

**PAUQUACHIN FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS**

MARCH 31, 2014

(PACKAGE #1)

**Brynjolfson & Company
Certified General Accountant**

**PAUQUACHIN FIRST NATION
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MARCH 31, 2014**

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Management's Statement of Responsibility

The accompanying consolidated financial statements of Pauquachin First Nation as at March 31, 2014 are the responsibility of management and have been approved by Chief and Council.

The consolidated 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.

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

Chief and Council meet periodically with management, as well as the external auditor, 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, Brynjolfson & Company, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Pauquachin First Nations and meet when required.

On behalf of Pauquachin First Nation:



Band Administrator

Date: July 3, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Pauquachin First Nation:

I have audited the accompanying financial statements of the Pauquachin First Nation, which comprises the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of operations, consolidated statement of change in net debt, and consolidated statement of cash flow 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, 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

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

An audit includes 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 of 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.


I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Pauquachin First Nation as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The supplementary information contained in the accompanying schedules is presented for purposes of additional information to the membership and Aboriginal Affairs and Northern Development Canada and do not form part of the financial statements. The schedules have not been audited other than in the course of my audit of the financial statements to the extent necessary to allow me to render an opinion thereon.


June 17, 2014
Victoria, BC


Certified General Accountant

PAUQUACHIN FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2014

	2014 Actual \$	2013 Actual \$
Financial assets		
Cash	757,936	424,827
Restricted Cash, Note 9	168,937	254,715
Accounts Receivable, Note 4	<u>88,796</u>	<u>222,035</u>
	<u>1,015,669</u>	<u>901,577</u>
Liabilities		
Accounts payable and accrued liabilities	141,883	117,630
Deferred revenue	-	6,520
Deferred capital asset contribution	6,928,049	7,054,069
Promissory Note - AANDC	424,118	424,118
Demand loans	315,183	311,562
Replacement Reserves, Note 8(a)	117,108	103,802
Long Term Debt, Note 7	<u>832,129</u>	<u>887,794</u>
	<u>8,758,470</u>	<u>8,905,495</u>
Net financial assets (net debt)	(7,742,801)	(8,003,918)
Non-financial assets		
Tangible capital assets - Notes 2 & 5	8,038,162	8,239,385
Prepaid Expenses	<u>405,850</u>	<u>384,910</u>
	<u>8,444,012</u>	<u>8,624,295</u>
Accumulated surplus – Note 10	<u>701,211</u>	<u>620,377</u>

Approved by:


 _____ Chief

 Councillor


 _____ Councillor


 _____ Councillor

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements.

PAUQUACHIN FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2014

REVENUES	<u>2014</u>	<u>2013</u>
Aboriginal Affairs and Northern Development Canada	\$1,356,682	\$1,478,533
Health Canada	407,939	398,413
Interest and other	700,292	468,894
Rental Income	188,021	254,018
CMHC Subsidy	33,902	17,972
Deferred revenue capital asset contribution	<u>295,423</u>	<u>275,167</u>
	<u>2,982,259</u>	<u>2,892,997</u>
EXPENDITURES		
Administration	107,522	94,155
Amortization	295,423	275,167
Basic needs, assistance and health supported programs	764,072	812,251
Consultants and contractors	189,072	182,499
Chief and Council honoraria	62,400	62,400
Equipment rentals and lease	25,410	30,336
Honoraria – other	53,545	9,646
Insurance	26,929	29,934
Interest on long-term debt	25,837	21,908
Materials and supplies	55,991	24,014
Office, training, workshops and other	106,948	78,718
Mortgage and loan payments	80,165	60,325
Municipal fees, licenses and dues	118,865	99,189
Professional fees (legal and audit)	29,646	27,718
Capital program expenditures	94,200	24,618
Student allowances and supplies	135,682	148,318
Repairs and maintenance	52,286	64,007
Reserve provisions	13,675	10,735
Tel/Fax/Internet and utilities	30,134	32,945
Travel and transportation	36,209	41,633
Wages, benefits and training	<u>597,414</u>	<u>574,791</u>
	<u>2,901,425</u>	<u>2,705,307</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	80,834	187,690
SURPLUS/(DEFICIT), Beginning of year	<u>620,377</u>	<u>432,687</u>
ACCUMULATED SURPLUS, End of year	<u>\$ 701,211</u>	<u>\$ 620,377</u>

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements

PAUQUACHIN FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
For the year ended March 31, 2014

	2014 Actual \$	2013 Actual \$
Annual surplus/(deficit)	80,834	187,690
Acquisition of tangible capital assets Capital Fund	(94,200)	(691,378)
Amortization of tangible capital assets	295,423	275,167
Acquisition of prepaid asset	(405,850)	(384,910)
Use of prepaid asset	<u>384,910</u>	<u>367,059</u>
(Increase)/Decrease in net debt	261,117	(246,372)
Net debt, beginning of year	<u>(8,003,918)</u>	<u>(7,757,546)</u>
Net debt, end of year	<u>(7,742,801)</u>	<u>(8,003,918)</u>

The accompanying notes and supplementary schedules are an integral part of these consolidated financial statements.

PAUQUACHIN FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
For the Year Ended March 31, 2014

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 80,834	\$ 187,690
Items not requiring a current outlay of cash:		
- Amortization	295,423	275,167
Changes in non-cash working capital		
- Loan principle repayments included in operations	80,165	60,325
- Replacement reserve provisions included in operations	13,675	10,735
- Replacement reserve interest income	-	(302)
- Replacement reserve termination	(369)	(89,966)
- Net change in other working capital balances	<u>(76,153)</u>	<u>(491,641)</u>
Cash provided by operating activities	<u>(393,575)</u>	<u>(47,992)</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(94,200)	(696,262)
FINANCING ACTIVITIES		
Increase in loans	27,780	-
Increase (decrease) in long term debt	(55,665)	711,262
Loan payments	<u>(24,159)</u>	<u>(57,162)</u>
INCREASE (DECREASE) IN CASH	247,331	(90,154)
CASH – Beginning of year	<u>679,542</u>	<u>769,696</u>
CASH – End of year	<u>\$926,873</u>	<u>\$ 679,542</u>
REPRESENTED BY:		
CASH – Unrestricted	\$ 757,936	\$ 424,827
CASH – Restricted	<u>168,937</u>	<u>254,715</u>
	<u>\$926,873</u>	<u>\$ 679,542</u>

PAUQUACHIN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These Summary Financial Statements have been prepared in accordance with generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

The Pauquachin First Nation reporting entity includes the Pauquachin First Nation government and all related entities that are controlled by the First Nation.

a) Fund Accounting

Pauquachin First Nation 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. Pauquachin First Nation maintains the following funds:

- The Operating Fund which reports the general activities of the First Nations' administration;
- The Capital Fund which reports the capital assets of the First Nation, together with the related financing;
- The Trust Fund which reports on trust funds owned by the First Nation and held by third parties;
- The Social Housing Fund which reports the activities within the Band's Social Housing Program.

b) Reporting Entity and Principles of Financial Reporting

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

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

- Pauquachin First Nation Government Administration and Capital
- Pauquachin First Nation Trust Funds
- Pauquachin First Nation Social Housing Program

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 necessary been eliminated on the individual schedules.

PAUQUACHIN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

c) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, prepaid expenses and inventories of supplies.

d) Cash

Cash includes cash on hand and balances with banks net of bank overdraft.

e) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services.

Tangible capital assets are reported at net book value. Contributions received specifically to assist in the acquisition of tangible capital assets are reported as deferred revenue and amortized to income at the same rate as the related asset.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

f) Amortization

Tangible capital assets are now amortized on a straight-line basis over their remaining useful lives.

g) Band Social Housing

Social Housing assets acquired under CMHC sponsored housing programs are amortized at a rate equivalent to annual principal reduction in related long term debt, as required for CMHC reporting purposes.

h) Net Debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial and accumulated surplus.

PAUQUACHIN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

i) Revenue Recognition

All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue. Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

j) Measurement Uncertainty

In preparing financial statements for the government of Pauquachin First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the year. Significant areas of estimation include allowance for doubtful accounts, estimated useful lives of tangible capital assets, impairment of long-lived assets, accrued liabilities, and disclosure of contingencies. Actual results could differ from those estimates.

k) Financial Instruments

Pauquachin First Nation's financial instrument consists of cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that Pauquachin First Nation is not exposed to significant interest or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

2. CHANGE IN ACCOUNTING POLICY

Pauquachin First Nation has restated their tangible capital assets as at March, 2010 to their fair market value as of that date. An adjustment was recorded to operations in 2011 to account for the change in reported value, previously recorded at cost. All subsequent additions have been recorded at cost. The basis of amortization was changed from a declining balance method, with a corresponding reduction to equity in capital assets, to a straight-line basis retroactive to March 31, 2010.

PAUQUACHIN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

3. ECONOMIC DEPENDENCE

The government of Pauquachin First Nation receives a major portion of its revenue from Aboriginal Affairs and Northern Development Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

4. ACCOUNTS RECEIVABLE

	2014	2013
CMHC RRAP	\$ 23,522	\$ 8,850
CSETS	10,638	36,196
AANDC (formerly INAC)	-	104,311
FNESC	-	2,500
Miscellaneous	18,548	40,327
Rents	<u>36,383</u>	<u>29,851</u>
	<u>\$ 89,091</u>	<u>\$ 222,035</u>

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2014	(Restated) Net Book Value 2013
Buildings and improvements	2,199,591	386,404	1,813,187	\$1,825,244
General equipment	115,515	43,809	71,706	58,221
Mobile homes	450,000	277,747	172,253	227,802
Infrastructure	<u>2,553,872</u>	<u>266,430</u>	<u>2,287,442</u>	<u>2,341,549</u>
	<u>5,318,978</u>	<u>974,390</u>	<u>4,344,588</u>	<u>4,452,816</u>
Band Housing	<u>4,106,763</u>	<u>413,189</u>	<u>3,693,574</u>	<u>3,786,569</u>
TOTALS	<u>\$9,425,741</u>	<u>\$1,387,579</u>	<u>\$8,038,162</u>	<u>\$8,239,385</u>

PAUQUACHIN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

6. TRUST FUNDS

The Ottawa Trust Accounts arise from monies 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. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

	<u>Opening Balance</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>2014</u>	<u>2013</u>
Revenue	74,513	3,091	-	77,604	74,513
Capital	<u>436</u>	<u>-</u>	<u>-</u>	<u>436</u>	<u>436</u>
Fund Total	<u>74,949</u>	<u>3,091</u>	<u>-</u>	<u>78,040</u>	<u>74,949</u>

7. LONG-TERM DEBT

	<u>2014</u>	<u>2013</u>
Mortgage on Phase I housing project, payment of \$2,783 per month including interest at 2.11%	148,570	178,192
Mortgage on Phase IV housing project, payment of \$295 per month including interest at 2.61%	17,160	20,225
Mortgage on Phase V housing project, payment of \$2,918 per month including interest at 1.61%	<u>666,399</u>	<u>689,377</u>
	832,129	887,794
Less current portion	<u>55,925</u>	<u>54,653</u>
	<u>\$776,204</u>	<u>\$833,141</u>

Principal repayments required over the next five years:

2015	\$55,925	2018	\$59,932
2016	\$57,227	2019	\$61,342
2017	\$58,566		

PAUQUACHIN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2014

8. SOCIAL HOUSING RESERVES

a) Replacement Reserve

Under the terms of the agreement with CMHC, a replacement reserve is maintained to provide for future asset replacement. These funds, along with accumulated interest, must be held in a separate bank account. Use of these funds is restricted to expenditures approved by CMHC.

b) Subsidy Surplus Reserve

Under the terms of the agreement with CMHC, express federal assistance payments received may be retained in a subsidy surplus reserve up to a maximum of \$500 per unit. These funds, along with accumulated interest, must be held in a separate bank account. The funds in this account may only be used to meet future subsidy requirements.

c) Operating Reserve

Under the terms of the agreement with CMHC (Section 95, Post 1997 on Reserve Program), any surplus revenue will be retained within an Operating Reserve. These funds, along with accumulated interest, must be held in a separate bank account. Use of these funds is restricted to ongoing operating costs of housing projects committed under the Post 1997 On Reserve Program.

9. RESTRICTED CASH

	<u>2014</u>	<u>2013</u>
Comprised of the following		
Social Housing	\$ 90,897	\$179,766
Ottawa Trust Fund	<u>78,040</u>	<u>74,949</u>
	<u>\$168,937</u>	<u>\$254,715</u>

PAUQUACHIN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2014

10. DEFERRED CAPITAL ASSET CONTRIBUTIONS

Deferred capital asset contributions represent contributions which were provided to assist in the purchase or construction of tangible capital assets, along with equity gains that resulted from their restatement of tangible capital assets in March, 2010.

The changes in the deferred contributions balance for the year are as follows:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	7,054,069	7,279,449
Additions	169,403	49,787
Amounts applied to amortization	<u>(295,423)</u>	<u>(275,167)</u>
Balance, end of year	<u>6,928,049</u>	<u>7,054,069</u>

11. CONTINGENT LIABILITIES

- a) Restricted unexpended surpluses can be recovered by the funding agency.
- b) The First Nation is contingently liable for a portion of the liabilities of the WSANEC School Board, a tribal school that is funded by the four First Nations. No outstanding liabilities have been determined at this time.
- c) The First Nation has Ministerial Guarantees for loan balances outstanding. The contingent liability as at year-end amounts to \$887,794, as per confirmation provided by Aboriginal Affairs and Northern Development Canada.

12. COMPARATIVE FIGURES

Prior year's comparative amounts have been reclassified where necessary to conform to the current year's presentation.

13. BUDGET FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council.