

**KISPIOX BAND COUNCIL
FINANCIAL STATEMENTS**

MARCH 31, 2017

KISPIOX BAND COUNCIL
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MARCH 31, 2017

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KISPIOX BAND COUNCIL
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
YEAR ENDED MARCH 31, 2017

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

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards which includes certain amounts based on judgments and estimates. Management has chosen the most appropriate method to determine the judgments/estimates to ensure the financial statements are presented fairly, in all material respects.

The Kispiox 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 reliable and accurate and that assets are adequately safeguarded.

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

The Band Council meets regularly with management and is available to meet with the external auditor to satisfy themselves that each party is properly discharging their responsibilities. The Band Council also considers the engagement of the external auditor.

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 the Chief and Council.

Emile Hlasm
Chief

Kirk Morgan
Band Manager

INDEPENDENT AUDITOR'S REPORT**To the Kispiox Band Council****Report on the Financial Statements**

We have audited the accompanying consolidated statement of financial position of Kispiox Band Council as at March 31, 2017 and the consolidated statements of financial activities, cash flows and changes in net financial assets for the year then ended 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.

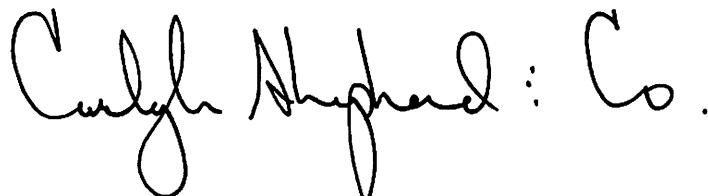
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, 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 results of its operations, cash flows and changes in net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

Terrace, BC
September 14, 2017



KISPIOX BAND COUNCIL

STATEMENT OF FINANCIAL POSITION

YEAR ENDED MARCH 31

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash	902,954	1,134,426
Accounts receivable (note 2)	684,889	357,139
Inventory (note 1)	63,243	60,129
Ottawa Trust funds (note 3)	<u>155,313</u>	<u>148,644</u>
	<u>1,806,399</u>	<u>1,700,338</u>
LIABILITIES		
Accounts payable and accruals (note 4)	443,311	419,559
Deferred revenue (note 5)	137,549	157,270
Replacement reserve (note 6)	142,175	144,092
Long-term debt (note 8)	<u>836,971</u>	<u>867,258</u>
	<u>1,560,006</u>	<u>1,588,179</u>
NET FINANCIAL ASSETS	<u>246,393</u>	<u>112,159</u>
NON-FINANCIAL ASSETS		
Prepaid expenditures	41,191	52,844
Property and equipment (notes 1 and 7)	<u>14,085,673</u>	<u>14,183,286</u>
	<u>14,126,864</u>	<u>14,236,130</u>
	<u>14,373,257</u>	<u>14,348,289</u>
BAND POSITION		
Surplus (note 10)	969,242	883,616
Equity in property and equipment (note 9)	13,248,702	13,316,029
Equity in Ottawa Trust funds (note 3)	<u>155,313</u>	<u>148,644</u>
	<u>14,373,257</u>	<u>14,348,289</u>

Imani Phasim Chief Councillor

Kurt Morgan Band Manager

KISPIOX BAND COUNCIL

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Unaudited Budget	2017	2017	2016
		\$	\$	\$
REVENUE				
GGC	3,841,195	3,841,195	3,366,238	
Gas Bar and Forestry Services	1,758,308	1,614,524	1,969,351	
Gitxsan Heath Society	98,724	104,118	98,724	
CMHC	46,929	206,712	46,929	
Rental	296,829	334,592	296,829	
Ottawa Trust Funds	6,750	6,669	6,750	
Other	<u>300,030</u>	<u>631,088</u>	<u>500,030</u>	
	<u>6,348,765</u>	<u>6,738,898</u>	<u>6,284,851</u>	
EXPENDITURE				
Administration	498,055	944,844	498,315	
Amortization/disposal of assets	605,415	563,352	605,415	
Capital Projects	1,208,906	963,693	1,512,268	
Economic Development	2,048,713	1,957,881	2,061,513	
Housing rental	110,571	165,851	130,278	
Public Works	383,639	597,569	388,564	
Social Services	<u>1,354,000</u>	<u>1,520,740</u>	<u>1,357,564</u>	
	<u>6,209,299</u>	<u>6,713,930</u>	<u>6,553,917</u>	
REVENUE OVER EXPENDITURE	139,466	24,968	-269,066	
OPENING POSITION	<u>14,348,289</u>	<u>14,348,289</u>	<u>14,617,355</u>	
CLOSING POSITION	<u>14,487,755</u>	<u>14,373,257</u>	<u>14,348,289</u>	

KISPIOX BAND COUNCIL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	24,968	-269,066
Amortization/disposal of assets	563,352	605,415
Accounts payables and accruals	23,752	102,037
Deferred revenue	-19,721	-20,188
Accounts receivable	-327,750	-161,473
Ottawa Trust funds	-6,669	-6,750
Inventory	-3,114	-20,440
Prepaid expenditures	<u>11,653</u>	<u>7,146</u>
	<u>266,471</u>	<u>236,681</u>
FINANCING ACTIVITIES		
Long-term debt	-30,287	-191,887
Replacement reserve	<u>-1,917</u>	<u>-47,090</u>
	<u>-32,204</u>	<u>-238,977</u>
INVESTING ACTIVITIES		
Property and equipment additions	<u>-465,739</u>	<u>-55,740</u>
CHANGE IN CASH		
	-231,472	-58,036
OPENING CASH		
	<u>1,134,426</u>	<u>1,192,462</u>
CLOSING CASH		
	<u>902,954</u>	<u>1,134,426</u>

KISPIOX BAND COUNCIL
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31

	2017	2016
	\$	\$
Revenue over expenditure	24,968	-269,066
Amortization/disposal of assets	563,352	605,415
Prepaid expenses	11,653	7,146
Property and equipment additions	<u>-465,739</u>	<u>-55,740</u>
Change in the year	134,234	287,755
Opening net financial assets (liabilities)	<u>112,159</u>	<u>-175,596</u>
Closing net financial assets	<u>246,393</u>	<u>112,159</u>

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

a) Fund Accounting

These financial statements have been prepared using the fund accounting method and guidelines issued by Indigenous and Northern Affairs Canada (INAC) which include compliance with the Canadian public sector accounting standards.

The Band maintains the following funds/entities 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.
- Anspayaxw Development Corporation which operates the forestry activities.

b) 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	4%
Engineered structures	4%
Equipment	20%

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

c) 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 is reported as deferred revenue until used for the purposes specified. Investment revenue is recognized when earned.

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

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) 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.

e) Financial Instruments

The Band measures financial assets and liabilities at market value at the date of acquisition. It is management's opinion that the Band's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks.

f) Inventory

Inventory is valued at cost.

2. ACCOUNTS RECEIVABLE

	2017	2016
GGC	\$ 273,138	\$ -
Gitxsan Health Society	105,653	136,954
Housing rent	480,523	432,155
Other	379,342	240,584
Allowance for doubtful accounts	<u>-553,767</u>	<u>-452,554</u>
	<u>\$ 684,889</u>	<u>\$ 357,139</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 2017	Total 2016
Opening balance	\$ 8,614	\$ 140,030	\$ 148,644	\$ 141,894
Income	<u>-</u>	<u>6,669</u>	<u>6,669</u>	<u>6,750</u>
Closing balance	<u>\$ 8,614</u>	<u>\$ 146,699</u>	<u>\$ 155,313</u>	<u>\$ 148,644</u>

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2016

4. ACCOUNTS PAYABLE AND ACCRUALS

	2017	2016
GGC	\$ -	\$ 53,130
Damage deposits	25,815	26,240
Governmental payables	40,890	32,479
Trade and other	304,548	270,781
Wages and benefits	<u>72,058</u>	<u>36,929</u>
	<u>\$ 443,311</u>	<u>\$ 419,559</u>

5. DEFERRED REVENUE

Insurance proceeds are being recorded as revenue to cover 50% of the mortgage payments on the twelve-plex complex as six units were destroyed by fire.

6. REPLACEMENT RESERVE

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited with an annual charge against earnings. The CMHC funds, with accumulated interest, must be held in a separate bank account and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as approved by CMHC. As at March 31, 2017, the required funds are in a separate bank account.

Opening balance	\$ 144,092
Current provision	13,000
Expenditure	<u>-14,917</u>
Closing balance	<u>\$ 142,175</u>

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2017

7. PROPERTY AND EQUIPMENT

	PROPERTY AND EQUIPMENT			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Opening Balance	Additions	Closing Balance	Opening Balance	Annual Amortization	Closing Balance	Total 2017	Total 2016
	\$	\$	\$	\$	\$	\$	\$	\$
Land and improvements	198,100	-	198,100	-	-	-	198,100	198,100
Buildings	6,763,501	-	6,763,501	2,674,580	129,637	2,804,217	3,959,284	4,088,921
Engineered structures	15,127,231	-	15,127,231	5,416,671	303,426	5,720,097	9,407,134	9,710,560
Equipment	<u>2,139,819</u>	<u>465,739</u>	<u>2,605,558</u>	<u>1,954,114</u>	<u>130,289</u>	<u>2,084,403</u>	<u>521,155</u>	<u>185,705</u>
	<u>24,228,651</u>	<u>465,739</u>	<u>24,694,390</u>	<u>10,045,365</u>	<u>563,352</u>	<u>10,608,717</u>	<u>14,085,673</u>	<u>14,183,286</u>

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2017

8. LONG-TERM DEBT

Royal Bank of Canada - mortgages

\$3,214/month including interest at 2.37% per annum. \$ 37,898

\$682/month including interest at 4.44% per annum. 12,497

All Nations Trust Company - mortgages

\$2,002/month including interest at 1.05% per annum. 182,441

\$2,435/month including interest at 2.08% per annum. 416,626

Royal Bank of Canada – capital lease

\$2,723/month including interest at 3.38% per annum. 145,528

Tribal Resource Investment Corporation

\$1,655/month including interest at 11% per annum. 41,981

\$ 836,971

The mortgages are secured by land and buildings and the capital lease by specific equipment.

Scheduled principal repayments over the next five years are as follows:

2018 \$ 128,369

2019 77,502

2020 74,479

2021 76,208

2022 73,069

\$ 429,627

9. EQUITY IN PROPERTY AND EQUIPMENT

	2017	2016
Opening balance	\$ 13,316,029	\$ 13,673,816
Contribution from operations	315,390	55,740
Long-term debt repayment	180,635	191,888
Amortization	<u>-563,352</u>	<u>-605,415</u>
Closing balance	<u>\$ 13,248,702</u>	<u>\$ 13,316,029</u>

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2017

10. SURPLUS (DEFICIT)

	2017	2016
Unrestricted		
Administration	\$ 219,707	\$ 380,514
Capital Projects	-1,018	-423,295
Economic Development	-219,254	-85,587
Housing Rentals	-187,372	-184,766
Public Works	50,975	-26,552
Social Services	<u>187,132</u>	<u>304,230</u>
	50,170	-35,456
Restricted - Internally	<u>919,072</u>	<u>919,072</u>
	<u>\$ 969,242</u>	<u>\$ 883,616</u>

The Band Council has internally restricted funds by band council resolution for as yet unspecified purposes.

11. CONTINGENT LIABILITIES

The Band Council has provided loan guarantees totaling \$240,750 on four individual home loans. Management believes that the current risk of default is low.

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:

KISPIOX BAND COUNCIL

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MARCH 31, 2017

12. SEGMENT DISCLOSURE (continued)

	Total Budget 2017	Administration	Capital Projects	Economic Development	Housing Rental	Public Works	Social Services	Amortization	Total 2017	Total 2016
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
GGC	3,841,195	946,486	1,090,365	142,210	-	427,474	1,234,660	-	3,841,195	3,366,238
Gas Bar and Forestry Services	1,758,308	-	-	1,614,524	-	-	-	-	1,614,524	1,969,351
Gibson Heath Society	98,724	-	-	-	-	10,082	94,036	-	104,118	98,724
CMHC	46,929	-	167,617	-	39,095	-	-	-	206,712	46,929
Rental	296,829	-	-	45,200	285,592	3,800	-	-	334,592	296,829
Ottawa Trust Funds	6,750	6,669	-	-	-	-	-	-	6,669	6,750
Other	300,030	166,876	-	330,848	-	75,716	57,648	-	631,088	500,030
	6,348,765	1,120,031	1,257,982	2,132,782	324,687	517,072	1,386,344	-	6,738,898	6,284,851
Expenditure										
Amortization	605,415	-	-	-	-	-	-	563,352	563,352	605,415
Bad debts	-	-	-	13,449	48,566	24,260	-	-	86,275	44,618
Bank charges and interest	44,423	11,403	-	16,541	13,750	-	-	-	41,694	44,423
Benefits and programs	981,475	-	-	-	-	-	1,048,112	-	1,048,112	981,475
Contract services	1,009,483	63,512	637,697	30,947	-	114,240	84,648	-	931,044	1,209,483
Cost of sales	1,047,993	-	-	1,061,257	-	-	-	-	1,061,257	1,047,993
Equipment rentals and repairs	42,920	163,990	550	16,843	-	13,630	-	-	195,013	42,920
GGC recovery	-	-	-	-	-	-	85,888	-	85,888	-
Honoraria	31,500	30,325	-	-	-	-	-	-	30,325	31,500
Insurance	79,219	14,011	-	19,405	47,463	33,077	624	-	114,580	79,219
Materials, supplies and other	538,254	76,069	276,496	153,759	13,000	75,703	50,532	-	645,559	538,254
Professional services	20,456	42,198	-	-	7,232	-	-	-	49,430	20,456
Repairs and maintenance	56,630	-	-	42,229	35,840	73,339	-	-	151,408	56,630
Telephone and utilities	132,342	20,293	-	33,333	-	75,734	3,398	-	132,758	132,342
Travel and workshops	73,761	53,813	-	2,351	-	-	5,459	-	61,623	73,761
Wages and benefits	1,545,428	469,230	48,950	567,767	-	187,586	242,079	-	1,515,612	1,645,428
	6,209,299	944,844	963,693	1,957,881	165,851	597,569	1,520,740	563,352	6,713,930	6,553,917
REVENUE OVER EXPENDITURE	139,466	175,187	294,289	174,901	158,836	-80,497	-134,396	-563,352	24,968	-269,066
TRANSFERS	-	-329,325	127,988	21,195	-	162,844	17,298	-	-	-
ANNUAL SURPLUS (DEFICIT)	139,466	-154,138	422,277	196,096	158,836	82,347	-117,098	-563,352	24,968	-269,066