

MORICETOWN BAND COUNCIL
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

MORICETOWN BAND COUNCIL
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MARCH 31, 2017

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MORICETOWN BAND COUNCIL

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

YEAR ENDED MARCH 31, 2017

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.

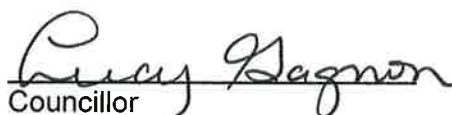
The Band Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

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

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, 2017 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, 2017 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 18, 2017

Carlyle Shepherd : Co.

MORICETOWN BAND COUNCIL

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash	3,551,646	1,719,166
Accounts receivable (note 2)	529,931	465,047
Inventory (note 1)	101,222	93,963
Ottawa Trust funds (note 3)	144,700	137,297
	<u>4,327,499</u>	<u>2,415,473</u>
LIABILITIES		
Accounts payable and accruals (note 5)	993,757	877,197
Replacement reserve (note 6)	107,641	90,641
Long-term debt (note 7)	3,396,622	2,900,127
	<u>4,498,020</u>	<u>3,867,965</u>
NET FINANCIAL LIABILITIES	<u>-170,521</u>	<u>-1,452,492</u>
NON-FINANCIAL ASSETS		
Property and equipment (notes 1 and 10)	16,931,665	15,948,727
Investments (notes 1 and 8)	2,123,866	1,613,112
Loan to business enterprise (note 9)	1,165,189	1,201,543
Moricietown Legacy Fund (note 4)	858,808	820,000
Prepaid expenditures	49,043	92,320
	<u>21,128,571</u>	<u>19,675,702</u>
	<u>20,958,050</u>	<u>18,223,210</u>
BAND POSITION		
Surplus (note 11)	3,307,850	1,402,658
Equity in property and equipment (note 12)	14,737,286	14,503,636
Equity in investments and loan to business enterprise (note 13)	1,909,406	1,359,619
Equity in Moricietown Legacy fund (note 4)	858,808	820,000
Equity in Ottawa Trust funds (note 3)	144,700	137,297
	<u>20,958,050</u>	<u>18,223,210</u>
CONTINGENT LIABILITIES (note 14)		
	<u>20,958,050</u>	<u>18,223,210</u>

APPROVED ON BEHALF OF COUNCIL




Chief Councillor

Band Administrator

MORICETOWN BAND COUNCIL

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Unaudited Budget 2017 \$	2017 \$	2016 \$
REVENUE			
INAC	6,582,595	6,582,595	5,505,314
CMHC	515,273	547,919	175,992
Province of British Columbia	1,440,331	1,440,331	1,330,344
First Nations Health Authority	1,422,209	1,422,209	2,030,581
Gas Bar sales/rentals	2,770,000	2,653,495	2,687,455
Other	4,500,000	4,990,697	3,103,696
	<u>17,230,408</u>	<u>17,637,246</u>	<u>14,833,382</u>
EXPENDITURE			
Administration	664,992	654,478	657,127
Amortization	1,000,000	1,005,935	971,230
Capital Projects	1,566,082	970,875	533,253
Community Health	1,368,409	1,391,874	1,390,908
Economic Development	3,508,429	3,866,101	3,962,230
Kyah Wiget Education Society	4,750,000	5,059,421	4,579,879
Municipal Services	688,840	708,000	615,298
Social Housing	155,620	161,341	75,725
Social Services	1,017,377	1,084,381	1,231,838
	<u>14,719,749</u>	<u>14,902,406</u>	<u>14,017,488</u>
REVENUE OVER EXPENDITURE	2,510,659	2,734,840	815,894
OPENING POSITION	<u>18,223,210</u>	<u>18,223,210</u>	<u>17,407,316</u>
CLOSING POSITION	<u>20,733,869</u>	<u>20,958,050</u>	<u>18,223,210</u>

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

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	2,734,840	815,894
Amortization	1,005,935	971,230
Accounts payable and accruals	116,560	-712,540
Accounts receivable	-64,884	1,499,947
Inventory	-7,259	9,239
Prepaid expenditures	43,277	-30,048
Ottawa Trust funds	-7,403	-7,453
Moricietown Legacy Fund	-38,808	-820,000
	<u>3,782,258</u>	<u>1,726,269</u>
FINANCING ACTIVITIES		
Long-term debt	496,495	-104,338
Replacement reserve	17,000	16,080
	<u>513,495</u>	<u>-88,258</u>
INVESTING ACTIVITIES		
Investments	-510,754	-253,261
Loan to business enterprise	36,354	16,151
Property and equipment additions	-1,988,873	-1,107,098
	<u>-2,463,273</u>	<u>-1,344,208</u>
CHANGE IN CASH	<u>1,832,480</u>	<u>293,803</u>
OPENING CASH BALANCE	<u>1,719,166</u>	<u>1,425,363</u>
CLOSING CASH BALANCE	<u>3,551,646</u>	<u>1,719,166</u>

MORICETOWN BAND COUNCIL
CONSOLIDATED STATEMENT OF CHANGES
IN NET FINANCIAL LIABILITIES

YEAR ENDED MARCH 31

	2017	2016
	\$	\$
Revenue over expenditure	2,734,840	815,894
Amortization	1,005,935	971,230
Moricetown Legacy Fund	-38,808	-820,000
Investments	-510,754	-253,261
Loan to business enterprise	36,354	16,151
Property and equipment additions	-1,988,873	-1,107,098
Prepaid expenditures	<u>43,277</u>	<u>-30,048</u>
 Change in the year	 1,281,971	 -407,132
 Opening net financial liabilities	 <u>-1,452,492</u>	 <u>-1,045,360</u>
 Closing net financial liabilities	 <u>-170,521</u>	 <u>-1,452,492</u>

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2017

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, 2017

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, 2017

2. ACCOUNTS RECEIVABLE

	2017	2016
	\$	\$
CMHC	428,552	-
INAC	-	54,657
Funds held in trust	149,875	207,661
Trade and other	1,236,467	1,413,681
Allowance for doubtful accounts	<u>-1,284,963</u>	<u>-1,210,952</u>
	<u>529,931</u>	<u>465,047</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
	\$	\$	2017	2016
			\$	\$
Opening balance	21,172	116,125	137,297	129,844
Interest	<u>-</u>	<u>7,403</u>	<u>7,403</u>	<u>7,453</u>
Closing balance	<u>21,172</u>	<u>123,528</u>	<u>144,700</u>	<u>137,297</u>

4. MORICETOWN LEGACY FUND

The Victoria Foundation hold funds in Trust for the Band and determine an annual grant allocation that can be withdrawn by the Band at its discretion (\$62,726 at year-end). Any Trust balances in excess of the grant allocation cannot be withdrawn so the fund has been disclosed as a non-financial asset. The 2016 comparatives have been restated accordingly.

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2017

5. ACCOUNTS PAYABLE AND ACCRUALS

	2017	2016
	\$	\$
Governmental payables	19,922	23,934
Trade and other	903,688	797,051
Wages and benefits	<u>70,147</u>	<u>56,212</u>
	<u>993,757</u>	<u>877,197</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	\$ 90,641
Current provision	<u>17,000</u>
Closing balance	<u>\$ 107,641</u>

7. LONG-TERM DEBT

All Nations Trust Company; secured by housing units.

\$1,675/month including interest at 1.44% per annum.	\$ 420,662
\$2,276/month including interest at 1.61% per annum.	479,266
\$2,215/month including interest at 1.8% per annum.	449,268
\$2,716/month including interest at 2.11% per annum.	455,957

Royal Bank of Canada; secured by a general security agreement.

\$11,553/month plus interest at prime plus 1.75%.	1,379,649
\$1,208/month plus interest at prime plus 1.75%.	142,583

Tricorp, \$1,655/month including interest at 11%; secured by a general security agreement.

<u>69,237</u>
<u>\$ 3,396,622</u>

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2017

7. LONG-TERM DEBT (continued)

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

2018	\$ 181,924
2019	188,353
2020	195,142
2021	202,319
2022	<u>198,004</u>
	<u>\$ 965,742</u>

8. INVESTMENTS

Investments in business enterprises are comprised of:

	Houston Pellet Plant LP	Kyah Development LP	Total
	\$	\$	\$
Opening balance	1,613,112	-	1,613,112
Share of net income	1,914,863	105,801	2,020,664
Distribution	<u>-1,449,999</u>	<u>-59,911</u>	<u>-1,509,910</u>
Closing balance	<u>2,077,976</u>	<u>45,890</u>	<u>2,123,866</u>

Financial information for the entities is as follows:

	Houston Pellet Plant LP	Kyah Development LP
	December 30, 2016	March 31, 2017
	\$	\$
Assets	24,445,384	4,012,312
Liabilities	2,917,648	6,687,467
Revenue	28,501,261	10,248,116
Net income	19,148,669	105,801

9. LOAN TO BUSINESS ENTERPRISE

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

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2017

10. PROPERTY AND EQUIPMENT

	COST			ACCUMULATED AMORTIZATION				NET BOOK VALUE		
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Annual Amortization	Disposals	Closing Balance	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Buildings	15,020,896	974,126	-	15,995,022	5,803,514	461,382	-	6,264,896	9,730,126	9,217,382
Engineered structures	12,198,570	632,567	-	12,831,137	6,305,168	266,381	-	6,571,549	6,259,588	5,893,402
Equipment	2,879,748	382,180	-30,793	3,231,135	2,041,805	278,172	-30,793	2,289,184	941,951	837,943
	<u>30,099,214</u>	<u>1,988,873</u>	<u>-30,793</u>	<u>32,057,294</u>	<u>14,150,487</u>	<u>1,005,935</u>	<u>-30,793</u>	<u>15,125,629</u>	<u>16,931,665</u>	<u>15,948,727</u>

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2017

11. SURPLUS (DEFICIT)

	2017	2016
Unrestricted		
Administration	\$ 92,500	\$ 53,047
Capital Projects	48,166	103,325
Community Health	174,642	99,817
Economic Development	2,606,597	966,623
Kyah Wiget Education Society	413,581	263,407
Municipal Services	55,994	-
Social Housing	94,817	89,377
Social Services	-241,173	-177,935
	<u>3,245,124</u>	<u>1,397,661</u>
Internally Restricted		
Morictown Legacy Fund (note 4)	<u>62,726</u>	<u>4,997</u>
	<u>\$ 3,307,850</u>	<u>\$ 1,402,658</u>

12. EQUITY IN PROPERTY AND EQUIPMENT

	2017	2016
Opening balance	\$ 14,503,636	\$ 14,308,393
Contribution from operations	1,177,774	1,107,098
Long-term debt repayment	61,811	59,375
Amortization	<u>-1,005,935</u>	<u>-971,230</u>
Closing balance	<u>\$ 14,737,286</u>	<u>\$ 14,503,636</u>

13. EQUITY IN INVESTMENTS AND LOAN TO BUSINESS ENTERPRISE

Opening balance	\$ 1,359,619
Net income from investments	2,020,664
Contribution to Band	-1,509,910
Long-term debt repayment	<u>39,033</u>
Closing balance	<u>\$ 1,909,406</u>

MORICETOWN BAND COUNCIL

NOTES

MARCH 31, 2017

14. CONTINGENT LIABILITIES

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

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. 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, 2017

16. SEGMENT DISCLOSURE (continued)

	Total Budget 2017 \$	Administration \$	Amortization \$	Capital Projects \$	Community Health \$	Economic Development \$	Kyah Wiget Education Society \$	Municipal Services \$	Social Housing \$	Social Services \$	Total 2017 \$	Total 2016 \$
REVENUE												
INAC	6,582,595	547,749	-	396,525	-	261,036	3,750,858	641,289	58,929	926,209	6,582,595	5,505,314
CMHC	515,273	-	-	469,973	-	-	-	-	77,946	-	547,919	175,992
Province of British Columbia	1,440,331	-	-	-	-	1,059,390	325,273	-	-	55,668	1,440,331	1,330,344
First Nations Health Authority	1,422,209	-	-	-	1,422,209	-	-	-	-	-	1,422,209	2,030,581
Gas Bar sales/rentals	2,770,000	-	-	-	-	2,653,495	-	-	-	-	2,653,495	2,667,455
Other	4,500,000	162,057	-	93,552	57,288	3,126,180	1,329,442	95,366	91,717	35,095	4,990,697	3,103,696
	17,230,408	709,806	-	960,050	1,479,497	7,100,101	5,405,573	736,655	228,592	1,016,972	17,637,246	14,833,382

EXPENDITURE

INAC / FNHA recovery	-80,000	-	-	-	-	-	-	-	-	-69,310	-69,310	381,156
Administration	108,525	-	-	11,367	84,804	-	105,077	-	9,060	-	210,308	91,239
Allowances and programs	2,866,692	-	-	-	278,434	-	1,642,190	-	17,000	838,951	2,776,575	2,710,050
Amortization	1,000,000	-	1,005,935	-	-	-	-	-	-	-	1,005,935	971,230
Bad debts (recovery)	178,000	9,011	-	-	-	121,651	50,000	-	-	-	180,662	-2,368
Bank charges and interest	147,962	11,226	-	681	4,596	99,348	3,637	-	29,301	-	148,789	126,281
Contract services	1,160,318	35,601	-	357,733	280,197	222,457	132,215	83,305	10,737	5,205	1,127,450	1,333,929
Equipment rentals/purchases	19,000	-	-	45,170	-	5,318	-	59,195	964	4,456	115,103	20,330
Honoraria	106,500	107,080	-	-	-	-	-	-	-	-	107,080	106,600
Insurance	80,000	28,499	-	-	15,330	1,802	22,588	7,819	9,964	3,068	89,070	76,358
Materials, supplies and other	1,380,411	45,714	-	536,709	93,353	118,666	239,285	70,236	7,550	49,844	1,161,357	620,685
Professional services	293,500	50,677	-	4,000	2,095	198,549	25,255	-	2,980	-	283,556	304,305
Rent	111,389	12,000	-	-	-	18,855	45,836	6,000	6,000	18,000	106,691	123,752
Repairs and maintenance	602,444	13,000	-	-	25,498	293,901	174,720	151,006	6,736	-	684,861	271,731
Resale goods	2,100,000	-	-	-	-	2,263,785	-	-	-	-	2,263,785	2,241,036
Telephone and utilities	320,100	27,038	-	5,171	8,780	30,450	43,373	167,904	-	10,548	293,264	295,403
Travel and training	144,000	17,925	-	-	17,522	11,235	208,323	3,206	7,078	9,165	274,454	258,136
Wages and benefits	4,180,908	296,707	-	10,044	581,265	480,084	2,366,922	159,329	53,971	214,454	4,162,776	4,087,635
	14,719,749	654,478	1,005,935	970,875	1,391,874	3,866,101	5,059,421	708,000	161,341	1,084,381	14,902,406	14,017,488

REVENUE OVER EXPENDITURE

REVENUE OVER EXPENDITURE	2,510,659	55,328	-1,005,935	-10,825	87,623	3,234,000	346,152	28,655	67,251	-67,409	2,734,840	815,894
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TRANSFERS

TRANSFERS	-	-8,473	-	69,486	4,300	-159,274	-	89,788	-	4,173	-	-
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ANNUAL SURPLUS (DEFICIT)

ANNUAL SURPLUS (DEFICIT)	2,510,659	46,855	-1,005,935	58,661	91,923	3,074,726	346,152	118,443	67,251	-63,236	2,734,840	815,894
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