



**KISPIOX BAND COUNCIL
FINANCIAL STATEMENTS**

MARCH 31, 2018

KISPIOX BAND COUNCIL
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MARCH 31, 2018

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KISPIOX BAND COUNCIL

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

YEAR ENDED MARCH 31, 2018

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.

Chief

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, 2018 and the consolidated statements of financial activities, cash flows and changes in net financial assets (liabilities) 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, 2018 and the results of its operations, cash flows and changes in net financial assets (liabilities) for the year then ended in accordance with Canadian public sector accounting standards.

Terrace, BC
October 4, 2018

KISPIOX BAND COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31

	2018	2017
	\$	\$
FINANCIAL ASSETS		
Cash	1,188,676	902,954
Accounts receivable (note 2)	210,483	684,889
Inventory (note 1)	62,266	63,243
Ottawa Trust funds (note 3)	<u>162,594</u>	<u>155,313</u>
	<u>1,624,019</u>	<u>1,806,399</u>
LIABILITIES		
Revolving loan (note 11)	175,000	10,000
Accounts payable and accruals (note 4)	631,081	433,311
Deferred revenue (note 5)	117,828	137,549
Replacement reserve (note 6)	147,805	142,175
Long-term debt (note 8)	<u>677,890</u>	<u>836,971</u>
	<u>1,749,604</u>	<u>1,560,006</u>
NET FINANCIAL ASSETS (LIABILITIES)	<u>-125,585</u>	<u>246,393</u>
NON-FINANCIAL ASSETS		
Prepaid expenditures	87,661	41,191
Property and equipment (notes 1 and 7)	<u>14,159,223</u>	<u>14,085,673</u>
	<u>14,246,884</u>	<u>14,126,864</u>
	<u>14,121,299</u>	<u>14,373,257</u>
BAND POSITION		
Surplus (note 10)	477,372	969,242
Equity in property and equipment (note 9)	13,481,333	13,248,702
Equity in Ottawa Trust funds (note 3)	<u>162,594</u>	<u>155,313</u>
	<u>14,121,299</u>	<u>14,373,257</u>

Lance Jackson Chief Councillor

Paula Jackson Band Manager

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

	Unaudited Budget	2018	2018	2017
		\$	\$	\$
REVENUE				
GGC	4,124,772	4,124,772	3,841,195	
Gas Bar and Forestry Services	1,614,524	1,904,710	1,614,524	
Gitxsan Heath Society	113,177	113,732	104,118	
CMHC	58,095	58,095	206,712	
Rental	335,792	283,409	334,592	
Ottawa Trust Funds	6,669	7,281	6,669	
Other	<u>240,579</u>	<u>378,198</u>	<u>631,088</u>	
	<u>6,493,608</u>	<u>6,870,197</u>	<u>6,738,898</u>	
EXPENDITURE				
Administration	886,893	1,029,729	944,844	
Amortization	563,352	602,244	563,352	
Capital Projects	805,567	888,824	963,693	
Economic Development	2,003,468	2,324,467	1,957,881	
Housing Rental	190,038	141,878	165,851	
Public Works	573,165	569,902	597,569	
Social Services	<u>1,466,356</u>	<u>1,565,111</u>	<u>1,520,740</u>	
	<u>6,488,839</u>	<u>7,122,155</u>	<u>6,713,930</u>	
REVENUE OVER EXPENDITURE	4,769	-251,958	24,968	
OPENING POSITION	<u>14,373,257</u>	<u>14,373,257</u>	<u>14,348,289</u>	
CLOSING POSITION	<u>14,378,026</u>	<u>14,121,299</u>	<u>14,373,257</u>	

KISPIOX BAND COUNCIL

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2018	2017
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	-251,958	24,968
Amortization	602,244	563,352
Accounts payables and accruals	197,770	13,752
Deferred revenue	-19,721	-19,721
Accounts receivable	474,406	-327,750
Ottawa Trust funds	-7,281	-6,669
Inventory	977	-3,114
Prepaid expenditures	<u>-46,470</u>	<u>11,653</u>
	<u>949,967</u>	<u>256,471</u>
FINANCING ACTIVITIES		
Revolving loan	165,000	10,000
Long-term debt	-159,081	-30,287
Replacement reserve	<u>5,630</u>	<u>-1,917</u>
	<u>11,549</u>	<u>-22,204</u>
INVESTING ACTIVITIES		
Property and equipment additions	<u>-675,794</u>	<u>-465,739</u>
CHANGE IN CASH		
	285,722	-231,472
OPENING CASH		
	<u>902,954</u>	<u>1,134,426</u>
CLOSING CASH		
	<u>1,188,676</u>	<u>902,954</u>

KISPIOX BAND COUNCIL

**CONSOLIDATED STATEMENT OF CHANGES
IN NET FINANCIAL ASSETS (LIABILITIES)**

YEAR ENDED MARCH 31

	2018	2017
	\$	\$
Revenue over expenditure	-251,958	24,968
Amortization	602,244	563,352
Prepaid expenses	-46,470	11,653
Property and equipment additions	<u>-675,794</u>	<u>-465,739</u>
Change in the year	-371,978	134,234
Opening net financial assets	<u>246,393</u>	<u>112,159</u>
Closing net financial assets (liabilities)	<u>-125,585</u>	<u>246,393</u>

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2018

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, 2018

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

	2018	2017
GGC	\$ -	\$ 273,138
Gitxsan Health Society	98,140	105,653
Housing rent	529,431	480,523
Other	172,645	379,342
Allowance for doubtful accounts	<u>-589,733</u>	<u>-553,767</u>
	<u>\$ 210,483</u>	<u>\$ 684,889</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 2018	Total 2017
Opening balance	\$ 8,614	\$ 146,699	\$ 155,313	\$ 148,644
Income	-	7,281	7,281	6,669
Closing balance	<u>\$ 8,614</u>	<u>\$ 153,980</u>	<u>\$ 162,594</u>	<u>\$ 155,313</u>

KISPIOX BAND COUNCIL

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MARCH 31, 2018

4. ACCOUNTS PAYABLE AND ACCRUALS

	2018	2017
Damage deposits	\$ 25,583	\$ 25,815
Governmental payables	28,868	40,890
Trade and other	509,143	294,548
Wages and benefits	<u>67,487</u>	<u>72,058</u>
	<u>\$ 631,081</u>	<u>\$ 433,311</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, 2018, the required funds are in a separate bank account.

Opening balance	\$ 142,175
Current provision	13,000
Expenditure	<u>-7,370</u>
Closing balance	<u>\$ 147,805</u>

KISPIOX BAND COUNCIL

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MARCH 31, 2018

7. PROPERTY AND EQUIPMENT

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE		
	Opening Balance	Additions	Closing Balance	Opening Balance	Annual Amortization	Closing Balance	Total 2018	Total 2017	\$
Land and improvements	198,100	-	198,100	-	-	-	198,100	198,100	
Buildings	6,763,501	435,137	7,198,638	2,804,217	158,594	2,962,811	4,235,827	3,959,284	
Engineered structures	15,127,231	-	15,127,231	5,720,097	291,288	6,011,385	9,115,846	9,407,134	
Equipment	<u>2,605,558</u>	<u>240,657</u>	<u>2,846,215</u>	<u>2,084,403</u>	<u>152,362</u>	<u>2,236,765</u>	<u>609,450</u>	<u>521,155</u>	
	<u>24,694,390</u>	<u>675,794</u>	<u>25,370,184</u>	<u>10,608,717</u>	<u>602,244</u>	<u>11,210,961</u>	<u>14,159,223</u>	<u>14,085,673</u>	

KISPIOX BAND COUNCIL

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MARCH 31, 2018

8. LONG-TERM DEBT

Royal Bank of Canada - mortgage

\$682/month including interest at 4.44% per annum. \$ 4,710

All Nations Trust Company - mortgages

\$2,002/month including interest at 1.05% per annum. 160,222

\$2,435/month including interest at 2.08% per annum. 395,840

Royal Bank of Canada – capital lease

\$2,723/month including interest at 3.38% per annum. 117,118

\$ 677,890

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:

2019 \$ 77,511

2020 74,489

2021 76,218

2022 72,292

2023 46,436

\$ 346,946

9. EQUITY IN PROPERTY AND EQUIPMENT

	2018	2017
Opening balance	\$ 13,248,702	\$ 13,316,029
Contribution from operations	675,794	315,390
Long-term debt repayment	159,081	180,635
Amortization	<u>-602,244</u>	<u>-563,352</u>
Closing balance	<u>\$ 13,481,333</u>	<u>\$ 13,248,702</u>

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2018

10. SURPLUS (DEFICIT)

	2018	2017
Unrestricted		
Administration	\$ -	\$ 219,707
Capital Projects	-143,718	-1,018
Economic Development	-37,236	-219,254
Housing Rentals	-114,884	-187,372
Public Works	68,593	50,975
Social Services	<u>194,339</u>	<u>187,132</u>
	-32,906	50,170
Restricted - Internally	<u>510,278</u>	<u>919,072</u>
	<u><u>\$ 477,372</u></u>	<u><u>\$ 969,242</u></u>

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

11. REVOLVING LOAN

Revolving loan authorized to \$200,000 at an interest rate of prime plus 2%.

12. CONTINGENT LIABILITIES

The Band Council has provided loan guarantees up to \$237,941 on four individual home loans. Management believes that the current risk of default is low.

13. 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:

KISPPIOX BAND COUNCIL

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MARCH 31, 2018

13. SEGMENT DISCLOSURE (continued)

	Total Budget 2018 \$	Administration \$	Capital Projects \$	Economic Development \$	Housing Rental \$	Public Works \$	Social Services \$	Amortization \$	Total 2018 \$	Total 2017 \$
Revenue										
GGC	4,124,772	681,364	1,376,567	212,809	-	540,117	1,313,915	-	4,124,772	3,841,195
Gas Bar and Forestry Services	1,614,524	-	1,904,710	-	-	10,637	103,095	-	1,904,710	1,614,524
Gibson Heath Society	113,177	-	-	-	-	-	-	-	113,732	104,118
CMHC	58,095	-	19,000	-	39,095	-	-	-	58,095	206,712
Rental	335,782	-	-	43,817	235,937	3,655	-	-	283,409	334,592
Ottawa Trust Funds	6,669	7,281	-	-	-	-	-	-	7,281	6,669
Other	240,579	99,415	9,600	56,771	-	61,521	150,891	-	378,198	631,088
	6,493,608	788,060	1,405,167	2,218,107	275,032	615,930	1,567,901	-	6,870,197	6,738,898
Expenditure										
Amortization	563,352	-	-	-	3,050	41,609	3,007	-	602,244	563,352
Bad debts	-	-	-	-	11,209	7,767	-	-	-	-
Bank charges and interest	58,428	12,170	-	-	-	-	-	-	47,866	86,275
Benefits and programs	1,105,512	-	-	511,989	85,776	-	1,100,074	-	31,146	41,694
Contract services	871,484	-	-	-	1,230,088	-	84,057	32,256	-	-
Cost of sales	1,061,257	127,790	-	52,525	39,962	-	6,096	-	1,048,112	1,100,074
Equipment purchase, rentals and repairs	76,200	31,834	-	-	-	-	-	-	714,078	931,044
GGC recovery	-	-	-	-	-	-	-	-	1,357,878	1,061,257
Honoraria	40,000	43,100	-	-	-	-	-	-	130,417	195,013
Insurance	101,560	10,670	-	12,400	25,560	19,175	-	-	24,546	85,888
Materials, supplies and other	525,186	61,971	174,225	163,750	13,000	84,781	635	-	-	-
Professional services	49,430	51,771	-	-	-	-	46,527	-	-	-
Repairs and maintenance	164,408	-	-	-	28,977	43,268	57,076	-	129,321	151,408
Telephone and utilities	132,758	17,503	-	-	40,636	-	94,024	-	156,012	132,758
Travel and workshops	130,728	149,176	-	-	13,159	-	24,865	-	187,200	61,623
Wages and benefits	1,608,516	523,744	150,085	-	706,669	-	213,919	332,359	-	1,926,776
	6,488,839	1,029,729	888,824	2,324,467	141,878	569,902	1,565,111	602,244	7,122,155	6,713,930
REVENUE OVER EXPENDITURE	4,769	-241,669	516,343	-106,360	133,154	46,028	2,790	-602,244	-251,958	24,968
TRANSFERS	-	29,243	-21,205	-40,479	28,024	-	4,417	-	-	-
ANNUAL SURPLUS (DEFICIT)	4,769	-212,426	495,138	-146,839	161,178	46,028	7,207	-602,244	-251,958	24,968