



KISPIOX BAND COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2019

KISPIOX BAND COUNCIL
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MARCH 31, 2019

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KISPIOX BAND COUNCIL
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
YEAR ENDED MARCH 31, 2019

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 CHIEF AND COUNCIL - KISPIOX BAND COUNCIL

Opinion

We have audited the financial statements of Kispiox Band Council, which comprise the statement of financial position as at March 31, 2019 and the statements of financial activities, changes in net financial liabilities and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Band Council as at March 31, 2019 and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. We are independent of the Band in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit.

Responsibilities of Management and Council 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.

In preparing the financial statements, management is responsible for assessing the Band's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless conditions exist that do not allow for the going concern basis to be used.

The Council is responsible for overseeing the Band's financial reporting process.

Terrace, BC
July 16, 2019



KISPIOX BAND COUNCIL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31

FINANCIAL ASSETS

Cash	782,437	1,188,676
Accounts receivable (note 2)	366,419	210,483
Inventory (note 1)	58,244	62,266
Ottawa Trust funds (note 3)	<u>168,201</u>	<u>162,594</u>
	1,375,301	1,624,019

LIABILITIES

Revolving loan (note 10)	255,000	175,000
Accounts payable and accruals (note 4)	476,736	631,081
Deferred revenue	-	117,828
Replacement reserve (note 5)	154,211	147,805
Long-term debt (note 7)	<u>600,354</u>	<u>677,890</u>
	<u>1,486,301</u>	<u>1,749,604</u>
NET FINANCIAL ASSETS (LIABILITIES)	-111,000	-125,585

NET FINANCIAL ASSETS (LIABILITIES)

NON-FINANCIAL ASSETS

Prepaid expenditures	67,345	87,661
Property and equipment (notes 1 and 6)	<u>14,506,924</u>	<u>14,159,223</u>
	<u>14,574,269</u>	<u>14,246,884</u>
	14,463,269	14,121,299

BAND POSITION

Surplus (note 9)	388,498	477,372
Equity in property and equipment (note 8)	13,906,570	13,481,333
Equity in Ottawa Trust funds (note 3)	<u>168,201</u>	<u>162,594</u>
	14,463,269	14,121,299

Con Stan Chief Councillor

 Band Manager

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

	Unaudited Budget	2019	2019	2018
		\$	\$	\$
REVENUE				
GGC	5,514,567	5,514,567	4,124,772	
Gas Bar and Forestry Services	1,906,105	2,866,120	1,904,710	
Gitxsan Heath Society	113,732	106,092	113,732	
CMHC	39,095	58,641	58,095	
Rental	279,754	384,088	283,409	
Ottawa Trust Funds	-	5,607	7,281	
Other	<u>315,221</u>	<u>552,673</u>	<u>378,198</u>	
	<u>8,168,474</u>	<u>9,487,788</u>	<u>6,870,197</u>	
EXPENDITURE				
Administration	990,346	1,228,852	1,029,729	
Amortization/loss on disposal of assets	602,244	942,496	602,244	
Capital Projects	1,905,485	1,356,113	888,824	
Economic Development	2,119,318	3,145,887	2,324,467	
Housing Rental	194,422	174,532	141,878	
Public Works	581,130	556,968	569,902	
Social Services	<u>1,648,601</u>	<u>1,740,970</u>	<u>1,565,111</u>	
	<u>8,041,546</u>	<u>9,145,818</u>	<u>7,122,155</u>	
REVENUE OVER EXPENDITURE	126,928	341,970	-251,958	
OPENING POSITION	<u>14,121,299</u>	<u>14,121,299</u>	<u>14,373,257</u>	
CLOSING POSITION	<u>14,248,227</u>	<u>14,463,269</u>	<u>14,121,299</u>	

KISPIOX BAND COUNCIL

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	341,970	-251,958
Amortization/loss on disposal	942,496	602,244
Accounts payables and accruals of assets	-154,345	197,770
Deferred revenue	-117,828	-19,721
Accounts receivable	-155,936	474,406
Ottawa Trust funds	-5,607	-7,281
Inventory	4,022	977
Prepaid expenditures	<u>20,316</u>	<u>-46,470</u>
	<u>875,088</u>	<u>949,967</u>
FINANCING ACTIVITIES		
Revolving loan	80,000	165,000
Long-term debt	-77,536	-159,081
Replacement reserve	<u>6,406</u>	<u>5,630</u>
	<u>8,870</u>	<u>11,549</u>
INVESTING ACTIVITIES		
Property and equipment additions	<u>-1,290,197</u>	<u>-675,794</u>
CHANGE IN CASH		
	-406,239	285,722
OPENING CASH		
	<u>1,188,676</u>	<u>902,954</u>
CLOSING CASH		
	<u>782,437</u>	<u>1,188,676</u>

KISPIOX BAND COUNCIL

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

YEAR ENDED MARCH 31

	2019	2018
	\$	\$
Revenue over expenditure	341,970	-251,958
Amortization/loss on disposal of assets	942,496	602,244
Prepaid expenses	20,316	-46,470
Property and equipment additions	<u>-1,290,197</u>	<u>-675,794</u>
 Change in the year	 14,585	 -371,978
 Opening net financial assets (liabilities)	 <u>-125,585</u>	 <u>246,393</u>
 Closing net financial assets (liabilities)	 <u>-111,000</u>	 <u>-125,585</u>

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2019

1. SIGNIFICANT ACCOUNTING POLICIES

a) Fund Accounting

These financial statements have been prepared using the fund accounting method and guidelines issued by Indigenous Services Canada 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, 2019

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

	2019	2018
GGC	\$ 54,692	\$ -
Gitxsan Health Society	192,711	98,140
Housing rent	491,510	529,431
Other	291,848	172,645
Allowance for doubtful accounts	<u>-664,342</u>	<u>-589,733</u>
	<u><u>\$ 366,419</u></u>	<u><u>\$ 210,483</u></u>

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2019

3. OTTAWA TRUST FUNDS

Indigenous Services 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 ISC.

	Capital	Revenue	Total 2019	Total 2018
Opening balance	\$ 8,614	\$ 153,980	\$ 162,594	\$ 155,313
Income	-	5,607	5,607	7,281
Closing balance	<u>\$ 8,614</u>	<u>\$ 159,587</u>	<u>\$ 168,201</u>	<u>\$ 162,594</u>

4. ACCOUNTS PAYABLE AND ACCRUALS

	2019	2018
Damage deposits	\$ 25,583	\$ 25,583
Governmental payables	57,937	28,868
Trade and other	326,468	509,143
Wages and benefits	<u>66,748</u>	<u>67,487</u>
	<u>\$ 476,736</u>	<u>\$ 631,081</u>

5. 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. The required funds are in a separate bank account.

Opening balance	\$ 147,805
Current provision	13,000
Expenditure	<u>-6,594</u>
Closing balance	<u>\$ 154,211</u>

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2019

6. PROPERTY AND EQUIPMENT

	COST			ACCUMULATED AMORTIZATION			NET BOOK VALUE			
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Annual Amortization	Disposals	Closing Balance	Total 2019	Total 2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Land and improvements	198,100	-	-	198,100	-	-	-	-	198,100	198,100
Buildings	7,198,838	685,625	637,974	7,246,289	2,962,811	189,718	331,999	2,820,530	4,425,759	4,235,827
Engineered structures	15,127,231	472,741	-	15,599,972	6,011,385	298,546	-	6,309,931	9,290,041	9,115,846
Equipment	2,846,215	131,831	-	2,978,046	2,236,765	148,257	-	2,385,022	593,024	609,450
	<u>25,370,184</u>	<u>1,290,197</u>	<u>637,974</u>	<u>26,022,407</u>	<u>11,210,961</u>	<u>636,521</u>	<u>331,999</u>	<u>11,515,483</u>	<u>14,506,924</u>	<u>14,159,223</u>

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2019

7. LONG-TERM DEBT

All Nations Trust Company - mortgages

\$2,002/month including interest at 1.05% per annum.	\$ 137,769
\$2,457/month including interest at 2.21% per annum.	374,635
Royal Bank of Canada – capital lease	
\$2,723/month including interest at 3.38% per annum.	<u>87,950</u>
	<u><u>\$ 600,354</u></u>

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:

2020	\$ 74,282
2021	76,035
2022	72,134
2023	46,304
2024	<u>47,062</u>
	<u><u>\$ 315,817</u></u>

8. EQUITY IN PROPERTY AND EQUIPMENT

	2019	2018
Opening balance	\$ 13,481,333	\$ 13,248,702
Contribution from operations	1,290,197	675,794
Long-term debt repayment	77,536	159,081
Amortization/loss on disposal of assets	<u>-942,496</u>	<u>-602,244</u>
Closing balance	<u><u>\$ 13,906,570</u></u>	<u><u>\$ 13,481,333</u></u>

KISPIOX BAND COUNCIL

NOTES

MARCH 31, 2019

9. SURPLUS (DEFICIT)

	2019	2018
Unrestricted		
Administration	\$ -205,686	\$ -
Capital Projects	-74,068	-143,718
Economic Development	-78,793	-37,236
Housing Rentals	70,019	-114,884
Public Works	75,924	68,593
Social Services	<u>90,824</u>	<u>194,339</u>
	-121,780	-32,906
Restricted - Internally	<u>510,278</u>	<u>510,278</u>
	<u>\$ 388,498</u>	<u>\$ 477,372</u>

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

10. REVOLVING LOAN

Revolving loan authorized to \$350,000 at an interest rate of prime plus 2% per annum.

11. 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.

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

NOTES

MARCH 31, 2019

12. SEGMENT DISCLOSURE (continued)

	Total Budget 2019	Administration	Capital Projects	Economic Development	Housing Rental	Public Works	Social Services	Amortization	Total 2019	Total 2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
GGC										
Gas Bar and Forestry Services	5,514,567	890,931	2,498,129	136,625	-	522,851	1,466,231	-	5,514,567	4,124,772
Gitxsan Heath Society	1,906,105	-	-	2,866,120	-	-	-	-	2,866,120	1,904,710
CMHC	113,732	-	-	-	-	10,837	95,455	-	106,092	113,732
Rental	39,095	-	-	-	-	58,641	-	-	58,641	58,095
Ottawa Trust Funds	279,754	-	-	37,045	347,043	-	-	-	384,088	283,409
Other	-	5,607	-	-	-	-	-	-	5,807	7,281
	<u>315,221</u>	<u>197,746</u>	<u>86,000</u>	<u>32,536</u>	<u>2,119</u>	<u>158,285</u>	<u>75,987</u>	<u>-</u>	<u>552,673</u>	<u>378,198</u>
	<u>8,168,474</u>	<u>1,094,284</u>	<u>2,584,129</u>	<u>3,072,326</u>	<u>407,803</u>	<u>691,573</u>	<u>1,637,673</u>	<u>-</u>	<u>9,487,788</u>	<u>6,870,197</u>
Expenditure										
Amortization/loss on disposal										
Bad debts	602,244	-	-	-	-	-	-	942,496	942,496	602,244
Bank charges and interest	-	-	-	8,641	56,316	133	-	-	65,090	47,666
Benefits and programs	25,747	30,734	-	24,303	-	-	-	-	55,037	31,146
Contract services	1,352,174	-	-	-	-	-	1,234,239	-	1,234,239	1,100,074
Cost of sales	1,452,111	91,150	851,282	10,476	-	77,757	40,130	-	1,070,795	714,078
Equipment purchase, rentals and repairs	1,230,088	-	-	2,124,012	-	-	-	-	2,124,012	1,357,878
GGC recovery	164,547	9,349	47,665	2,666	-	-	-	-	59,680	130,417
Honoria	-	-	-	-	-	-	7,261	-	7,261	24,546
Insurance	42,350	54,300	-	-	-	-	-	-	54,300	43,100
Materials, supplies and other	88,440	10,233	-	17,345	26,263	27,942	682	-	82,465	68,440
Professional services	800,772	142,911	278,447	164,722	22,733	87,435	82,886	-	779,134	544,254
Repairs and maintenance	56,771	68,615	-	-	5,000	-	-	-	73,615	59,003
Telephone and utilities	113,323	-	-	40,070	64,220	42,851	-	-	147,141	129,321
Travel and workshops	168,050	21,026	-	46,993	-	94,812	4,095	-	168,926	156,012
Wages and benefits	140,132	233,284	-	-	-	-	7,868	-	241,152	187,200
	<u>1,824,797</u>	<u>567,250</u>	<u>178,719</u>	<u>706,659</u>	<u>-</u>	<u>226,038</u>	<u>363,809</u>	<u>-</u>	<u>2,042,475</u>	<u>1,926,776</u>
	<u>8,041,546</u>	<u>1,228,852</u>	<u>1,356,113</u>	<u>3,145,887</u>	<u>174,532</u>	<u>556,966</u>	<u>1,740,970</u>	<u>942,496</u>	<u>9,145,818</u>	<u>7,122,155</u>
REVENUE OVER EXPENDITURE										
TRANSFERS	126,928	-134,568	1,228,016	-73,561	233,271	134,605	-103,297	-942,496	341,970	-251,958
ANNUAL SURPLUS (DEFICIT)	<u>126,928</u>	<u>-156,579</u>	<u>1,278,366</u>	<u>-73,343</u>	<u>233,271</u>	<u>106,266</u>	<u>-103,515</u>	<u>-942,496</u>	<u>341,970</u>	<u>-251,958</u>