

EDMISON MEHR  
CHARTERED PROFESSIONAL ACCOUNTANTS

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July 29, 2015 via email

AANDC  
Financing Services  
600 – 1138 Melville Street  
Vancouver, BC  
V6E 4S3

Attention: Vern Bob

Re: Hagwilget Village Council Audit

The audit was accepted by Council July 29, 2015.

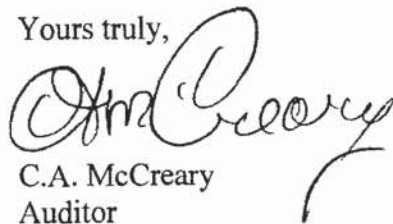
Attached are the following statements;

Consolidated Statements

- 1) Financial Position
- 2) Statement of Operations
- 3) Statement of Cash Flows
- 4) Capital Fund – Statement of Changes
- 5) Changes in Net Financial Assets (Net Debt)
- 6) Notes to Financial Statements
- 7) Schedule of Federal Government Funding
- 8) Schedule of Salaries, and other Remuneration
- 9) Auditor's Management Letter.

If you require any additional information, please contact me. Please confirm that you received the information above.

Yours truly,



C.A. McCreary  
Auditor

# **HAGWILGET VILLAGE COUNCIL**

## **Financial Statements**

**March 31, 2015**

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Independent Auditors' Report

#### Consolidated Statements

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- Page 2 – Statement of Operations and Changes in Net Assets
- Page 3 – Statement of Cash Flows
- Page 4 – Capital Fund - Statement of Changes
- Page 5 – Consolidated Statement of Changes in Net Financial Assets (Net Debt)

#### Notes to Financial Statements

- Schedule 1 – Schedule of Capital Assets
- Schedule 2 – Segmented Information

#### Statement of Operations

- Exhibit 'A' – Village Government
- Exhibit 'B' – Education Elementary – Secondary
- Exhibit 'B' – Education Private Schools
- Exhibit 'C' – Education - Post Secondary
- Exhibit 'D' – Social Assistance
- Exhibit 'E' – Community Infrastructure and Services
- Exhibit 'F' – Duplex Rental Units
- Exhibit 'G' – Water Systems
- Exhibit 'G' - Comprehensive Funding Agreement
- Exhibit 'H' – Community Health
- Exhibit 'T' - CEDO
- Exhibit 'J' – Capital – Canyon Development
- Exhibit 'K' – Community Hall
- Exhibit 'L' – Employment Programs
- Exhibit 'M' – Capital Renovations
- Exhibit 'N' – Capital Lagoon
- Exhibit 'O' – Social Housing
- Exhibit 'P' – TSE-KYA Development Corporation
- Exhibit 'Q' - Trust Monies
- Appendix 'A' – CPP & Pension Plan Fund

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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, 2015, 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

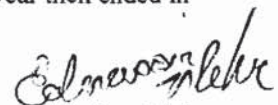
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2015, 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

Smithers, BC  
July 29, 2015

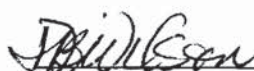


**HAGWILGET VILLAGE COUNCIL**  
**Consolidated Statement of Financial Position**  
**March 31, 2015**

**PAGE 1**

	Operating Fund	Capital Fund	2015	2014
<b><u>ASSETS</u></b>				
Cash and investments, note 3	\$ 127,911	-	127,911	-
Accounts receivable, note 5	37,879	-	37,879	44,991
Ottawa trust funds, note 8	92,704	-	92,704	88,712
Deferred finance charges	1,079	-	1,079	3,545
	259,574	-	259,574	137,248
<b><u>LIABILITIES</u></b>				
Bank Indebtness, note 4	-	-	-	81,133
Line of credit, note 9	-	-	-	130,000
Accounts payable, note 6	466,884	-	466,884	179,078
Long term debt, note 10	-	-	-	35,458
Capital lease, note 11	-	34,033	34,033	63,205
	466,884	34,033	500,917	488,874
Net debt	(207,310)	(34,033)	(241,343)	(351,626)
Non-financial assets				
Prepaid	23,747	-	23,747	39,759
Tangible capital assets, notes 7	-	3,362,431	3,362,431	3,692,674
	23,747	3,362,431	3,386,178	3,732,433
Net assets	\$ (183,563)	3,328,398	3,144,835	3,380,807

Approved on behalf of the Council

 Chief

 Councillor  Administrator

**HAGWILGET VILLAGE COUNCIL****PAGE 2****Consolidated Statement of Operations and Changes  
in Net Assets (Deficiency)  
For the Year Ended March 31, 2015**

	Budget <u>2015</u>	Actual <u>2015</u>	Actual <u>2014</u>
Revenue			
AANDC - Operating	\$ 1,055,424	1,055,424	1,174,072
- Capital	358,321	358,321	61,032
- Health Canada	589,468	589,468	565,577
Hagwilget Trust	312,000	312,041	388,629
Tri-Corp	50,000	46,868	28,683
Other	<u>175,000</u>	<u>183,719</u>	<u>70,329</u>
	<u>2,540,213</u>	<u>2,545,841</u>	<u>2,288,322</u>
Expenditures			
Village Government	250,450	223,875	307,927
Education, Elementary, Secondary School	18,100	17,935	23,527
Post Secondary Education	262,000	262,000	273,486
Social Assistance	442,959	288,527	343,902
Community Infrastructure	551,245	473,256	544,414
Utilities, Water & Sewer	36,850	36,925	31,625
Community Health	589,468	639,915	636,262
CEDO	40,040	43,276	40,040
Community Hall	26,150	27,604	69,286
Employment Programs	54,380	45,012	28,380
Capital - Water	358,000	358,321	44,436
Tse-Kya Development	22,500	22,544	26,432
Amortization	<u>342,000</u>	<u>342,623</u>	<u>337,056</u>
	<u>2,994,142</u>	<u>2,781,813</u>	<u>2,706,773</u>
Annual Surplus (Deficit)	(453,929)	(235,972)	(418,451)
Net Assets, beginning of year	3,380,807	3,380,807	5,266,024
Transfers, Society	<u>-</u>	<u>-</u>	<u>(1,466,766)</u>
Net Assets, end of year, Exhibit 'A'	<u>\$ 2,926,878</u>	<u>3,144,835</u>	<u>3,380,807</u>

**HAGWILGET VILLAGE COUNCIL**  
**Consolidated Statement of Cash Flows**  
**For the Year Ended March 31, 2015**

**PAGE 3**

	<u>2015</u>	<u>2014</u>
Operating Activities		
Excess (deficiency) of revenue over expenditures	\$ (235,972)	(1,885,217)
Add: Items not involving cash		
Amortization of tangible capital assets	342,623	337,056
Increase (decrease) in accounts payable and accruals	287,806	122,496
(Increase) decrease in accounts receivable	7,112	(721)
(Increase) decrease in prepaid	16,012	5,735
(Increase) in funds held by federal government	(3,992)	(4,244)
Decrease in deferred finance charges	2,466	3,813
	<u>416,055</u>	<u>(1,421,082)</u>
Investing Activities		
Purchase of tangible capital assets	<u>(12,381)</u>	<u>(36,058)</u>
Financing Activities		
Long term debt repayment	<u>(64,630)</u>	<u>(89,950)</u>
Increase (decrease) in cash	339,044	(1,547,090)
Cash, beginning of year	<u>(211,133)</u>	<u>1,335,957</u>
Cash (deficiency), end of year	\$ <u><u>127,911</u></u>	<u><u>(211,133)</u></u>
Cash consists of:		
Cash	\$ 127,911	(81,133)
Line of credit	<u>-</u>	<u>(130,000)</u>
	\$ <u><u>127,911</u></u>	<u><u>(211,133)</u></u>
Additional information:		
Mortgage interest paid	\$ 584	3,487
Capital lease interest paid	<u>2,465</u>	<u>3,813</u>
	\$ <u><u>3,049</u></u>	<u><u>7,300</u></u>

**HAGWILGET VILLAGE COUNCIL**  
**Capital Fund - Statement of Changes**  
**For the Year Ended March 31, 2015**

**PAGE 4**

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 3,225,302	3,562,358
Amortization	<u>(342,623)</u>	<u>(337,056)</u>
Balance, end of year, to Page 2	\$ <u><u>2,882,679</u></u>	<u><u>3,225,302</u></u>

**HAGWILGET VILLAGE COUNCIL****PAGE 5****Consolidated Statement of Changes in Net Financial Assets (Net Debt)**  
**For the Year Ended March 31, 2015**

	Actual <u>2015</u>	Budget <u>2015</u>	Actual <u>2014</u>
Annual Surplus (deficit), Page 3	\$ (235,972)	-	(1,885,217)
Tangible Capital Assets:			
Acquisition of tangible capital assets	(12,381)	(12,000)	(36,058)
Amortization of tangible capital assets	<u>342,623</u>	<u>342,000</u>	<u>337,056</u>
	<u>94,270</u>	<u>330,000</u>	<u>(1,584,219)</u>
Net change in prepaid expenses	<u>16,013</u>	<u>16,000</u>	<u>5,735</u>
Changes in net financial assets	110,283	346,000	(1,578,484)
Net financial assets (net debt) at beginning of year	<u>(351,626)</u>	<u>351,626</u>	<u>1,226,858</u>
Net financial assets (net debt) end of year, Page 1	\$ <u><u>(241,343)</u></u>	<u><u>(5,626)</u></u>	<u><u>(351,626)</u></u>



**HAGWILGET VILLAGE COUNCIL**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended March 31, 2015**

**1. 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, 2015**

**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**

	<u>2015</u>	<u>2014</u>
Cash consists of the following:		
Band operating accounts	\$ <u>127,911</u>	<u>-</u>

**4. Bank Indebtness**

Band operating accounts	\$ <u>-</u>	<u>(81,133)</u>
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**5 Accounts Receivable**

	<u>2015</u>	<u>2014</u>
Other receivables	\$ 8,637	24,228
Funding receivables - AANDC	-	-
GST receivable	29,241	20,763
Social Housing	185,618	185,618
Allowance for doubtful account	<u>(185,618)</u>	<u>(185,618)</u>
Balance to, Page 1	\$ <u>37,879</u>	<u>44,991</u>

**HAGWILGET VILLAGE COUNCIL**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended March 31, 2015**

**6. Accounts Payable**

	Operating Fund	Capital Fund	Total 2015	Total 2014
Trade payables	\$ 380,480	-	380,480	91,639
Employee deductions	3,898	-	3,898	4,933
Due to (from) trust	82,506	-	82,506	82,506
	<u>466,884</u>	<u>-</u>	<u>466,884</u>	<u>179,078</u>
Balance to, Page 1	\$ <u>466,884</u>	<u>-</u>	<u>466,884</u>	<u>179,078</u>

**7. Tangible Capital Assets**

	Cost	Accumulated Amortization	Total 2015	Total 2014
Buildings, Social Housing 1	\$ 229,963	229,963	-	-
Social Housing 2	509,199	509,199	-	-
Buildings, other	2,889,317	2,096,561	792,756	908,328
Engineered structures	4,793,791	2,539,065	2,254,726	2,446,477
Mobile equipment	397,357	391,957	5,400	7,200
Equipment and tools	318,410	281,223	37,187	32,557
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	128,750	97,850	30,900	56,650
	<u>\$ 9,508,249</u>	<u>6,145,819</u>	<u>3,362,430</u>	<u>3,692,674</u>

**8. Ottawa Trust Funds**

Aboriginal Affairs and Northern Development 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 Aboriginal Affairs and Northern Development Canada 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.

**9 Line of Credit**

A line of credit is available up to \$130,000. It was not being utilized at March 31, 2015 (2014 - \$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, 2015**

**10 Long Term Debt**

	<u>2015</u>	<u>2014</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
Long term debt due within one year	-	35,458
Total long term debt if not demanded	\$ -	-

**11 Capital Lease**

	<u>2015</u>	<u>2014</u>
Royal Bank of Canada, blended monthly payments of \$2,431, including interest at 5.2%, secured by backhoe, maturing May 2016	\$ 34,033	63,205
Capital lease due within one year	29,171	29,171
Balance capital lease if not demanded	\$ 4,862	34,034
2016	\$ 4,862	

**12. Economic Dependence**

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

**13. 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:



**HAGWILGET VILLAGE COUNCIL**  
**Notes to Consolidated Financial Statements**  
**For the Year Ended March 31, 2015**

**13. Financial Assets & Liabilities....(Con't)**

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, 2015 the Council has unrestricted cash of \$127,911 and receivables of \$37,879 (March 31, 2014 cash of \$NIL and receivables of \$44,991) to settle its total liabilities of \$466,884 (March 31, 2014 - \$179,078). Any shortfall would be addressed by an available line of credit of \$130,000.