

PAUQUACHIN FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017

PAUQUACHIN FIRST NATION
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MARCH 31, 2017

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Management's Statement of Responsibility

The accompanying consolidated financial statements of Pauquachin First Nation as at March 31, 2017 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 Chartered Professional 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: Aug 4/17



Brynjolfson & Co. Chartered Professional Accountant

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(E-mail: pbrynjolfson@aol.com)

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, 2017, 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 consider 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 materials respects, the financial position of Pauquachin First Nation as at March 31, 2017, 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.

Brynjolfson + Co.

Chartered Professional Accountant

July 25, 2017
Victoria, BC

PAUQUACHIN FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
March 31, 2017

	2017 Actual \$	2016 Actual \$
Financial assets		
Cash	2,642,748	831,340
Restricted Cash, Note 8	170,088	184,437
Accounts Receivable, Note 3	<u>658,756</u>	<u>264,426</u>
	<u>3,471,592</u>	<u>1,280,203</u>
Liabilities		
Accounts payable and accrued liabilities	274,193	132,264
Promissory Notes - AANDC	50,540	520,178
Demand and term loans	301,093	314,022
Replacement Reserves, Note 7 (a)	128,919	99,788
Long Term Debt, Note 6	<u>1,571,804</u>	<u>715,729</u>
	<u>2,326,549</u>	<u>1,781,981</u>
Net financial assets (net debt)	1,145,043	(501,778)
Non-financial assets		
Tangible capital assets - Notes 1 & 4	7,928,113	7,453,978
Prepaid Expenses	<u>145,987</u>	<u>450,613</u>
	<u>8,074,100</u>	<u>7,904,591</u>
Accumulated surplus – Note 9	<u>9,219,143</u>	<u>7,402,813</u>

Approved by:

Robert Davis Chief
Darlene Henry Councillor

Allen Councillor
UM Battellman 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, 2017

	<u>Budget</u>	<u>2017</u>	<u>2016</u>
REVENUES			
Aboriginal Affairs - Operations	\$ 1,817,174	\$1,817,174	\$1,398,300
Aboriginal Affairs – Settlement Funds	13,246,745	13,246,745	-
FNHA / Health Canada	520,596	520,596	548,806
Interest and other programs	1,615,975	1,278,175	1,353,063
Trust allocation (Hatch Point)	-	2,857,107	-
Rental Income	166,600	165,599	185,220
CMHC Subsidy	52,686	52,686	33,378
Program recoveries and adjustments	-	(68,585)	(8,875)
Equity allocation for asset amortization	<u>293,159</u>	<u>293,159</u>	<u>292,540</u>
	<u>17,712,935</u>	<u>20,162,656</u>	<u>3,802,432</u>
EXPENDITURES			
Administration	487,435	442,880	407,122
Public Works (O&M and Capital)	1,407,224	1,022,537	895,701
Education	171,503	172,838	173,550
Social Development	671,096	593,278	620,153
Health	691,114	744,584	599,955
Employment and Job Creation	274,870	202,649	115,953
Band Funds and Other Programs	404,422	1,491,346	684,954
Settlement Funds Trust	13,426,745	13,426,745	-
Social Housing	<u>178,526</u>	<u>234,525</u>	<u>114,783</u>
	<u>17,712,935</u>	<u>18,331,382</u>	<u>3,612,171</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(-)</u>	1,831,274	190,261
SURPLUS/(DEFICIT), Beginning of year		<u>934,180</u>	<u>743,919</u>
ACCUMULATED SURPLUS, End of year		<u>\$ 2,765,454</u>	<u>\$ 934,180</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, 2017

	2017 Actual \$	2016 Actual \$
Annual surplus/(deficit)	1,831,274	190,261
Acquisition of tangible capital assets Capital Fund	(1,117,963)	-
Loss of tangible capital asset	350,669	-
Amortization of tangible capital assets	293,159	292,540
Acquisition of prepaid asset	(145,987)	(450,613)
Use of prepaid asset	450,613	475,401
Increase in Ottawa Trust Fund	2,538	2,621
Decrease in Equity in Physical Assets	<u>(17,482)</u>	<u>(250,526)</u>
(Increase)/Decrease in net debt	1,646,821	259,684
Net debt, beginning of year	<u>(501,778)</u>	<u>(761,462)</u>
Net debt, end of year	<u>1,145,043</u>	<u>(501,778)</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, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	\$ 1,831,274	\$ 190,261
Ottawa Trust	2,538	2,622
Items not requiring a current outlay of cash:		
- Amortization	293,159	292,540
Changes in non-cash working capital		
- Loan principle repayments included in operations	-	-
- Replacement reserve provisions	29,131	13,675
- Accounts receivable	(394,330)	(122,098)
- Accounts payable	141,929	(15,837)
- Prepaid expenses	304,626	24,788
- Equity (net) transfers included in operations	(17,452)	(290,874)
Cash provided by operating activities	<u>2,190,875</u>	<u>95,077</u>
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	(1,117,963)	-
Loss of capital tangible capital asset	350,669	-
FINANCING ACTIVITIES		
Increase (decrease) in promissory loan	(469,638)	50,540
Increase (net) in loans	10,527	-
Loan payments	(23,486)	(5,148)
Increase (decrease) in long term debt	916,223	-
Long term debt payments	(60,148)	(59,247)
INCREASE (DECREASE) IN CASH	1,797,059	81,222
CASH – Beginning of year	<u>1,015,777</u>	<u>934,555</u>
CASH – End of year	<u>\$2,812,836</u>	<u>\$ 1,015,777</u>
REPRESENTED BY:		
CASH – Unrestricted	\$ 2,642,748	\$ 831,340
CASH – Restricted	<u>170,088</u>	<u>184,437</u>
	<u>\$ 2,812,836</u>	<u>\$ 1,015,777</u>

PAUQUACHIN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2017

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, 2017

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, 2017

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. 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.

PAUQUACHIN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2017

3. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
AANDC	\$ 18,750	\$ -
Aboriginal Fisheries	30,000	-
BCAFC Phoenix Project	7,500	13,750
CSETS	18,246	50,163
CMHC - RRAP	820	-
Hub International (insurance claim estimate)	350,669	-
Kinder Morgan	24,910	2,400
Other	62,486	63,795
PMV	18,070	43,070
Rents	115,305	91,248
Roberts Bank Project	<u>12,000</u>	<u>-</u>
	<u>\$ 658,756</u>	<u>\$ 264,426</u>

4. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net B.V. 2017</u>	<u>Net B.V. 2016</u>
Buildings and improvements	2,199,591	636,173	1,563,418	\$1,646,674
General equipment	152,975	66,562	86,413	59,333
Mobile homes	450,000	421,534	28,466	61,158
Vehicles	28,496	5,699	22,797	-
Infrastructure	<u>2,553,872</u>	<u>428,753</u>	<u>2,125,119</u>	<u>2,179,227</u>
	<u>5,384,934</u>	<u>1,558,721</u>	<u>3,826,213</u>	<u>3,946,392</u>
Band Housing	<u>4,808,101</u>	<u>706,201</u>	<u>4,101,900</u>	<u>3,507,586</u>
TOTALS	\$10,193,035	\$2,264,922	\$7,928,113	\$7,453,978

PAUQUACHIN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2017

5. TRUST FUNDS

a) 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>2017</u>	<u>2016</u>
Revenue	83,059	2,538	-	85,597	83,059
Capital	436	-	-	436	436
Fund Total	<u>83,495</u>	<u>2,538</u>	<u>-</u>	<u>86,033</u>	<u>83,495</u>

b) Legacy Trust Fund consists of funds received from the Hatch Point Claim Settlement. Funds are being held in trust by the Nation who appointed an independent Trust Corporation to administer the Trust and maintain its records. The trust fund has not been included in the consolidated financial statement other than as a flow-through grant from Indian Affairs in the amount of \$13,445,495. During the year, a portion of the Trust Fund was allocated back to band operations in the amount of \$2,857,107. The balance of the Trust Fund as at March 31, 2017 was \$10,000,200.

6. LONG TERM DEBT	<u>2017</u>	<u>2016</u>
Mortgage on Phase I housing project, payment of \$2,783 per month including interest at 2.11%	54,640	86,523
Mortgage on Phase IV housing project, payment of \$290 per month including interest at 1.82%	7,390	10,705
Mortgage on Phase V housing project, payment of \$2,819 per month including interest at 1.61%	594,182	618,501
Mortgage on Phase VI project, payment of \$3,541 per month including interest at 1.05%	<u>915,592</u>	<u>-</u>
	1,571,804	715,729
Less current portion	(92,724)	(58,563)
	<u>\$1,479,080</u>	<u>657,166</u>

PAUQUACHIN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2017

6. LONG TERM DEBT (cont'd)

Principal repayments required over the next five years:

2018	\$92,724	2021	\$59,370
2019	\$83,671	2022	\$60,136
2020	\$59,252		

7. 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.

8. RESTRICTED CASH

	<u>2017</u>	<u>2016</u>
Comprised of the following		
Social Housing	\$ 84,055	\$ 100,942
Ottawa Trust Fund	<u>86,033</u>	<u>83,495</u>
	<u><u>\$ 170,088</u></u>	<u><u>\$184,437</u></u>

PAUQUACHIN FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS March 31, 2017

9. ACCUMULATED SURPLUS

Accumulated surplus is comprised of the following:	<u>2017</u>	<u>2016</u>
Equity in Physical Assets	\$ 6,367,656	\$ 6,339,464
Equity in Trust Funds	86,033	83,495
Equity in Operating Funds	<u>2,765,454</u>	<u>979,854</u>
	<u>\$ 9,219,143</u>	<u>\$ 7,402,813</u>

10. 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 \$1,571,209 as per confirmation provided by Aboriginal Affairs and Northern Development Canada.

11. COMPARATIVE FIGURES

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

12. BUDGET FIGURES

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