



Gitsegukla Indian Band
CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2017

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For the year ended March 31, 2017

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Gitsegukla Indian Band
MARCH 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Gitsegukla Indian Band and all the information in this annual report are the responsibility of Chief and Council and have been approved by the Chief and Council.

The financial statements have been prepared in conformity with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants and where appropriate, includes certain amounts based on management's best estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Gitsegukla Indian Band's Chief and Council maintains systems of internal accounting and administrative controls, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the Gitsegukla Indian Band's assets are appropriately accounted for and adequately safeguarded.

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

The Chief and Council reviewed the Gitsegukla Indian Band's financial statements and recommends their approval. The management meets periodically with the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issued, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditor's report. The Chief and Council also considers the engagement of the external auditors.

The financial information have been audited by Ribeyre Chang Haylock, Chartered Professional Accountants, in accordance with Canadian generally accepted auditing standards on behalf of the members. Ribeyre Chang Haylock has full and free access to Management.


Chief Councilor

INDEPENDENT AUDITOR'S REPORT

To: The Members of Gitsegukla Indian Band

Gitsegukla Indian Band

Report on the Financial Statements

We have audited the accompanying financial statements of Gitsegukla Indian Band, which comprise the statement of financial position as at March 31, 2017, and the summary statements of operations, summary statement of changes in net debt, summary statement of cash flows 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 public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants, 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Gitsegukla Indian Band** as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Professional Accountants.

Port Coquitlam, B.C.
July 26, 2017


Chartered Professional Accountants

Gitsegukla Indian Band


SUMMARY STATEMENT OF FINANCIAL POSITION

As at March 31, 2017

Statement 1

	2017	2016
Financial assets		
Cash	\$ 1,059,552	\$ 914,424
Accounts receivable - note 3	698,806	227,061
Trust moneys - note 4	126,706	122,038
	1,885,064	1,263,523
Liabilities		
Accounts payable and accrued liabilities - note 5	2,108,855	1,654,182
Deferred revenue - note 6	238,344	208,290
Long-term debt - note 7	503,296	554,350
Capital lease - note 8	89,597	-
	2,940,092	2,416,822
Net debt	(1,055,028)	(1,153,299)
Contingent liability - note 9		
Non-financial assets		
Tangible capital assets - note 11	10,275,275	7,104,664
Prepaid expenses	141,896	129,423
Total non-financial assets	10,417,171	7,234,087
Accumulated surplus	\$ 9,362,143	\$ 6,080,788

See accompanying notes


Councillor
CHIEF


Councillor

Gitsegukla Indian Band

SUMMARY STATEMENT OF OPERATIONS

For the year ended March 31, 2017

Statement 2

	2017 Budget	2017	2016 (Restated)
Revenue			
Indigenous and Northern Affairs Canada	\$ 7,365,459	\$ 7,365,459	\$ 6,449,510
Canada Mortgage and Housing Corporation	-	12,625	133,000
First Nations Health Authority	1,804,795	1,804,795	1,508,449
First Nations Education Steering Committee	407,832	402,854	225,442
Miscellaneous income	-	704,973	502,037
Rental	-	43,500	48,206
Interest on trust moneys	-	4,668	4,767
	9,578,086	10,338,874	8,871,411
Expenses			
Band government	1,152,579	1,086,181	777,496
Community hall	16,639	14,691	42,773
Community infrastructure	369,913	554,758	404,004
Capital projects	2,585,025	584,694	1,326,791
Education and training	1,033,386	1,853,804	1,341,587
Health	-	1,804,825	1,499,026
Housing	63,156	79,225	67,048
Social programs	939,456	981,216	1,031,898
	6,160,154	6,959,394	6,490,623
Annual surplus	3,417,932	3,379,480	2,380,788
Accumulated surplus, beginning of year as previously stated		3,840,118	3,937,029
Prior period adjustment - note 10		2,240,670	-
Accumulated surplus, beginning of year as restated		6,080,788	3,937,029
Recoveries		(98,125)	(237,029)
Accumulated surplus, end of year		\$ 9,362,143	\$ 6,080,788

See accompanying notes

Gitsegukla Indian Band

SUMMARY STATEMENT OF NET DEBT

For the year ended March 31, 2017

Statement 3

	2017 Budget	2017	2016 (Restated)
Annual (deficit) surplus	\$ 3,417,932	\$ 3,379,480	\$ 2,380,788
Recoveries in the year	(98,125)	(98,125)	(237,029)
	3,319,807	3,281,355	2,143,759
Changes in tangible capital assets			
Acquisition of tangible capital assets	(3,853,852)	(3,853,852)	(2,376,883)
Amortization of tangible capital assets	-	683,241	486,100
	(3,853,852)	(3,170,611)	(1,890,783)
Changes in other non-financial assets			
Prepaid expenses and deposits	(12,473)	(12,473)	3,974
	(12,473)	(12,473)	3,974
Increase in net financial assets	(546,518)	98,271	256,950
Net debt at beginning of year	(1,153,299)	(1,153,299)	(1,410,249)
Net debt at end of year	\$ (1,699,817)	\$ (1,055,028)	\$ (1,153,299)

See accompanying notes

Gitsegukla Indian Band

SCHEDULE OF CASH FLOW

For the year ended March 31, 2017

Statement 4

	2017	2016
OPERATING ACTIVITIES		
Revenue received	\$ 9,794,390	\$ 8,633,588
Expenses paid	(5,748,269)	(6,402,422)
Interest paid on capital leases	(1,974)	-
Interest paid on long-term debt	(20,210)	(16,579)
Cash provided by (used in) operating activities	4,023,937	2,214,587
INVESTING ACTIVITIES		
Purchase and construction of capital assets	(3,759,960)	(2,376,883)
Cash used in investing activities	(3,759,960)	(2,376,883)
FINANCING ACTIVITIES		
Indigenous and Northern Affairs Canada additional repayments	(63,500)	-
Advancement (repayment) of long-term debt - net	(55,349)	156,932
Cash provided by financing activities	(118,849)	156,932
(Decrease) increase in cash during the year	145,128	(5,364)
Cash, beginning of year	914,424	919,788
Cash, end of year	\$ 1,059,552	\$ 914,424

See accompanying notes

Gitsegukla Indian Band

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1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CICPA Public Sector Accounting and Auditing Handbook, which encompasses the following principles.

a) Fund accounting

The Gitsegukla Indian Band uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the Summary Financial Statements. Details of the operations of each fund are set out in the supplementary schedules. The Gitsegukla Indian Band maintains the following funds:

- The Operating Fund which reports the general activities of the Indian Band administration,
- The Health Fund which reports the general activities of the Gitsegukula Health Centre,
- The Trust Fund which reports on trust funds owned by the Indian Band and held by a third party,
- The Education Fund which reports on the activities of the Gitsegukla Community Education Development Authority Association.

b) Use of estimates

The preparation of schedules in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the schedules and reported amounts of revenues and expenditures during the reported period. Actual results could differ from the estimates.

c) Revenue recognition

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Schedule of Financial Position.

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1. Continued...

d) Reporting entity and principles of financial reporting

The Gitsegukla Indian Band reporting entity includes the Gitsegukla Indian Band and all related entities which are accountable to the First Nation and are either owned or controlled by the Indian Band.

These financial statements consolidate the assets, liabilities and results of operation for the following entities which use accounting principles which lend themselves to consolidation:

- Gitsegukla Indian Band Operating Fund,
- Gitsegukla Indian Band Health Fund,
- Gitsegukla Indian Band Trust Fund,
- Gitsegukla Indian Band Social Housing Fund,
- Gitsegukla Community Education Development Authority Association
- Gitsegukla Economic Development Corporation
- Gitsegukla Hemp Corporation

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

e) Financial assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not consumed in the normal course of operations. The indicator of net debt is determined by deducting the financial assets of the Gitsegukla Indian Band from its liabilities. Financial assets are primarily measured at historical cost.

f) Non-financial assets

Fixed assets and other non-financial assets are accounted for as assets by the Gitsegukla Indian band because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Gitsegukla Indian Band unless they are sold.

g) Fixed assets

Fixed assets are valued at either cost or estimated cost and recorded in the Operating Fund.

The acquisition costs of fixed assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenditures are also recorded as an addition to the assets of the Operating Fund with a corresponding increase in Operating Fund - unrestricted equity.

h) Depreciation

Fixed assets are recorded and depreciated with a corresponding reduction in Equity in Fixed

Furniture, office equipment, school equipment, other equipment	20% - 30%
Building, housing and infrastructure	4%

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2. ECONOMIC DEPENDANCE

The Gitsegukla Indian Band receives major portions of its revenue pursuant to funding arrangements with Indigenous and Northern Affairs Canada.

3. ACCOUNTS RECEIVABLE

	2017	2016
Accounts receivable is comprised of the following:		
Indigenous and Northern Affairs Canada	\$ 599,310	\$ 108,118
First Nations Health Authority	37,076	31,244
First Nations Management Board	-	25,000
First Nations Education Steering Committee	29,807	36,191
Other	168,840	158,519
Due from band members	32,676	36,892
	867,709	395,964
Less allowance for doubtful accounts	(168,903)	(168,903)
	\$ 698,806	\$ 227,061

4. TRUST MONEYS

The Ottawa Trust accounts arise from moneys derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

5. ACCOUNTS PAYABLE

	2017	2016
Indigenous and Northern Affairs Canada		
Prior years' recovery	\$ 1,260,813	\$ 1,298,932
Current year potential recovery	85,493	25,381
Other payables	762,549	329,869
	\$ 2,108,855	\$ 1,654,182

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6. DEFERRED REVENUE

	2017	2016
First Nations Health Authority	\$ 238,344	\$ 207,290
Prepaid rent received	-	1,000
	\$ 238,344	\$ 208,290

7. LONG-TERM DEBT

	2017	2016
Demand Loan payable secured by real property and a ministerial guarantee. With monthly payments of \$925 including interest at 2.86% per annum	\$ 92,933	\$ 101,251
Demand loan payable secured by real property, a ministerial guarantee and assignment of fire insurance with monthly payments of \$2,293 including interest at 3.17% per annum.	159,526	181,601
Term loan payable secured by real property. Renewing on August 18, 2018 with monthly payments of \$2,255 per month including interest at the Royal Bank of Canada's prime rate plus 3.75% per annum.	176,537	191,611
Term loan payable secured by real property. Renewing on November 1, 2021 with monthly payments of \$865 per month including interest at 6.29% per annum.	74,300	79,887
	\$ 503,296	\$ 554,350

Future principal payments for subsequent years are as follows:

2018	\$ 274,463
2019	166,545
2020	6,637
2021	55,651
2022	-
	\$ 503,296

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8. CAPITAL LEASE

Vehicle lease, bearing interest at 6.41% per annum, repayable in monthly payments of \$1,567.12 ending on November 29, 2021 and secured by the vehicle. Future minimum lease payments for the next 5 years are as follows: 2018 - \$18,805; 2019 - \$18,805 - 2020 - \$18,805; 2021- \$12,537

9. CONTINGENT LIABILITY

During the 2014 year, Indigenous and Northern Affairs Canada conducted a recipient audit of fiscal years 2012 and 2013 and has advised Gitsegukla Indian Band that there should be a recovery as a result of the audit findings. Gitsegukla Indian Band has a process in place to work with Indigenous and Northern Affairs Canada towards a recovery plan that will not put the delivery of local government programs at risk. The recoverable amount was originally assessed at \$4,563,238; however the management believes the final balance owing will be approximately \$34,000.

10. PRIOR PERIOD ADJUSTMENT

During the year, the First Nation determined that significant building upgrade costs were not capitalized in the prior period. The impact of this correction has resulted in an increase in tangible capital assets and an increase in accumulated surplus of \$2,240,670 at April 1, 2016.

	2017								2016
	Beginning Cost	Additions	Disposal	Ending Cost	Beginning Accumulated Depreciation	Depreciation	Ending Accumulated Depreciation	Net Book Value	Net Book Value
Land	\$ 300,000	\$ -	\$ -	\$ 300,000	\$ -	\$ -	\$ -	\$ 300,000	\$ 300,000
Furniture and equipment	842,054	8,301	-	850,355	769,247	20,356	789,603	60,752	72,807
Hall equipment	26,671	-	-	26,671	26,671	-	26,671	-	-
Hemp farm equipment	50,000	-	-	50,000	50,000	-	50,000	-	-
Mobile equipment	473,679	141,892	-	615,571	394,417	55,671	450,088	165,483	79,262
Infrastructure						-			
Buildings	7,789,248	3,015,921	-	10,805,169	4,839,306	341,615	5,180,921	5,624,248	2,949,942
Education buildings	675,917	559,535	-	1,235,452	62,984	35,708	98,692	1,136,760	612,933
Roads	17,131	-	-	17,131	17,131	-	17,131	-	-
Municipal infrastructure	4,561,879	82,983	-	4,644,862	2,916,567	150,417	3,066,984	1,577,878	1,645,312
Fencing	7,178	-	-	7,178	2,009	287	2,296	4,882	5,169
Health capital assets	2,133,746	45,220	-	2,178,966	694,507	79,187	773,694	1,405,272	1,439,239
	\$ 16,877,503	\$ 3,853,852	\$ -	\$ 20,731,355	\$ 9,772,839	\$ 683,241	\$ 10,456,080	\$ 10,275,275	\$ 7,104,664

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12. BUDGET INFORMATION

The budget information disclosed has been approved by the band council and third party management. Individual program operations not showing budget information does not mean budgets were not prepared but rather that their amounts were not readily determinable.

13. FINANCIAL INSTRUMENTS

Risk management policy

Gitsegukla Indian Band is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2017.

Credit risk

The carrying value of the Indian Band's main financial assets represents the maximum credit risk to which the band is exposed.

Liquidity risk

Gitsegukla Indian Band considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs, at a reasonable cost.

Market risk

Gitsegukla Indian Band is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject the band to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

The following table summarizes the contractual maturities of the financial liabilities as at March 31, 2017

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Accounts payable and accrued expenses	\$ 2,108,855	\$ 2,108,855	\$ 2,108,855	\$ -	\$ -
Capital lease	89,597	87,757	\$ 18,805	\$ 68,952	\$ -
Long-term debt	592,893	592,893	274,463	173,182	145,248
	<u>\$ 2,791,345</u>	<u>\$ 2,789,505</u>	<u>\$ 2,402,123</u>	<u>\$ 242,134</u>	<u>\$ 145,248</u>