

EDMISON MEHR  
CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Councilors of

Hagwilget Village Council  
New Hazelton, BC

We have audited the accompanying financial statements of Hagwilget Village Council, which comprise the Consolidated Statement of Financial Position as at March 31, 2014, and the Consolidated Statements of Operations and Changes in Net Assets and Consolidated Statement of Cash Flows and Capital Fund for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Generally Accepted Accounting Principles for Public Sector Entities and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

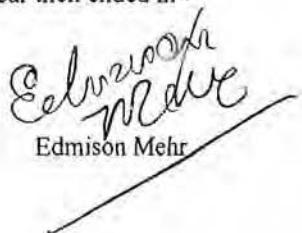
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hagwilget Village Council as at March 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with Canadian Generally Accepted Accounting Principles for Public Sector Entities.

  
Edmison Mehr

**HAGWILGET VILLAGE COUNCIL**  
**Consolidated Statement of Financial Position**  
**March 31, 2014**

**PAGE 1**

	Operating Fund	Capital Fund	2014	2013
<b>ASSETS</b>				
Cash and investments, note 4	\$ -	-	-	1,360,957
Accounts receivable, note 6	44,991	-	44,991	44,270
Ottawa trust funds, note 9	88,712	-	88,712	84,468
Deferred finance charges	3,545	-	3,545	7,358
	<hr/>	<hr/>	<hr/>	<hr/>
	137,248	-	137,248	1,497,053
<b>LIABILITIES</b>				
Bank Indebtness, note 4	81,133	-	81,133	
Line of credit, note 10	130,000	-	130,000	25,000
Accounts payable, note 7	179,078	-	179,078	56,582
Long term debt, note 11	-	35,458	35,458	96,236
Capital lease, note 12	-	63,205	63,205	92,377
	<hr/>	<hr/>	<hr/>	<hr/>
	390,211	98,663	488,874	270,195
Net debt	<hr/>	<hr/>	<hr/>	<hr/>
Net debt	(252,963)	(98,663)	(351,626)	1,226,858
Non-financial assets				
Prepaid	39,759	-	39,759	45,494
Tangible capital assets, notes 8	-	3,692,674	3,692,674	3,993,672
	<hr/>	<hr/>	<hr/>	<hr/>
	39,759	3,692,674	3,732,433	4,039,166
Net assets	<hr/>	<hr/>	<hr/>	<hr/>
Net assets	\$ (213,204)	3,594,011	3,380,807	5,266,024

Approved on behalf of the Council

 Chief

 Councillor

**HAGWILGET VILLAGE COUNCIL**  
**Consolidated Statement of Operations and Changes**  
**in Net Assets (Deficiency)**  
**For the Year Ended March 31, 2014**

**PAGE 2**

			Opening Net Assets (Deficiency)	Revenue INAC	Other Revenue	Transfers	Expenditures	Closing Net Assets (Deficiency)
<b>Unrestricted</b>								
Village Government	'A'	\$ 9,129	234,867	76,804	-	-	307,927	12,873
Education								
Elem/Secondary	'B'	(13,264)	17,398	(199)	-	-	17,033	(13,098)
Private Schools	'B'	-	16,106	(9,612)	-	-	6,494	-
Post Secondary	'C'	(83,030)	295,828	-	-	-	273,486	(60,688)
Social Assistance	'D'	(299,402)	435,089	(84,656)	-	-	343,902	(292,871)
Community Infra-structure and Services	'E'	189,021	99,390	366,735	-	-	544,414	110,732
Duplex Rentals	'F'	-	-	-	-	-	-	-
Utilities - water & sewer	'G'	(3,729)	35,354	-	-	-	31,625	-
Community Health	'H'	4,000	565,577	462	-	-	636,262	(66,223)
CEDO	'I'	-	40,040	-	-	-	40,040	-
Canyon Development	'J'	-	-	-	-	-	-	-
Community Hall	'K'	392,370	-	21,894	-	-	69,286	344,978
Employment Program	'L'	-	-	12,935	-	-	12,935	-
Skills Training	'L'	-	-	15,748	-	-	15,445	303
		<u>195,095</u>	<u>1,739,649</u>	<u>400,111</u>	<u>-</u>	<u>-</u>	<u>2,298,849</u>	<u>36,006</u>
<b>Restricted</b>								
Capital Renovations	'M'	-	-	-	2,408	-	2,408	-
Capital Waste Water	'N'	-	61,032	-	-	-	42,028	19,004
Social Housing	'O'	(42,663)	-	-	42,663	-	-	-
Tse-Kya Development	'P'	-	-	83,286	(45,071)	-	26,432	11,783
Trust monies	'R'	<u>1,551,234</u>	<u>-</u>	<u>4,244</u>	<u>(1,466,766)</u>	<u>-</u>	<u>-</u>	<u>88,712</u>
		<u>1,508,571</u>	<u>61,032</u>	<u>87,530</u>	<u>(1,466,766)</u>	<u>-</u>	<u>70,868</u>	<u>119,499</u>
Capital Fund	'Page 4	<u>3,562,358</u>	<u>-</u>	<u>87,530</u>	<u>(1,466,766)</u>	<u>-</u>	<u>337,056</u>	<u>3,225,302</u>
		<u>5,070,929</u>	<u>61,032</u>	<u>87,530</u>	<u>(1,466,766)</u>	<u>-</u>	<u>407,924</u>	<u>3,344,801</u>
Net assets (deficiency), end of year,								
Exhibit 'A'		\$ 5,266,024	1,800,681	487,641	(1,466,766)	-	2,706,773	3,380,807

**HAGWILGET VILLAGE COUNCIL**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended March 31, 2014**

**PAGE 3**

	<u>2014</u>	<u>2013</u>
<b>Operating Activities</b>		
Excess (deficiency) of revenue over expenditures	\$ (1,885,217)	308,291
Add: Items not involving cash		
Amortization of tangible capital assets	337,056	329,844
Increase (decrease) in accounts payable and accruals	122,496	(986)
(Increase) decrease in accounts receivable	(721)	219,085
(Increase) decrease in prepaid	5,735	(17,345)
(Increase) in funds held by federal government	(4,244)	(3,728)
Decrease in deferred finance charges	3,813	5,095
	<u>(1,421,082)</u>	<u>840,256</u>
<b>Investing Activities</b>		
Purchase of tangible capital assets	(36,058)	-
<b>Financing Activities</b>		
Long term debt repayment	(89,950)	(88,080)
Increase (decrease) in cash	(1,547,090)	752,176
Cash, beginning of year	<u>1,335,957</u>	<u>583,781</u>
Cash (deficiency), end of year	\$ <u>(211,133)</u>	<u>1,335,957</u>
<b>Cash consists of:</b>		
Cash	\$ (81,133)	1,360,957
Line of credit	<u>(130,000)</u>	<u>(25,000)</u>
	<u>\$ (211,133)</u>	<u>1,335,957</u>
<b>Additional information:</b>		
Mortgage interest paid	\$ 3,487	5,794
Capital lease interest paid	<u>3,813</u>	<u>5,092</u>
	<u>\$ 7,300</u>	<u>10,886</u>

**HAGWILGET VILLAGE COUNCIL**  
**Capital Fund - Statement of Changes**  
**For the Year Ended March 31, 2014**

**PAGE 4**

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 3,562,358	3,892,202
Amortization	<u>(337,056)</u>	<u>(329,844)</u>
Balance, end of year, to Page 2	<u>\$ 3,225,302</u>	<u>3,562,358</u>

**HAGWILGET VILLAGE COUNCIL**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended March 31, 2014**

**I. Nature of Operations**

Band Operations

The Village administration manages the village operation, the education Program, Community Hall and Social Housing Rentals and economic development. The Village operates a commercial sub-division development through Tse-Kya Development Corporation.

**2. Significant Accounting Policies**

a) The consolidated financial statements of the Hagwilget Village Council are prepared in accordance with the Canadian generally accepted accounting principles as prescribed by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

b) Fund Accounting

The Council follows the restricted fund method of accounting for contributions.

The operating fund reports all operating assets, liabilities, net assets, revenues, and expenses related to program delivery and administrative activities. This fund reports restricted operating grants and unrestricted resources. The capital fund reports tangible asset additions, disposals, amortization and related debt.

c) Consolidation

The consolidation statements include Hagwilget Village Council, Hagwilget Social Housing, and the wholly owned development company, Tsekya Development Corporation. The one share of Tsekya is held in trust. The income from Tsekya is recorded on Exhibit 'P'. The Village also owns the Tsekya utilities corporation was incorporated on September 6, 2006 and the corporation is inactive.

d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and highly-liquid investments with maturities of three months or less at the acquisition date.

e) Tangible Capital Assets

All tangible capital assets are recorded at cost in the capital fund. Amortization is recorded in the capital fund for building and leasehold improvements on the straight-line basis and furniture and equipment and computer equipment on the declining balance basis, each at the following annual rates:

Buildings, engineered structures	25 years
Equipment	20%

An impairment is recognized when the carrying amount of a capital asset is not recoverable and exceeds its fair value; it is measured as the amount by which the carrying amount of capital asset exceeds its fair value. The carrying amount of capital asset is not recoverable if the carrying amount exceeds the sum of the undiscounted cash flows expected to result from its use and eventual disposition. Tangible capital assets are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable.

Quoted market prices in active markets are used as the basis for fair value measurement. When quoted market prices are not available, a present value technique is used to estimate fair value.

**HAGWILGET VILLAGE COUNCIL**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended March 31, 2014**

**2. Significant Accounting Policies .....(Con't)**

**f) Revenue and Expenditure Recognition**

Restricted contributions related to general operations are recognized as revenue in the Operating fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

Expenditures are reported on an accrual basis.

**g) Use of estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. Actual results could differ from those estimates.

**3. Cash and Investments** **2014** **2013**

Cash consists of the following:		
Band operating accounts	\$ -	(32,302)
Hagwilget Rock account	\$ -	893,259
Hagwilget Rock - term deposit	\$ -	500,000
	\$ -	1,360,957

**4. Bank Indebtness**

Bank operating accounts	\$ (81,133)	-
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**5. Hagwilget Rock - Change in Accounting Policy**

As the Hagwilget Rock Society is administered by a board separate from the Village Council, the Society information has been removed from the Village statements for 2014.

**HAGWILGET VILLAGE COUNCIL**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended March 31, 2014**

**6. Accounts Receivable**

	<u>2014</u>	<u>2013</u>
Other receivables	\$ 24,228	9,060
Funding receivables - INAC	- 10,914	
GST receivable	20,763 24,296	
Social Housing	185,618 185,618	
Allowance for doubtful account	<u>(185,618)</u>	<u>(185,618)</u>
Balance to, Page 1	<u>\$ 44,991</u>	<u>44,270</u>

**7. Accounts Payable**

	Operating Fund	Capital Fund	Total 2014	Total 2013
Trade payables	\$ 91,639	-	91,639	43,653
Employee deductions	4,933	-	4,933	12,929
Due to (from) trust	<u>82,506</u>	<u>-</u>	<u>82,506</u>	<u>-</u>
Balance to, Page 1	<u>\$ 179,078</u>	<u>-</u>	<u>179,078</u>	<u>56,582</u>

**8. Tangible Capital Assets**

	Cost	Accumulated Amortization	Total 2014	Total 2013
Buildings, Social Housing 1	\$ 229,963	229,963	-	-
Social Housing 2	509,199	509,199	-	-
Buildings, other	2,889,317	1,980,989	908,328	1,023,901
Engineered structures	4,793,791	2,347,314	2,446,477	2,638,229
Mobile equipment	397,357	390,157	7,200	-
Equipment and tools	306,029	273,472	32,557	7,680
Land, Social Housing 1	42,000	-	42,000	42,000
Social Housing 2	112,000	-	112,000	112,000
Village	87,462	-	87,462	87,462
Backhoe - capital lease	<u>128,750</u>	<u>72,100</u>	<u>56,650</u>	<u>82,400</u>
	<u>\$ 9,495,868</u>	<u>5,803,194</u>	<u>3,692,674</u>	<u>3,993,672</u>

**9. Ottawa Trust Funds**

Indian and Northern Affairs Canada holds funds in trust for the Village. These funds are designated as revenue or capital funds as is required by the Indian Act. The Village is permitted to expend its revenue fund for any purpose that will promote the general progress and welfare of the Village and its members. The expenditure of capital funds requires the consent of the Minister of Indian and Northern Affairs and generally must be for projects of a capital nature. The Ottawa trust fund balance is at cost which approximates fair market value as it included interest.

**10. Line of Credit**

A line of credit is available up to \$130,000 and \$25,000 was utilized as at March 31, 2014 (2013 - \$130,000). The line of credit is secured by a general security agreement and negotiated annually, bearing interest at 5.5%

**HAGWILGET VILLAGE COUNCIL**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended March 31, 2014**

**11 Long Term Debt**

	<u>2014</u>	<u>2013</u>
<b>General Fund</b>		
Royal Bank of Canada mortgage, \$5,355 per month including interest at prime plus 2.05% (4.3% - 2012), secured by building and Village Council Resolution, maturing Nov. 2013	\$ 35,458	96,236
Long term debt due within one year	35,458	59,500
Total long term debt if not demanded	\$ -	36,736

Principal repayment during the next five years is as follows:

2015                    \$ 35,458

**12. Capital Lease**

	<u>2014</u>	<u>2013</u>
Royal Bank of Canada, blended monthly payments of \$2,431, including interest at 5.2%, secured by backhoe, maturing May 2016	\$ 63,205	92,377
Capital lease due within one year	29,171	29,171
Balance capital lease if not demanded	\$ 34,034	63,206
2015                    \$ 29,171		
2016 <u>34,034</u>		
	<u>\$ 63,205</u>	

**13. Economic Dependence**

The Village Council is dependent upon continuing to secure adequate government funding if it is to maintain its current programs.

**HAGWILGET VILLAGE COUNCIL**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended March 31, 2014**

**14. Financial Assets & Liabilities**

The Council is not subject to significant risk from market, foreign currency, price or interest rate risk. The significant financial risk to which the Council is exposed include the following:

**Credit Risk:**

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Council to a concentration of credit risk consist primarily of accounts receivable. The Council limits its exposure to credit loss by analyzing the financial position of its funders and by placing its cash with approved financial institutions. The Council's maximum exposure to credit risk for accounts receivables are the amounts disclosed in the Consolidated Statement of Financial Position. Management believes that the credit risk concentration with respect to financial instruments included in receivables is minimal.

**Fair Value:**

The Council estimates the fair value of its financial instruments based on current interest rates, market value and pricing of financial instruments with comparable terms. Unless otherwise indicated, the carrying value of these financial instruments approximates their fair market value because of the near maturity of those instruments.

**Liquidity Risk:**

Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due. The Council's approach to managing liquidity is to evaluate current and expected liquidity requirements under both normal and stressed conditions to ensure that it maintains sufficient reserves of cash or have an available credit facility to meet its liquidity requirements in the short and long term.

As at March 31, 2014 the Council has unrestricted cash of \$ nil and receivables of \$44,991 (March 31, 2013 cash of \$1,360,957 and receivables of \$44,270) to settle its total liabilities of \$179,078 (March 31, 2013 - \$56,582). Any shortfall would be addressed by an available line of credit of \$130,000.