,000	533,253	559,866
Community Health	2,095,000	1,390,908	1,123,228
Economic Development	3,111,000	3,962,230	3,314,485
Kyah Wiget Education Society	4,488,787	4,579,879	4,048,415
Municipal Services	583,000	615,298	564,130
Social Housing	78,000	75,725	57,816
Social Services	<u>1,212,500</u>	<u>1,231,838</u>	<u>1,128,362</u>
	<u>13,619,457</u>	<u>14,017,488</u>	<u>12,243,093</u>
REVENUE OVER EXPENDITURE	1,432,313	815,894	2,604,306
OPENING POSITION	<u>15,291,302</u>	<u>17,407,316</u>	<u>14,803,010</u>
CLOSING POSITION	<u>16,723,615</u>	<u>18,223,210</u>	<u>17,407,316</u>

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

	2016 \$	2015 \$
OPERATING ACTIVITIES		
Revenue over expenditure	815,894	2,604,306
Amortization	971,230	839,492
Loss on investments	-	339,788
Accounts payable and accruals	-712,540	331,325
Accounts receivable	1,504,944	-1,693,473
Inventory	9,239	10,016
Prepaid expenditures	-30,048	-33,065
Ottawa Trust funds	-7,453	-7,756
Moricietown Legacy Fund	-824,997	-
	<u>1,726,269</u>	<u>2,390,633</u>
FINANCING ACTIVITIES		
Long-term debt	-104,338	408,161
Replacement reserve	16,080	-36,540
	<u>-88,258</u>	<u>371,621</u>
INVESTING ACTIVITIES		
Investments	-253,261	-343,170
Loan to business enterprise	16,151	-1,217,694
Property and equipment additions	-1,107,098	-2,695,661
Property and equipment disposals	-	719,662
	<u>-1,344,208</u>	<u>-3,536,863</u>
CHANGE IN CASH	<u>293,803</u>	<u>-774,609</u>
OPENING CASH BALANCE	<u>1,425,363</u>	<u>2,199,972</u>
CLOSING CASH BALANCE	<u>1,719,166</u>	<u>1,425,363</u>

MORICETOWN BAND COUNCIL

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES

YEAR ENDED MARCH 31

	2016	2015
	\$	\$
Revenue over expenditure	815,894	2,604,306
Amortization	971,230	839,492
Loss on investments	-	339,788
Investments	-253,261	-343,170
Loan to business enterprise	16,151	-1,217,694
Property and equipment additions	-1,107,098	-2,695,661
Property and equipment disposals	-	719,662
Prepaid expenditures	<u>-30,048</u>	<u>-33,065</u>
 Change in the year	 412,868	 213,658
 Opening net financial liabilities	 <u>-1,045,360</u>	 <u>-1,259,018</u>
 Closing net financial liabilities	 <u>-632,492</u>	 <u>-1,045,360</u>

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

a) Fund Accounting

These consolidated financial statements have been prepared using the fund accounting method and guidelines issued by Indigenous and Northern Affairs Canada (INAC) 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, 2016

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%
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, 2016

2. ACCOUNTS RECEIVABLE

	2016	2015
	\$	\$
INAC	54,657	60,719
FNHA	-	729,823
Funds held in trust	202,664	779,848
Trade and other	1,413,681	2,063,405
Allowance for doubtful accounts	<u>-1,210,952</u>	<u>-1,668,801</u>
	<u>460,050</u>	<u>1,964,994</u>

3. OTTAWA TRUST FUNDS

INAC 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 INAC.

	Capital	Revenue	Total	Total
	\$	\$	2016	2015
			\$	\$
Opening balance	21,172	108,672	129,844	122,088
Interest	<u>-</u>	<u>7,453</u>	<u>7,453</u>	<u>7,756</u>
Closing balance	<u>21,172</u>	<u>116,125</u>	<u>137,297</u>	<u>129,844</u>

4. MORICETOWN LEGACY FUND

There was \$820,000 deposited with the Victoria Foundation with direction that interest is to be made available annually for approved community purposes. The fund operates at the discretion of Council.

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2016

5. ACCOUNTS PAYABLE AND ACCRUALS

	2016	2015
	\$	\$
Governmental payables	23,934	61,483
Trade and other	797,051	1,473,097
Wages and benefits	<u>56,212</u>	<u>55,157</u>
	<u>877,197</u>	<u>1,589,737</u>

6. 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	\$ 74,561
Current provision	<u>16,080</u>
Closing balance	<u>\$ 90,641</u>

7. LONG-TERM DEBT

All Nations Trust Company; secured by housing units.

\$2,276/month including interest at 1.61% per annum.	\$ 498,729
\$2,215/month including interest at 1.8% per annum.	467,635
\$2,716/month including interest at 2.11% per annum.	478,727

Royal Bank of Canada, \$11,553/month plus interest at prime plus 1.75%; secured by a general security agreement.	<u>1,455,036</u>
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\$ 2,900,127

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2016

7. LONG-TERM DEBT (continued)

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

2017	\$ 135,856
2018	140,413
2019	145,146
2020	150,064
2021	155,174
	<u>\$ 726,653</u>

8. INVESTMENTS

Investments in business enterprises are comprised of:

	Houston Pellet Plant LP	Moricetown Band Development LP	Total
	\$	\$	\$
Opening balance	1,359,851	-	1,359,851
Share of net income	503,265	153,392	656,657
Distribution	<u>-250,004</u>	<u>-153,392</u>	<u>-403,396</u>
Closing balance	<u>1,613,112</u>	<u>-</u>	<u>1,613,112</u>

Financial information for the entities is as follows:

	Houston Pellet Plant LP	Moricetown Band Development LP
	December 25, 2015	March 31, 2016
	\$	\$
Assets	20,440,876	4,327,630
Liabilities	2,811,718	6,805,476
Revenue	20,592,254	10,944,923
Net income	5,032,652	103,859

9. LOAN TO BUSINESS ENTERPRISE

The loan to Kyahwood Forest Products Ltd., a wholly owned subsidiary of Moricetown Band Development Corp., is repayable at \$10,000/month including interest at 3.75% per annum; secured by a general security agreement.

NOTES

10. PROPERTY AND EQUIPMENT

CARLYLE SHEPHERD & CO.
CHARTERED PROFESSIONAL ACCOUNTANTS

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2016

11. SURPLUS (DEFICIT)

	2016	2015
Unrestricted		
Administration	\$ 53,047	\$ -3,238
Capital Projects	103,325	-260,921
Community Health	99,817	252,776
Economic Development	966,623	1,622,901
Kyah Wiget Education Society	263,407	566,092
Municipal Services	-	-65,853
Social Housing	89,377	81,596
Social Services	<u>-177,935</u>	<u>-301,819</u>
	1,397,661	1,891,534
Internally Restricted		
Morictown Legacy Fund (note 4)	<u>824,997</u>	<u>-</u>
	<u>\$ 2,222,658</u>	<u>\$ 1,891,534</u>

12. EQUITY IN PROPERTY AND EQUIPMENT

	2016	2015
Opening balance	\$ 14,308,393	\$ 12,512,069
Contribution from operations	1,107,098	2,681,412
Long-term debt repayment	59,375	674,086
Amortization	-971,230	-839,492
Disposal of property and equipment	<u>-</u>	<u>-719,682</u>
Closing balance	<u>\$ 14,503,636</u>	<u>\$ 14,308,393</u>

13. EQUITY IN INVESTMENTS AND LOAN TO BUSINESS ENTERPRISE

Opening balance	\$ 1,077,545
Net income from investments	503,265
Contribution to Band	-250,004
Long-term debt repayment, net	<u>28,813</u>
Closing balance	<u>\$ 1,359,619</u>

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2016

14. CONTINGENT LIABILITIES

The Band Council has guaranteed the credit facilities of investments as follows:

Kyah Industries Ltd. – Royal Bank of Canada line of credit to \$125,000 and corporate VISA to \$5,000 total \$130,000.

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

15. BANK CREDIT FACILITIES

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.

16. COMPARATIVES

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

17. 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, 2016

17. SEGMENT DISCLOSURE (continued)

	Total Budget 2016 \$	Administration \$	Amortization \$	Capital Projects \$	Community Health \$	Economic Development \$	Kyab Wiget Education Society \$	Municipal Services \$	Social Housing \$	Social Services \$	Total 2016 \$	Total 2015 \$
REVENUE												
INAC	5,657,383	466,383	-	454,360	-	51,657	3,235,577	462,559	-	834,778	5,505,314	5,311,566
CMHC	181,000	-	-	105,329	-	-	-	-	70,663	-	175,992	130,357
Province of British Columbia	1,370,000	-	-	-	-	700,064	576,580	-	-	53,700	1,330,344	1,304,618
First Nations Health Authority	2,120,000	-	-	-	1,266,130	-	-	-	-	-	2,030,581	3,309,552
Gas Bar sales/rentals	2,700,000	-	-	-	-	2,687,455	-	-	-	-	2,687,455	2,627,164
Other	3,023,387	108,821	-	155,291	54,945	1,933,932	564,206	123,101	72,216	91,184	3,103,696	2,164,142
	15,051,770	575,204	-	1,479,431	1,321,075	5,373,108	4,376,363	565,660	142,879	979,662	14,833,382	14,847,399
EXPENDITURE												
INAC / FNHA recovery	297,500	-	-	-	107,557	112,500	12,162	-	-	148,937	381,156	103,138
Administration	4,000	-	-	4,023	78,576	-	-	-	8,640	-	91,239	57,219
Allowances and programs	2,312,000	-	-	-	232,970	-	1,665,984	-	16,080	794,016	2,710,050	2,432,128
Amortization	900,000	-	971,230	-	-	-	-	-	-	-	971,230	839,492
Bad debts (recovery)	15,000	-2,368	-	-	-	-	-	-	-	-	-2,368	52,606
Bank charges and interest	143,000	16,623	-	-	-	76,465	3,406	-	29,787	-	126,281	259,341
Contract services	2,095,500	64,371	-	253,007	189,963	559,278	159,480	98,720	3,160	5,950	1,333,929	1,064,106
Equipment rentals/purchases	288,831	2,974	-	-	8,547	4,027	-	4,692	-	90	20,330	97,168
Honoraria	127,000	106,600	-	-	-	-	-	-	-	-	106,600	111,510
Insurance	82,000	22,189	-	-	12,551	4,788	13,119	12,043	8,700	2,968	76,358	103,452
Loss on investment	-	-	-	-	-	-	-	-	-	-	-	339,788
Materials, supplies and other	650,000	4,868	-	196,900	120,069	46,116	166,117	46,503	978	39,134	620,685	2,014,559
Professional services	344,500	55,876	-	700	3,500	216,935	22,200	-	2,780	2,314	304,305	58,425
Rent	120,000	12,000	-	6,000	5,000	31,500	45,252	6,000	-	18,000	123,752	57,685
Repairs and maintenance	281,500	14,366	-	-	13,588	46,545	102,002	89,630	5,600	-	271,731	306,663
Resale goods	2,200,000	-	-	-	-	2,241,036	-	-	-	-	2,241,036	-
Telephone and utilities	333,500	39,487	-	218	10,666	34,101	50,101	157,084	-	3,776	295,403	279,775
Travel and training	236,000	30,182	-	547	34,308	69,795	112,018	5,005	-	6,281	258,136	288,750
Wages and benefits	4,178,470	289,959	-	71,858	573,623	519,144	2,227,038	195,641	-	210,372	4,087,635	3,777,288
	14,608,801	657,127	971,230	533,253	1,390,908	3,962,230	4,579,979	615,298	75,725	1,231,838	14,017,488	12,243,093
REVENUE OVER EXPENDITURE	442,969	-81,923	-971,230	946,178	-69,833	1,410,878	-203,516	-29,638	67,154	-252,176	815,894	2,604,306
TRANSFERS	-	145,660	-	318,091	-13,311	-921,989	-	95,491	-	376,058	-	-
ANNUAL SURPLUS (DEFICIT)	442,969	63,737	-971,230	1,264,269	-83,144	488,889	-203,516	65,853	67,154	123,882	815,894	2,604,306