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SHUSWAP INDIAN BAND
FINANCIAL STATEMENTS
MARCH 31, 2016

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SHUSWAP INDIAN BAND
FINANCIAL STATEMENTS
MARCH 31, 2016

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Management's Responsibility for Financial Statements

The accompanying financial statements of the Shuswap Indian Band are the responsibility of management and have been approved by Council.

The financial statements have been prepared by management 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 Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the financial statements.

The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report.

The external auditors, Larry Ewing Chartered Professional Accountant, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Shuswap Indian Band and meet when required.

On behalf of the Shuswap Indian Band.



**Barbara Cote
Chief**



Larry Ewing BComm, CPA, CA, CPA(IL)
(an incorporated professional)

To the members of Shuswap Indian Band,

We have audited the accompanying financial statements of Shuswap Indian Band, which comprise the statement of financial position of Shuswap Indian Band as at March 31, 2016, and the statements of operations, statement of change in net financial assets, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Public Sector Accounting Standards, 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 upon our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we audit and perform the audit to obtain reasonable assurance about 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 selected depend on the auditor's judgment, including the assessment of 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 evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the financial statements present fairly, in all material respects, the financial position of Shuswap Indian Band as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Public Sector Accounting Standards.

A handwritten signature in black ink that reads 'Larry Ewing'.

CHARTERED PROFESSIONAL ACCOUNTANT

July 28, 2016

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SHUSWAP INDIAN BAND
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	2016	2015
Financial assets		
Cash	1,579,337	668,967
Accounts receivable – note 2	574,071	828,895
Advances to band controlled entities – notes 3,9,10	298,363	339,504
First Nations Trust Co. Shares	1,000	1,000
Trust Funds held by INAC	10,760	40,952
Total financial assets	2,463,531	1,879,318
Liabilities		
Accounts payable and accrued liabilities	264,360	441,379
Government withholdings payable	17,280	10,949
Salaries payable	31,276	
Bank loan – note 11	52,834	155,555
Unearned lease revenue – note 7	9,225	12,301
Total liabilities	374,975	620,184
Net financial assets	2,088,556	1,259,134
Non-financial assets		
Prepaid expenses	10,000	
Tangible capital assets – notes 1,5	1,292,700	1,273,213
Reserves for future expenditures – note 14	(89,063)	
Accumulated surplus	3,292,193	2,542,347



Councillor

SHUSWAP INDIAN BAND
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016

	Budget	2016	2015
Revenues			
Indigenous and Northern Affairs Canada - note 4	1,235,195	1,235,195	1,269,460
BC Hydro	90,252	90,252	31,753
Columbia Basin Trust	159,000	159,000	
First Nations Health Authority	273,312	273,312	253,962
First Nations GST	638,125	638,125	523,811
Other funds – note 15	433,463	433,463	
Other income	219,194	219,194	137,681
Property taxes	597,991	597,991	573,573
Province of BC	608,617	608,617	289,508
Rent	3,600	3,600	18,575
Income from INAC trust	848	848	1,675
Gain from government business enterprises			648,747
Total revenue	4,259,597	4,259,597	3,748,745
Expenses			
Band government	769,627	769,627	616,792
Education	179,141	179,141	128,005
First nations GST	252,523	252,523	201,637
Health	281,369	281,369	241,823
Housing	45,205	45,205	18,552
Lands and resources	503,509	503,509	577,440
Public works	120,435	120,435	87,675
Social development	236,951	236,951	194,387
Taxation	508,928	508,928	586,617
Titles and rights	347,840	347,840	300,000
Amortization	76,275	76,275	64,602
Loss from government business enterprises	194,648	194,648	
Total expenses	3,516,451	3,516,451	3,017,530
Surplus (deficit) for the year	743,146	743,146	731,215
Accumulated surplus beginning of year		2,542,347	1,792,646
Tangible capital assets additions – note 5		95,763	18,486
Reserves for future expenditures – note 14		(89,063)	
Accumulated surplus end of year	3,292,193	2,542,347	

SHUSWAP INDIAN BAND
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2016

	2016	2015
Surplus (deficit) for the year	743,146	731,215
Amortization	76,276	64,603
Prepaid expenses	10,000	(10,000)
Change in financial assets	829,422	785,818
Financial assets beginning of year	1,259,134	473,316
Financial assets end of year	<u>2,088,556</u>	<u>1,259,134</u>

SHUSWAP INDIAN BAND
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016

	2016	2015
Operating transactions		
Surplus (deficit) for the year	743,146	731,215
Depreciation	76,275	64,602
Change in advances to band controlled entities	41,141	(135,055)
Interest from INAC trust	(848)	(1,675)
Change in accounts receivable	254,824	14,919
Change in prepaid expenses	10,000	80,000
Change in accounts payable and accrued liabilities	(177,018)	38,835
Change in government withholdings payable	6,332	
Change in salaries payable	31,276	
Change in unearned INAC revenue	(69,172)	
Total from operating activities	985,128	723,669
Financing transactions		
Trust fund withdrawals	31,039	
Loan repayment	(102,721)	(104,494)
Change in unearned lease revenue	(3,076)	(3,076)
Total financing transactions	(74,758)	(107,570)
Increase (decrease) in cash	910,370	616,099
Cash beginning of year	668,967	52,868
Cash end of year	1,579,337	668,967

SHUSWAP INDIAN BAND
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED MARCH 31, 2016

1) Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared 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 Accountants.

b) Reporting Entity

The Shuswap Indian Band includes all Shuswap Indian Band government and all related entities that are controlled by the Band.

c) Revenue Recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenues related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service is performed.

d) Tangible Capital Assets

Tangible capital assets are recorded at cost. Amortization is recorded using the following annual rates:

Buildings	5%	DB
Automotive	25%	DB
Equipment	25%	DB
Water systems	5%	DB
Leasehold improvements	20%	SL

e) Investments in Controlled Corporations

The Band's investment in the Kinbasket Development Corporation, Kinbasket Property Development Corporation, and the Kinbasket Water & Sewer Company Ltd. have been accounted for using the modified equity method. Under the modified equity method the investment in these corporations are adjusted for income or loss for the year. For these corporations no modifications of the equity method are necessary because the accounting principles of these business entities are the same as that of the Band.

SHUSWAP INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

1) Significant Accounting Policies (continued)

f) Investments in Non-Controlled Corporations

The Shuswap Indian Band holds a 6.7% interest in the St. Eugene Mission Hotel and Golf Course Funding Corporation which was paid for by the Government of Canada. The value of that interest has not been determined by the Band and, therefore, the value reported on these statements is nil.

g) Measurement Uncertainty

These financial statements have been prepared in accordance with Canadian generally accepted accounting practices. In preparing these financial statements management has made estimates and assumptions that affect the amounts reported. Actual results could differ from these estimates.

2) Accounts Receivable

BC Highways and CPR
 Property taxes
 Province of BC

	2016	2015
BC Highways and CPR	389,258	485,580
Property taxes	174,813	215,006
Province of BC	10,000	128,309
	<u>574,071</u>	<u>828,895</u>

3) Advances to Band controlled entities

Due from Kinbasket Water & Sewer Company Ltd.
 Due from Kinbasket Development Corporation
 Deficiency in investment in band controlled entities – note 6
 Estimated value of advances to Band controlled entities

	2016	2015
Due from Kinbasket Water & Sewer Company Ltd.	348,634	174,620
Due from Kinbasket Development Corporation	923,746	944,253
Deficiency in investment in band controlled entities – note 6	<u>(974,017)</u>	<u>(779,369)</u>
Estimated value of advances to Band controlled entities	<u>298,363</u>	<u>339,504</u>

4) Unearned INAC Revenue

Unearned INAC revenue beginning of year
 Community economic development (PPP)
 First Nations Land Management Development
 Balance end of year

INAC revenue recorded
 First Nations Land Management Development
 INAC funding per confirmation

	2016	2015
Unearned INAC revenue beginning of year	69,172	
Community economic development (PPP)	69,172	
First Nations Land Management Development	69,172	
Balance end of year	69,172	
INAC revenue recorded	1,235,195	1,200,288
First Nations Land Management Development	69,172	
INAC funding per confirmation	<u>1,235,195</u>	<u>1,269,460</u>

SHUSWAP INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

5) Tangible Capital Assets

	2016 Cost	2016 Additions	2016 Cost
Land	152,370	16,385	168,755
Administrative buildings	341,834		341,834
Church building	68,375		68,375
Equipment	228,107	11,000	239,107
Leasehold improvements	9,986	68,378	78,364
Social housing buildings	1,585,794		1,585,794
Water systems	1,251,676		1,251,676
	3,638,142	95,763	3,733,905

Included in the Taxation Fund are social and cultural expenditures amounting to \$68,375 which relate to capital renovations to the church building in the fiscal year ended March 31, 2013.

	2016 Amortization	2016 Accumulated Amortization	2016 Net Book Value	2015 Net Book Value
Land			168,755	152,371
Administrative buildings	5,608	235,291	106,543	112,152
Church building	3,008	11,217	57,158	60,166
Equipment	7,165	212,111	26,996	23,161
Leasehold improvements	14,675	15,674	62,690	8,987
Social housing buildings	24,322	1,123,679	462,115	486,436
Water systems	21,497	843,233	408,443	429,940
	76,275	2,441,205	1,292,700	1,273,213

6) Investment In Controlled Entities

Kinbasket Development Corporation, Kinbasket Property Development Corporation and Kinbasket Water & Sewer Company Ltd. are wholly owned subsidiaries of the Band. Shares of these corporations are held in trust by members of the current Band Council for the benefit of the members of the Shuswap Indian Band. The Band owns a 90% interest in Kinbasket Integrated Property Management Ltd. The Band's investment in controlled entities can be summarized as follows:

	2016	2015
Kinbasket Development Corporation equity	(2,059,053)	(1,982,498)
Kinbasket Property Development Corporation equity	112,433	167,852
Kinbasket Water and Sewer Company Ltd. equity	972,603	980,022
Kinbasket Integrated Property Management Ltd. – 90%		55,255
	(974,017)	(779,369)

SHUSWAP INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

6) Investment in Controlled Entities (Continued)

Audited condensed financial information for Kinbasket Development Corporation for its fiscal year ended March 31, 2016 is as follows:

	2016	2015
Assets	5,904,083	5,883,667
Liabilities	7,963,136	7,866,165
Appraisal increase on lands held for development	2,582,613	2,615,304
Revenue	320,213	799,288
Income (loss)	(43,864)	503,005

Unaudited condensed financial information for Kinbasket Property Development Corporation for its fiscal year ended March 31, 2015 is as follows:

	2015
Assets	112,433
Liabilities	94,581
Revenue (loss)	94,581
Income (loss)	94,581

Audited condensed financial information for Kinbasket Water & Sewer Company Ltd. for its fiscal year ended March 31, 2016 is as follows:

	2016	2015
Assets	5,756,732	5,468,121
Liabilities	4,784,129	4,488,099
Appraisal increase on lands held for development	582,791	582,791
Revenue	344,241	364,661
Income (loss)	(7,419)	128,433

7) Unearned Lease Revenue

BC Hydro has entered into a lease to access Band lands. The parties have agreed to a twenty year lease starting in 2000 and expiring in 2019 for consideration of \$61,517. Lease revenue from this agreement is being included in revenue over the term of the lease.

8) Loans to Band Members

No amounts are owing from Band Members.

SHUSWAP INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

9) Financial Instruments

Credit Risk Management

There is no credit risk on accounts receivable. These amounts generally relate to property taxes, amounts held in trust, or amounts due from government sources.

The Corporation is exposed to credit risk on the balances due from Kinbasket Water & Sewer Company Ltd., and Kinbasket Development Corporation. The amount of credit risk is accounted for by offsetting the advances to Band controlled entities with the deficiency in investment in band controlled entities.

Fair Values

The carrying amount of accounts payable and accounts receivable approximates their fair value because of the short term maturities of these items.

The fair value of balances due from Kinbasket Water & Sewer Company Ltd. and Kinbasket Development Corporation are less than carrying value as the amounts are unsecured and non-interest bearing. Since there are no specific terms of repayment, it has not been possible to determine the fair value.

10) Related Party Transactions

The Kinbasket Development Corporation, Kinbasket Water & Sewer Company Ltd., and Kinbasket Property Development Corporation are wholly owned subsidiaries of the Shuswap Indian Band. Funds are transferred between the companies to facilitate the cash requirements of each company.

33.3% of the shares of North Rock Holdings Inc. are owned by the Kinbasket Property Development Corporation which exerts significant influence over the corporation. During the year ended March 31, 2016 North Rock Holdings Ltd. rented office space to the Shuswap Indian Band for \$45,992.

The amounts owing from Kinbasket Development Corporation and Kinbasket Water & Sewer Company Ltd. are unsecured with no specific terms for repayment.

11) Bank Loan

The bank loan is payable upon demand plus interest at the bank prime rate plus 2%, and is secured by a general assignment of book debts. Payments are being made on this loan at \$8,991 per month.

SHUSWAP INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

12) Expenses by Object

	2016	2015
Administration	272,426	
Amortization	76,275	64,602
Bank charges and interest	8,348	24,059
Capital	95,762	18,486
Consulting	600,662	752,163
Insurance	24,591	58,551
Loss on band controlled entities	194,648	
Office	47,026	23,176
Other	214,768	156,349
Professional fees	88,751	74,750
Program	856,074	529,935
Rent	45,992	
Repairs and maintenance	101,227	391,482
Travel	57,258	23,467
Utilities	88,905	129,197
Wages, salaries and benefits	742,008	771,313
	<hr/> 3,514,721	<hr/> 3,017,530

13) Contingent Liabilities

- a) The Band is contingently liable to the Bank of Montreal for loans of KDC Sand and Gravel in the amount of \$211,333.
- b) The Band is in litigation with a number of employees. The amount of the claims exceed \$240,000, however, it is not possible to estimate whether any liability will occur to the Band.
- c) The Band is in dispute with Shuswap Woodlands Restoration Ltd. over forestry services provided by Shuswap Woodlands Restoration Ltd. to the Shuswap Indian Band and its business enterprises. The amount in dispute is \$249,746. It is not determinable at this time if this amount will be payable in the future.
- d) Kinbasket Water & Sewer Company has a disagreement regarding the billing of one of its contractors for an amount exceeding \$1,118,753. Kinbasket Water & Sewer Company Ltd. have recorded this debt at \$375,100. The Shuswap Indian Band is contingently liable for this debt.
- e) The Band is contingently liable for housing loans of band members in the amount of \$588,998.
- f) The Band is contingently liable for a sewage improvement loan of \$194,608 in Kinbasket Water & Sewer Company Ltd.

SHUSWAP INDIAN BAND
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

14) Reserves for Future Expenditures

The Taxation Fund has made the following reserves for future expenditures.

	<u>2016</u>
Capital expenditures	40,000
Sewage repair	40,000
Environmental health	5,000
	<u>85,000</u>

15) Interfund Payments

The following payments have been made between funds:

	Band Govn't	Housing	Education	Public Works
First Nations GST Fund	55,000	45,702	15,606	
Health	25,129			
Lands and Resources	55,000			
Public Works	29,026			
Taxation	82,000	26,000	26,000	19,000
Titles and Rights	55,000			
	<u>301,155</u>	<u>71,702</u>	<u>41,606</u>	<u>19,000</u>

16) Comparative Figures

Certain of the March 31, 2015 comparative figures have been changed to conform with the financial statement presentation for the year ended March 31, 2016.