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GITANYOW BAND COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2016

GITANYOW BAND COUNCIL
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INDEPENDENT AUDITOR'S REPORT

TO THE GITANYOW BAND COUNCIL

Report on the Financial Statements

We have audited the accompanying statement of financial position of the Gitanyow Band Council as at March 31, 2016 and the statements of financial activities, cash flows and changes in net financial 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 as at March 31, 2016 and the results of its operations, cash flows, and changes in net financial liabilities for the year then ended in accordance with Canadian public sector accounting standards.

Terrace, BC
August 30, 2016

Carlyle Shepherd & Co.

GITANYOW BAND COUNCIL

STATEMENT OF FINANCIAL POSITION

MARCH 31

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash	641,594	551,288
Accounts receivable (note 2)	62,434	125,285
Inventory (note 1)	40,892	42,804
Ottawa Trust funds (note 4)	<u>202,880</u>	<u>196,832</u>
	<u>947,800</u>	<u>916,209</u>
LIABILITIES		
Accounts payable and accruals (note 3)	306,175	324,142
Bank demand loan (note 6)	6,000	16,000
Long-term debt (note 5)	<u>1,400,864</u>	<u>1,557,051</u>
Replacement reserve (note 7)	<u>287,512</u>	<u>266,103</u>
	<u>2,000,551</u>	<u>2,163,296</u>
NET FINANCIAL LIABILITIES	<u>-1,052,751</u>	<u>-1,247,087</u>
NON-FINANCIAL ASSETS		
Property and equipment (notes 1 and 9)	8,671,418	9,138,508
Investment in associated entities (notes 1 and 8)	<u>206,956</u>	<u>169,061</u>
	<u>8,878,374</u>	<u>9,307,569</u>
	<u>7,825,623</u>	<u>8,060,482</u>
BAND POSITION		
Surplus (Deficit) (note 10)	352,189	282,193
Equity in Property and Equipment (note 11)	7,270,554	7,581,457
Equity in Ottawa Trust Funds (note 4)	<u>202,880</u>	<u>196,832</u>
	<u>7,825,623</u>	<u>8,060,482</u>

APPROVED BY COUNCIL

27/4 _____ Councilor
W.C. _____ Councilor

GITANYOW BAND COUNCIL

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Unaudited Budget	2016	2016	2015
		\$	\$	\$
REVENUE				
GGC	1,680,473	1,708,579	2,156,785	
CMHC	92,422	98,153	92,422	
Gas Bar	1,076,693	850,780	1,076,693	
Ottawa Trust funds	-	6,048	6,577	
Rental	336,781	309,280	336,781	
Other	108,513	629,321	538,753	
	<u>3,294,882</u>	<u>3,602,161</u>	<u>4,208,011</u>	
EXPENDITURE				
Administration	481,402	506,887	481,402	
Amortization/disposal of assets	420,697	547,127	420,697	
Capital projects	190,154	243,339	533,707	
Economic development	1,134,332	1,111,989	1,304,130	
Housing	257,828	272,147	258,032	
Operations and maintenance	235,615	200,697	235,615	
Social services	887,000	954,834	887,000	
	<u>3,607,028</u>	<u>3,837,020</u>	<u>4,120,583</u>	
REVENUE OVER EXPENDITURE	-312,146	-234,859	87,428	
OPENING POSITION	<u>8,060,482</u>	<u>8,060,482</u>	<u>7,973,054</u>	
CLOSING POSITION	<u>7,748,336</u>	<u>7,825,623</u>	<u>8,060,482</u>	

GITANYOW BAND COUNCIL
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	-234,859	87,428
Amortization/disposal of assets	547,127	420,697
Accounts receivable	62,851	-59,382
Inventory	1,912	-12,794
Ottawa Trust funds	-6,048	-6,577
Accounts payables and accruals	<u>-17,967</u>	<u>124,288</u>
	<u>353,016</u>	<u>553,660</u>
FINANCING ACTIVITIES		
Bank demand loan	-10,000	16,000
Long-term debt	-156,187	-179,796
Replacement reserve	<u>21,409</u>	<u>-203,898</u>
	<u>-144,778</u>	<u>-367,694</u>
INVESTING ACTIVITIES		
Investment in associated entities	-37,895	-18,488
Property and equipment purchases	<u>-80,037</u>	-
	<u>-117,932</u>	<u>-18,488</u>
CHANGE IN CASH		
	90,306	167,478
OPENING CASH BALANCE		
	<u>551,288</u>	<u>383,810</u>
CLOSING CASH BALANCE		
	<u>641,594</u>	<u>551,288</u>

GITANYOW BAND COUNCIL
STATEMENT OF CHANGES IN NET FINANCIAL LIABILITIES
YEAR ENDED MARCH 31

	2016	2015
	\$	\$
Revenue over expenditure	-234,859	87,428
Amortization/disposal of assets	547,127	420,697
Investment in associated entities	-37,895	-18,488
Property and equipment purchases	<u>-80,037</u>	<u>-</u>
Change in the year	194,336	489,637
Opening net financial liabilities	<u>-1,247,087</u>	<u>-1,736,724</u>
Closing net financial liabilities	<u>-1,052,751</u>	<u>-1,247,087</u>

GITANYOW BAND COUNCIL

NOTES

MARCH 31, 2016

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 Canadian public sector accounting standards.

The Band maintains the following funds 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 funds reports the trust funds owned by the Band and held by the federal government.

b) Inventory

Inventory is reported at cost.

c) Property and Equipment

Property and equipment are reported at cost and are amortized using the declining balance method, except for non-social housing assets, at the following annual rates:

Buildings	4%, 5% & 10%
Engineered structures	3%
Equipment	10% & 20%

For Social Housing, amortization on property and equipment is based on the annual principal reduction of the related mortgage.

d) Recognition of Revenue and Expenditures

Revenue and expenditures are reported on an accrual basis.

Revenue is recorded in the period in which the transaction 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.

GITANYOW BAND COUNCIL

NOTES

MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Investments

Controlled enterprises are accounted for using the modified equity method. Portfolio investments are recorded at market value at the year-end date.

f) Use of Estimates

The preparation of financial statements in accordance with Canadian public sector accounting standards require management to make estimates and assumptions that affect the amounts reported. Actual results could differ from these estimates.

g) Financial Instruments

The Band measures financial assets and liabilities at market value at the date of acquisition, except for portfolio investments which are recorded at market value at the year-end date. It is management's opinion that the Band's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks.

2. ACCOUNTS RECEIVABLE

	2016	2015
Gitksan Government Commission	\$ -	\$ 28,698
Rent receivable	1,338,530	1,215,065
Trade and other	62,434	99,587
Allowance for doubtful accounts	<u>-1,338,530</u>	<u>-1,218,065</u>
	<u>\$ 62,434</u>	<u>\$ 125,285</u>

3. ACCOUNTS PAYABLE AND ACCRUALS

	2016	2015
Gitksan Government Commission	\$ 24,765	\$ -
Governmental payables	1,862	2,028
Trade and other	258,326	303,602
Wages and benefits	<u>21,222</u>	<u>18,512</u>
	<u>\$ 306,175</u>	<u>\$ 324,142</u>

GITANYOW BAND COUNCIL

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MARCH 31, 2016

4. 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 requires the consent of the Minister of INAC.

	Capital	Revenue	Total 2016	Total 2015
Opening balance	\$ 46,240	\$ 150,592	\$ 196,832	\$ 190,255
Income	-	6,048	6,048	6,577
Closing balance	<u>\$ 46,240</u>	<u>\$ 156,640</u>	<u>\$ 202,880</u>	<u>\$ 196,832</u>

5. LONG-TERM DEBT

Royal Bank of Canada

\$1,710/month including interest at 2.94% per annum.	\$ 232,486
\$1,567/month including interest at 3.73% per annum.	87,124
\$1,502/month including interest at 2.83% per annum.	95,656
\$2,331/month including interest at 3.34% per annum.	369,102

All Nations Trust Company

\$5,234/month including interest at 1.7% per annum.	72,517
\$1,639/month including interest at 1.53% per annum.	290,498
\$2,212/month including interest at 2.11% per annum.	253,481
	<u>\$ 1,400,864</u>

Long-term debt is secured by mortgages over buildings. Scheduled principal repayment during the next five years is as follows:

2017	\$ 159,871
2018	110,963
2019	103,273
2020	106,122
2021	109,057
	<u>\$ 589,286</u>

GITANYOW BAND COUNCIL

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MARCH 31, 2016

6. BANK DEMAND LOAN

Royal Bank of Canada revolving loan, interest at prime plus 2.25% per annum; secured by a general security agreement.

7. REPLACEMENT RESERVE

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited with \$21,409 annually. These 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, 2016, \$266,245 of the required \$287,512 was in a separate bank account.

Opening balance	\$ 266,103
Current provision	<u>21,409</u>
Closing balance	<u>\$ 287,512</u>

8. INVESTMENT IN ASSOCIATED ENTITIES

The reported values for the entities are as follows:

Gitanyow Economic Development Corporation; wholly owned subsidiary	\$ 161,193
Meziadin Junction Limited Partnership; 25% partnership share	<u>45,763</u>
	<u><u>\$ 206,956</u></u>

Financial information for Gitanyow Economic Development Corporation is as follows:

Assets	\$ 182,249
Liabilities	186,246
Revenue	763,248
Net income (loss)	\$ -324

GITANYOW BAND COUNCIL

NOTES

MARCH 31, 2016

9. PROPERTY AND EQUIPMENT

PROPERTY AND EQUIPMENT

ACCUMULATED AMORTIZATION

								NET BOOK VALUE	
	Opening Balance	Additions	Disposals	Opening Balance	Disposals	Annual Amortization	Closing Balance	Total 2016	Total 2015
Land	255,000	-	127,500	127,500	-	-	-	127,500	255,000
Buildings	7,050,049	-	-	7,050,049	3,352,002	-	192,008	3,544,010	3,506,039
Engineered structures	6,125,817	-	-	6,125,817	1,289,248	-	161,058	1,450,306	4,675,511
Equipment	1,106,189	80,037	64,540	1,121,686	757,297	64,540	66,561	759,318	362,368
	<u>14,537,056</u>	<u>80,037</u>	<u>192,040</u>	<u>14,425,052</u>	<u>5,398,547</u>	<u>64,540</u>	<u>419,627</u>	<u>5,753,634</u>	<u>8,671,418</u>
									<u>9,138,508</u>

GITANYOW BAND COUNCIL

NOTES

MARCH 31, 2016

10. SURPLUS (DEFICIT)

	2016	2015
	\$	\$
Administration	-97,017	-112,826
Capital projects	-49,555	-85,266
Economic development	639,087	760,977
Housing	-75,311	-256,624
Operations and maintenance	36,150	33,679
Social services	<u>-101,165</u>	<u>-57,747</u>
	<u>352,189</u>	<u>282,193</u>

11. EQUITY IN PROPERTY AND EQUIPMENT

	2016	2015
	\$	\$
Opening balance	7,581,457	7,822,358
Contributions from operations	80,037	-
Long-term debt repayment	156,187	179,796
Amortization / disposal of assets	<u>-547,127</u>	<u>-420,697</u>
Closing balance	<u>7,270,554</u>	<u>7,581,457</u>

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:

GITTANYOW BAND COUNCIL

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MARCH 31, 2016

12. Segment Disclosure (continued)

	Total Budget 2016	Administration	Capital Projects	Economic Development	Housing	Operation Maintenance	Social Services	Amortization	Total 2016	Total 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue										
GGC	1,680,473	279,357	190,154	119,036	98,153	209,666	910,366	-	1,708,579	2,156,785
CMHC	92,422	-	-	-	850,780	-	-	-	98,153	92,422
Gas Bar	1,076,693	-	-	-	-	-	-	-	850,780	1,076,693
Ottawa Trust funds	-	6,048	-	-	-	-	-	-	6,048	6,577
Rental	336,781	-	-	-	309,280	-	-	-	309,280	336,781
Other	108,513	243,339	88,896	88,160	202,214	5,662	1,050	-	629,321	538,753
	3,294,882	528,744	279,050	1,057,976	609,647	215,328	911,416	-	3,602,161	4,208,011
Expenses										
Amortization / loss on disposal of assets	420,697	-	-	-	-	-	-	-	547,127	547,127
Bad debts	130,960	-	-	-	123,465	-	-	-	123,465	420,697
Benefits and programs	803,908	-	-	-	-	-	866,596	-	866,596	130,960
Contract services	390,993	22,782	243,339	138,675	-	17,551	-	-	422,347	799,408
Honoraria	81,066	97,298	-	-	-	-	-	-	97,298	695,493
Insurance	74,207	24,494	-	1,328	41,176	18,448	-	-	85,446	81,066
Interest	43,795	-	-	-	38,137	-	-	-	38,137	75,535
Materials, supplies and other	950,726	70,886	-	807,052	64,889	35,022	7,194	-	985,023	43,795
Professional services	24,705	25,090	-	-	4,500	-	-	-	29,590	1,161,281
Telephone and utilities	70,221	13,559	-	12,968	-	44,971	1,305	-	72,803	24,705
Travel and workshops	95,665	53,700	-	1,250	-	15,966	3,639	-	74,555	71,421
Wages and benefits	520,085	199,078	-	150,716	-	68,739	76,100	-	494,633	96,137
	3,607,028	506,887	243,339	1,111,989	272,147	200,697	954,834	547,127	3,837,020	4,120,583
REVENUE OVER EXPENDITURE										
REVENUE	-312,146	21,857	35,711	-54,013	337,500	14,631	-43,418	-547,127	-234,859	87,428
TRANSFERS	-	-	-	-	-	-	-	-	-	-
ANNUAL SURPLUS (DEFICIT)	-312,146	21,857	35,711	-54,013	337,500	14,631	-43,418	-547,127	-234,859	87,428

CARLYLE SHEPHERD & CO.

CHARTERED PROFESSIONAL ACCOUNTANTS

