

SKIDEGATE BAND COUNCIL
FINANCIAL STATEMENTS
MARCH 31, 2016

SKIDEGATE BAND COUNCIL
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MARCH 31, 2016

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INDEPENDENT AUDITOR'S REPORT

TO THE SKIDEGATE BAND COUNCIL

Report on the Financial Statements

We have audited the accompanying statement of financial position of the Skidegate Band Council as at March 31, 2016 and the statements of financial activities, cash flows and changes in net financial assets 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.

Basis for Qualified Opinion

In accordance with the CICA handbook, section PS-3150, First Nation organizations are required to compile a comprehensive listing of all property and equipment owned by the organization. This has not been completed. The impact of this on the statement of financial position only affects property and equipment values and equity in property and equipment. The operating surplus is not impacted by this omission.

Opinion

In our opinion, except for the effect of adjustments, if any, which might be required regarding the above condition, 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 assets for the year then ended in accordance with Canadian public sector accounting standards.

Prince Rupert, BC
June 28, 2016

Carlyle Shepherd & Co.

SKIDEGATE BAND COUNCIL
STATEMENT OF FINANCIAL POSITION
MARCH 31

	2016	2015
	\$	\$
FINANCIAL ASSETS		
Cash (note 1)	3,541,374	4,181,876
Accounts receivable (note 2)	982,268	1,032,475
Ottawa Trust funds (note 3)	<u>781,987</u>	<u>749,949</u>
	<u>5,305,629</u>	<u>5,964,300</u>
LIABILITIES		
Accounts payable and accruals (note 4)	2,083,673	2,123,834
Replacement reserve (note 5)	52,616	46,036
Long-term debt (note 8)	<u>245,780</u>	<u>295,240</u>
	<u>2,382,069</u>	<u>2,465,110</u>
NET FINANCIAL ASSETS	<u>2,923,560</u>	<u>3,499,190</u>
NON-FINANCIAL ASSETS		
Investments (notes 1 and 9)	2,266,442	2,357,749
Prepaid expenses (note 6)	89,032	80,909
Property and equipment (notes 1 and 10)	<u>22,051,631</u>	<u>22,183,253</u>
	<u>24,407,105</u>	<u>24,621,911</u>
	<u>27,330,665</u>	<u>28,121,101</u>
BAND POSITION		
Surplus (note 11)	2,476,177	3,125,182
Equity in Ottawa Trust funds (note 3)	781,987	749,949
Equity in property and equipment (note 12)	21,806,059	21,888,221
Equity in investments (note 9)	<u>2,266,442</u>	<u>2,357,749</u>
	<u>27,330,665</u>	<u>28,121,101</u>

CONTINGENT LIABILITIES (note 7)

APPROVED ON BEHALF OF COUNCIL

 Councillor
 Councillor

SKIDEGATE BAND COUNCIL
STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Budget	2016	2015
	\$	\$	\$
REVENUE			
INAC	9,480,753	9,372,480	7,794,481
First Nations Health Authority	3,092,500	3,083,603	2,819,574
Ottawa Trust funds	30,000	32,038	21,759
CMHC	23,203	23,203	113,208
Parks Canada	390,000	399,466	383,000
Other	2,017,000	1,756,129	2,575,692
	<u>15,033,456</u>	<u>14,666,919</u>	<u>13,707,714</u>
EXPENDITURE			
Administration	1,442,300	1,465,677	1,451,610
Amortization	1,200,000	1,234,996	1,214,344
Capital projects	2,065,144	1,919,998	1,394,588
Community infrastructure	1,038,260	1,094,417	890,732
Education	3,777,500	3,774,137	3,269,868
Health	3,255,485	3,498,798	2,596,108
Other	596,848	585,937	712,582
Parks and recreation	600,000	617,843	599,655
Social housing	21,980	24,803	19,834
Social services	775,000	760,662	1,001,960
Training	55,000	40,812	36,855
Youth	418,000	439,275	344,993
	<u>15,245,517</u>	<u>15,457,355</u>	<u>13,533,129</u>
REVENUE OVER EXPENDITURE	-212,061	-790,436	174,585
OPENING POSITION	<u>28,121,101</u>	<u>28,121,101</u>	<u>27,946,516</u>
CLOSING POSITION	<u>27,909,040</u>	<u>27,330,665</u>	<u>28,121,101</u>

SKIDEGATE BAND COUNCIL
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2016	2015
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	-790,436	174,585
Amortization	1,234,996	1,214,344
Accounts payable and accruals	-40,161	1,133,828
Replacement reserve	6,580	-8,320
Accounts receivable	50,207	-46,261
Ottawa Trust funds	-32,038	-21,759
Investments	91,307	190,844
Prepaid expenses	-8,123	14,499
	<u>512,332</u>	<u>2,651,760</u>
FINANCING ACTIVITIES		
Long-term debt	<u>-49,460</u>	<u>-48,325</u>
INVESTING ACTIVITIES		
Property and equipment additions	<u>-1,103,374</u>	<u>-589,347</u>
CHANGE IN CASH	-640,502	2,014,088
OPENING CASH BALANCE	<u>4,181,876</u>	<u>2,167,788</u>
CLOSING CASH BALANCE	<u>3,541,374</u>	<u>4,181,876</u>
Represented by :		
Cash		
Unrestricted	3,488,758	4,135,840
Restricted	<u>52,616</u>	<u>46,036</u>
	<u>3,541,374</u>	<u>4,181,876</u>

SKIDEGATE BAND COUNCIL

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31

	Budget	2016	2015
	\$	\$	\$
Revenue over expenditure	-212,061	-790,436	174,585
Amortization	1,200,000	1,234,996	1,214,344
Property and equipment additions	-1,200,000	-1,103,374	-589,347
Prepaid expenses	-10,000	-8,123	14,499
Investments	-	91,307	190,844
Change in net financial assets	-222,061	-575,630	1,004,925
Opening net financial assets	<u>3,499,190</u>	<u>3,499,190</u>	<u>2,494,265</u>
Closing net financial assets	<u>3,277,129</u>	<u>2,923,560</u>	<u>3,499,190</u>

SKIDEGATE 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 includes compliance with Canadian public sector accounting standards.

b) Revenue Recognition

Revenue is recorded in the period in which the transactions 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.

c) Property and Equipment

Property and equipment purchases with a value greater than \$5,000 are reported on the statement of financial position. Property and equipment are reported at cost and are amortized using the declining balance method at the following annual rates:

Buildings	5%
Infrastructure	5%
Equipment	20%

Social Housing asset purchases under the CMHC sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in the related debt, as required for CMHC reporting purposes.

d) Accrual Accounting

Revenue and expenditures are reported in the period which the services are rendered or products received.

e) Use Of Estimates

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

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial Instruments

It is management's opinion that the Band's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks. Financial assets and liabilities are recorded at market value at the date of acquisition.

g) Restricted Cash

The replacement reserve account funds are restricted.

h) Investments

Investments are reported using the modified equity method.

2. ACCOUNTS RECEIVABLE

	2016	2015
INAC	\$ 143,374	\$ 290,787
Receiver General	59,524	59,872
Other funding sources	741,296	652,486
Local	<u>901,096</u>	<u>883,099</u>
	1,845,290	1,886,244
Allowance for doubtful accounts	<u>863,022</u>	<u>853,769</u>
	<u>\$ 982,268</u>	<u>\$ 1,032,475</u>

3. OTTAWA TRUST FUNDS

Indigenous and Northern Affairs Canada (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 require the consent of the Minister of INAC. A summary of activity follows:

	Revenue	Capital	Total
Opening balance	\$ 472,964	\$ 276,985	\$ 749,949
Interest and other	<u>32,038</u>	<u>-</u>	<u>32,038</u>
Closing balance	<u>\$ 505,002</u>	<u>\$ 276,985</u>	<u>\$ 781,987</u>

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2016

4. ACCOUNTS PAYABLE AND ACCRUALS

	2016	2015
Trade accounts	\$ 1,557,520	\$ 1,752,454
Receiver General	17,607	14,292
Wages and Benefits	<u>508,546</u>	<u>357,088</u>
	<u>\$ 2,083,673</u>	<u>\$ 2,123,834</u>

5. REPLACEMENT RESERVE

Opening balance	\$ 46,036
Current provision	5,680
Interest	<u>900</u>
Closing balance	<u>\$ 52,616</u>

A replacement reserve is maintained to provide for future asset replacement and is funded by an annual charge against earnings. The reserve is fully funded and in a separate bank account as specified in an agreement with Canada Mortgage and Housing Corporation.

6. PREPAID EXPENSES

	2016	2015
Post-secondary allowances	\$ 32,369	\$ 33,873
Social services	39,193	43,259
Deposits and other	<u>17,470</u>	<u>3,777</u>
	<u>\$ 89,032</u>	<u>\$ 80,909</u>

7. CONTINGENT LIABILITIES

Guarantor of Band member mortgages to \$3,933,777.

Guarantor of related entities loans to \$1,350,000.

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2016

8. LONG-TERM DEBT

Royal Bank of Canada, \$3,590/month including interest at 3.31% per annum; secured by a mortgage on specified houses. \$ 204,406

Canada Mortgage and Housing Corporation, without specified interest, forgivable over 15 years if the terms of the agreement are met at \$13,791 per annum. 41,374
\$ 245,780

Principal repayment during the next five years is as follows:

2017	\$ 50,661
2018	51,900
2019	53,182
2020	40,714
2021	<u>42,082</u>
	<u>\$ 238,539</u>

9. INVESTMENTS

Losses are recorded to the extent of the Band's investment. The investment value is nil for Skidegate Enterprises LLP, Haida Expeditions Ltd. and Taaw Naay Enterprises Ltd.

Investment book values are as follows:

Gwaalagaa Naay Corporation	\$ 2,260,442
Delmas Co-operative, at cost	<u>6,000</u>
	<u>\$ 2,266,442</u>

The Band controls, with 100% ownership, the following entities:

Gwaalagaa Naay Corporation
Taaw Naay Enterprises Ltd.
Haida Expeditions Ltd.
Skidegate Enterprises Ltd. - general partner inactive

The Band has a 70% interest in Skidegate Enterprises Limited Partnership.

SKIDEGATE BAND COUNCIL

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MARCH 31, 2016

9. INVESTMENTS (continued)

Summary of active company financial information is as follows:

	Gwaalagaa Naay Corporation	Taaw Naay Enterprises Ltd.	Haida Expeditions Ltd.	Skidegate Enterprises Ltd.
	\$	\$	\$	\$
ASSETS				
Current	295,673	265,462	14,472	735,036
Property and equipment	1,343,926	484,030	39,018	740,451
Other	<u>720,056</u>	<u>-</u>	<u>-</u>	<u>2,625</u>
	<u>2,359,655</u>	<u>749,492</u>	<u>53,490</u>	<u>1,478,112</u>
LIABILITIES				
Current	<u>99,213</u>	<u>105,883</u>	<u>1,713</u>	<u>316,828</u>
Non-current	<u>-</u>	<u>720,055</u>	<u>-</u>	<u>1,768,238</u>
Equity (Deficit)	<u>2,260,442</u>	<u>-76,446</u>	<u>51,777</u>	<u>-606,954</u>
INCOME	479,660	3,167,668	61,915	2,186,911
EXPENSES	<u>570,967</u>	<u>3,199,372</u>	<u>61,834</u>	<u>2,493,222</u>
NET INCOME (LOSS)	<u>-91,307</u>	<u>-31,704</u>	<u>81</u>	<u>-306,311</u>

Complete financial information for the entities is available to members of the Skidegate Band.

NOTES

MARCH 31, 2016

	PROPERTY AND EQUIPMENT						ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Annual Amortization	Disposals	Closing Balance			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Land	620,712	-	-	620,712	-	-	-	-	620,712	620,712	
Buildings	7,539,630	-	-	7,539,630	3,827,525	160,566	-	3,988,092	3,551,538	3,712,104	
Infrastructure	36,875,310	913,478	-	37,788,788	19,335,256	922,677	-	20,257,933	17,530,855	17,540,054	
Equipment	2,441,153	189,896	1,252,037	1,379,012	2,130,770	151,753	1,252,037	1,030,486	348,526	310,383	
	47,476,805	1,103,374	1,252,037	47,328,142	25,293,551	1,234,996	1,252,037	25,276,511	22,051,631	22,183,253	

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2016

11. SURPLUS (DEFICIT)

	2016	2015
Administration	\$ 205,477	\$ 698,824
Capital Projects	822,024	386,877
Community Infrastructure	267,986	294,176
Education	8,072	41,975
Health	-85,011	371,500
Other	876,140	1,019,448
Parks and Recreation	55,780	50,016
Social Housing	83,057	63,351
Social Services	280	-18,450
Training	20,183	5,995
Youth	222,189	211,470
	<u>\$ 2,476,177</u>	<u>\$ 3,125,182</u>

12. EQUITY IN PROPERTY AND EQUIPMENT

	2016	2015
Opening balance	\$ 21,888,221	\$ 22,464,892
Contributions from operations	1,103,374	589,347
Loan repayment	49,460	48,326
Amortization	<u>-1,234,996</u>	<u>-1,214,344</u>
Closing balance	<u>\$ 21,806,059</u>	<u>\$ 21,888,221</u>

13. 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:

SKIDEGATE BAND COUNCIL

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MARCH 31, 2016

13. SEGMENT DISCLOSURE (continued)

	Budget	Administration	Capital Projects	Community Infrastructure	Education	Health	Other	Parks and Recreation	Social Housing	Social Services	Training	Youth	Amortization	Total 2016	Total 2015
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE															
Government of Canada	12,573,253	754,345	3,072,461	1,046,920	3,427,356	2,923,715	199,735	509,466	23,203	711,663	-	209,888	-	12,878,752	11,110,263
Province of British Columbia	107,000	-	-	-	-	-	-	-	-	-	-	103,514	-	103,514	106,868
Other	2,353,203	138,631	474,800	35,060	262,583	118,572	234,410	89,641	56,975	54,084	55,000	164,897	-	1,684,653	2,490,583
	15,033,456	892,976	3,547,261	1,081,980	3,689,939	3,042,287	434,145	599,107	80,178	765,747	55,000	478,299	-	14,666,919	13,707,714
EXPENDITURE															
Administration	240,700	-	-	-	-	173,625	-	44,407	1,670	-	-	-	-	219,702	287,306
Advances to Band entities	120,000	-	-	-	-	-	119,412	-	-	-	-	-	-	119,412	472,899
Amortization	1,200,000	-	-	-	-	-	-	-	-	-	-	-	1,234,996	1,234,996	1,214,344
Contract services	5,854,904	181,784	1,720,926	335,352	178,429	385,038	240,682	4,834	-	7,952	-	19,121	-	3,054,118	1,719,816
Council operations	425,000	418,866	-	-	-	-	-	-	-	-	-	-	-	418,866	462,179
Insurance	89,000	16,417	-	42,352	1,794	13,093	-	7,708	3,265	1,463	-	1,646	-	87,738	92,692
Maintenance and repairs	73,000	14,049	128,852	11,110	-	50,521	4,613	-	5,746	-	-	-	-	214,891	242,456
Materials and supplies	1,114,848	62,565	-	268,962	40,902	321,028	1,485	128,687	-	14,530	-	52,605	-	890,764	1,179,121
Office and other	299,780	222,362	-	8,202	7,688	99,914	77,968	43,940	13,122	-	-	12,000	-	485,196	182,598
Professional services	76,600	72,962	-	-	-	9,600	-	-	1,000	-	-	1,800	-	85,362	101,783
Program allowances	1,968,500	-	-	-	3,243,856	857,244	-	-	-	531,244	-	-	-	4,632,344	4,171,464
Recovery	86,885	-	-	-	-	-	-	-	-	-	-	-	-	-	111,598
Telephone and utilities	274,500	40,709	1,512	109,008	13,060	65,890	5,743	26,990	-	4,805	-	14,214	-	281,931	279,984
Travel and training	280,500	45,137	13,984	6,236	57,388	145,389	1,254	30,342	-	7,221	-	20,510	-	327,461	337,657
Wages and benefits	3,141,300	390,826	54,724	313,195	231,020	1,397,456	134,780	330,935	-	193,447	40,812	317,379	-	3,404,574	2,677,232
	15,245,517	1,465,677	1,919,998	1,094,417	3,774,137	3,498,798	585,937	617,843	24,803	760,662	40,812	439,275	1,234,996	15,457,355	13,533,129
REVENUE OVER EXPENDITURE	-212,061	-572,701	1,627,263	-12,437	-84,198	-456,511	-151,792	-18,736	55,375	5,085	14,188	39,024	-1,234,996	-790,436	174,585
TRANSFERS	-	29,470	-116,350	-6,103	50,295	-	8,484	24,500	-	13,645	-	-3,941	-	-	-
ANNUAL SURPLUS (DEFICIT)	-212,061	-543,231	1,510,913	-18,540	-33,903	-456,511	-143,308	5,764	55,375	18,730	14,188	35,083	-1,234,996	-790,436	174,585

SKIDEGATE BAND COUNCIL

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

YEAR ENDED MARCH 31, 2016

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

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include some amounts based on 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 Skidegate Band Council maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Band's assets are appropriately accounted for and adequately safeguarded.

The Band 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 review the Band's financial statements and recommend their approval. The Chief and Council meet 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 annual report, the financial statements and the external auditor's report. The Chief and Council take this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The financial statements have been audited by Carlyle Shepherd & Co. in accordance with Canadian generally accepted auditing standards on behalf of the Members. Carlyle Shepherd & Co. has full access to Chief and Council.



Chief

Councilor