

SKIDEGATE BAND COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2017

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SKIDEGATE BAND COUNCIL
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
YEAR ENDED MARCH 31, 2017

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.

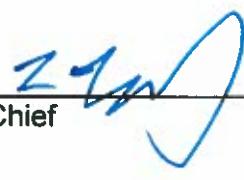
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include some amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems 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


Councillor


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, 2017 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, 2017 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.

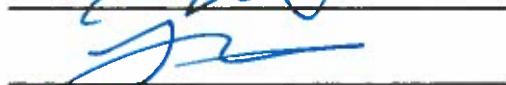
Prince Rupert, BC
July 5, 2017

Carlyle Shepherd & Co.

SKIDEGATE BAND COUNCIL

STATEMENT OF FINANCIAL POSITION

MARCH 31

	2017	2016
	\$	\$
FINANCIAL ASSETS		
Cash (note 1)	5,784,038	3,541,374
Accounts receivable (note 2)	1,378,285	982,268
Ottawa Trust funds (note 3)	<u>807,408</u>	<u>781,987</u>
	<u>7,969,731</u>	<u>5,305,629</u>
LIABILITIES		
Accounts payable and accruals (note 4)	1,533,752	2,083,673
Replacement reserve (note 5)	104,677	52,616
Subsidy surplus reserve (note 6)	5,000	-
Long-term debt (note 9)	<u>194,412</u>	<u>245,780</u>
	<u>1,837,841</u>	<u>2,382,069</u>
NET FINANCIAL ASSETS	<u>6,131,890</u>	<u>2,923,560</u>
NON-FINANCIAL ASSETS		
Investments (notes 1 and 10)	2,315,762	2,266,442
Prepaid expenses (note 7)	121,808	89,032
Property and equipment (notes 1 and 11)	<u>22,179,264</u>	<u>22,051,631</u>
	<u>24,616,834</u>	<u>24,407,105</u>
	<u>30,748,724</u>	<u>27,330,665</u>
BAND POSITION		
Surplus (note 12)	5,640,495	2,476,177
Equity in Ottawa Trust funds (note 3)	807,408	781,987
Equity in property and equipment (note 13)	21,985,059	21,806,059
Equity in investments (note 10)	<u>2,315,762</u>	<u>2,266,442</u>
	<u>30,748,724</u>	<u>27,330,665</u>
CONTINGENT LIABILITIES (note 8)		
APPROVED ON BEHALF OF COUNCIL		
	Councillor	
	Councillor	

SKIDEgate BAND COUNCIL

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Budget	2017	2016
	\$	\$	\$
REVENUE			
INAC	9,842,944	9,849,636	9,372,480
First Nations Health Authority	463,768	463,948	3,083,603
Ottawa Trust funds	30,000	25,421	32,038
CMHC	23,000	22,544	23,203
Parks Canada	431,944	431,944	399,466
Other	<u>3,825,000</u>	<u>3,893,135</u>	<u>1,756,129</u>
	<u>14,616,656</u>	<u>14,686,628</u>	<u>14,666,919</u>
EXPENDITURE			
Administration	1,484,000	1,445,728	1,465,677
Amortization	1,225,000	1,227,968	1,234,996
Capital Projects	2,467,000	904,416	1,919,998
Community Infrastructure	1,025,000	1,019,058	1,094,417
Education	3,644,914	3,628,955	3,774,137
Health	15,084	105,930	3,498,798
Other	1,121,000	1,096,740	585,937
Parks and Recreation	544,500	548,062	617,843
Social Housing	66,000	111,283	24,803
Social Services	696,500	699,248	760,662
Training	65,000	64,899	40,812
Youth	<u>426,800</u>	<u>416,282</u>	<u>439,275</u>
	<u>12,780,798</u>	<u>11,268,569</u>	<u>15,457,355</u>
REVENUE OVER EXPENDITURE	1,835,858	3,418,059	-790,436
OPENING POSITION	<u>27,330,665</u>	<u>27,330,665</u>	<u>28,121,101</u>
CLOSING POSITION	<u>29,166,523</u>	<u>30,748,724</u>	<u>27,330,665</u>

SKIDEgate BAND COUNCIL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	3,418,059	-790,436
Amortization	1,227,968	1,234,996
Accounts payable and accruals	-549,921	-40,161
Replacement reserve	52,061	6,580
Subsidy surplus reserve	5,000	-
Accounts receivable	-396,017	50,207
Ottawa Trust funds	-25,421	-32,038
Prepaid expenses	<u>-32,776</u>	<u>-8,123</u>
	<u>3,698,953</u>	<u>421,025</u>
FINANCING ACTIVITIES		
Long-term debt	<u>-51,368</u>	<u>-49,460</u>
INVESTING ACTIVITIES		
Property and equipment additions	-1,355,601	-1,103,374
Investments	<u>-49,320</u>	<u>91,307</u>
	<u>-1,404,921</u>	<u>-1,012,067</u>
CHANGE IN CASH		
	2,242,664	-640,502
OPENING CASH BALANCE		
	<u>3,541,374</u>	<u>4,181,876</u>
CLOSING CASH BALANCE		
	<u>5,784,038</u>	<u>3,541,374</u>
Represented by :		
Cash		
Unrestricted	5,630,777	3,488,758
Restricted	<u>153,261</u>	<u>52,616</u>
	<u>5,784,038</u>	<u>3,541,374</u>

SKIDEGATE BAND COUNCIL
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31

	Budget	2017	2016
	\$	\$	\$
Revenue over expenditure	1,835,858	3,418,059	-790,436
Amortization	1,225,000	1,227,968	1,234,996
Property and equipment additions	-1,400,000	-1,355,601	-1,103,374
Prepaid expenses	-25,000	-32,776	-8,123
Investments	<u>-20,000</u>	<u>-49,320</u>	<u>91,307</u>
Change in net financial assets	1,615,858	3,208,330	-575,630
Opening net financial assets	<u>2,923,560</u>	<u>2,923,560</u>	<u>3,499,190</u>
Closing net financial assets	<u>4,539,418</u>	<u>6,131,890</u>	<u>2,923,560</u>

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2017

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, 2017

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 and subsidy reserve account funds are restricted.

h) Investments

Investments are reported using the modified equity method.

2. ACCOUNTS RECEIVABLE

	2017	2016
INAC	\$ 423,880	\$ 143,374
Receiver General	13,398	59,524
Other funding sources	857,575	741,296
Local	<u>956,577</u>	<u>901,096</u>
	2,251,430	1,845,290
Allowance for doubtful accounts	<u>873,145</u>	<u>863,022</u>
	<u>\$ 1,378,285</u>	<u>\$ 982,268</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	\$ 505,002	\$ 276,985	\$ 781,987
Interest and other	<u>25,421</u>	<u>-</u>	<u>25,421</u>
Closing balance	<u>\$ 530,423</u>	<u>\$ 276,985</u>	<u>\$ 807,408</u>

SKIDEgate BAND COUNCIL

NOTES

MARCH 31, 2017

4. ACCOUNTS PAYABLE AND ACCRUALS

	2017	2016
Trade accounts	\$ 1,242,929	\$ 1,557,520
Receiver General	7,560	17,607
Wages and Benefits	<u>283,263</u>	<u>508,546</u>
	<u>\$ 1,533,752</u>	<u>\$ 2,083,673</u>

5. REPLACEMENT RESERVE

Opening balance	\$ 52,616
CMHC adjustment	45,065
Current provision	5,680
Interest	<u>1,316</u>
Closing balance	<u>\$ 104,677</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. SUBSIDY SURPLUS RESERVE

Subsidy surplus reserve has been accrued at \$500 per unit as required in the CMHC funding agreement.

7. PREPAID EXPENSES

	2017	2016
Post-secondary allowances	\$ 36,260	\$ 32,369
Social services	32,941	39,193
Deposits and other	<u>52,607</u>	<u>17,470</u>
	<u>\$ 121,808</u>	<u>\$ 89,032</u>

8. CONTINGENT LIABILITIES

Guarantor of Band member mortgages to \$4,336,423

Guarantor of related entity loan to \$1,350,000

SKIDEGATE BAND COUNCIL

NOTES

MARCH 31, 2017

9. LONG-TERM DEBT

Royal Bank of Canada, \$3,511/month including interest at 2.33% per annum; secured by a mortgage on specified houses.	\$ 166,830
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.	27,582
	<u>\$ 194,412</u>

Principal repayment during the next five years is as follows:

2018	\$ 52,442
2019	53,353
2020	40,486
2021	44,631
2022	<u>3,500</u>
	<u>\$ 194,412</u>

10. 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	\$ 2,309,762
Delmas Co-operative, at cost	<u>6,000</u>
	<u>\$ 2,315,762</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

NOTES

MARCH 31, 2017

11. PROPERTY AND EQUIPMENT

PROPERTY AND EQUIPMENT			ACCUMULATED AMORTIZATION			NET BOOK VALUE		
	Opening Balance	Additions	Disposals	Closing Balance	Annual Amortization	Disposals	Closing Balance	2017
Land	620,712	-	-	620,712	-	-	-	620,712
Buildings	7,539,630	975,860	-	8,515,490	3,988,092	249,310	-	4,237,402
Infrastructure	37,788,788	351,442	-	38,140,230	20,257,933	894,115	-	21,152,048
Equipment	1,379,012	28,299	-	1,407,311	1,030,486	84,543	-	1,115,029
	<u>47,328,142</u>	<u>1,355,601</u>	-	<u>48,683,743</u>	<u>25,276,511</u>	<u>1,227,968</u>	-	<u>26,504,479</u>
								<u>22,179,264</u>
								<u>22,051,631</u>

SKIDEgate BAND COUNCIL

NOTES

MARCH 31, 2017

12. SURPLUS (DEFICIT)

	2017	2016
Administration	\$ 497,670	\$ 205,477
Capital Projects	2,693,942	822,024
Community Infrastructure	340,068	267,986
Education	228,276	8,072
Health	-165,945	-85,011
Other	1,654,349	876,140
Parks and Recreation	70,415	55,780
Social Housing	11,766	83,057
Social Services	7,992	280
Training	49,890	20,183
Youth	<u>252,072</u>	<u>222,189</u>
	<u>\$ 5,640,495</u>	<u>\$ 2,476,177</u>

13. EQUITY IN PROPERTY AND EQUIPMENT

	2017	2016
Opening balance	\$ 21,806,059	\$ 21,888,221
Contributions from operations	1,355,601	1,103,374
Loan repayment	51,367	49,460
Amortization	<u>-1,227,968</u>	<u>-1,234,996</u>
Closing balance	<u>\$ 21,985,059</u>	<u>\$ 21,806,059</u>

14. 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

NOTES

MARCH 31, 2017

14. SEGMENT DISCLOSURE (continued)

	Budget	Administration	Capital Projects	Community Infrastructure	Education	Health	Other	Parks and Recreation	Social Housing	Social Services	Training	Youth	Amortization	Total 2017	Total 2016		
REVENUE																	
Government of Canada	1,0761,656	1,001,118	4,033,975	757,646	3,429,738	15,084	131,667	513,633	22,544	643,983	-	218,684	-	10,768,072	12,878,752		
Province of British Columbia	103,000	-	70,000	235,350	123,004	370,409	12,398	1,708,286	44,064	55,024	53,540	94,606	102,010	172,010	103,514		
Other	3,752,000	-	-	-	-	-	-	-	-	-	-	127,986	-	3,766,546	1,884,653		
	14,616,656	1,921,977	4,339,355	880,650	3,800,147	27,482	1,840,953	557,597	77,558	697,523	94,606	448,660	-	14,656,628	14,656,919		
EXPENDITURE																	
Administration	71,500	-	-	-	-	-	14,521	-	24,222	1,002	-	-	25,302	-	65,047	219,702	
Advances to Band entities	120,000	-	-	-	-	-	-	121,192	-	-	-	-	-	-	121,192	119,412	
Amortization	1,225,000	-	-	-	-	-	-	-	-	-	-	-	-	-	1,227,968	1,234,998	
Contract services	6,211,780	22,752	607,132	349,171	2,707,586	-	680,253	8,618	280	10,241	-	91,930	-	-	4,477,963	3,054,118	
Council operations	425,000	444,775	-	-	-	-	-	-	-	-	-	-	-	-	444,775	416,866	
Insurance	79,600	17,322	-	-	-	45,846	2,442	100	4,862	8,034	3,197	1,453	-	3,025	-	87,291	87,798
Maintenance and repairs	87,000	13,841	47,450	-	-	-	-	14,008	-	12,485	-	-	-	-	-	87,784	214,891
Materials and supplies	743,584	192,150	200,580	206,418	34,370	12,263	117,843	100,809	-	18,288	-	-	-	-	924,003	890,764	
Office and other	248,000	141,198	-	-	10,094	74,391	-	17,063	93,319	-	-	-	-	-	34,063	485,196	
Professional services	156,600	128,409	47,774	-	-	-	548,678	2,719	-	1,000	-	-	-	-	178,983	85,362	
Program allowances	1,017,734	-	-	-	104,403	12,791	-	9,176	24,028	-	4,788	-	-	-	1,023,146	4,632,344	
Telephone and utilities	189,000	30,956	-	3,348	101,945	-	-	40,953	-	1,455	-	-	-	-	189,563	281,931	
Travel and training	173,000	36,301	-	308,872	211,048	1,936	149,406	-	324,334	-	191,265	64,899	227,837	-	164,698	327,461	
Wages and benefits	2,023,000	418,026	1,470	-	-	-	-	-	-	-	-	-	-	-	1,899,093	3,404,574	
	12,780,798	1,445,728	904,416	1,019,058	3,828,955	105,930	1,096,740	548,062	111,283	689,248	64,899	416,282	1,227,968	11,288,569	15,457,355		
REVENUE OVER EXPENDITURE																	
TRANSFERS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
ANNUAL SURPLUS (DEFICIT)	1,835,858	366,934	3,209,896	72,082	220,204	-78,448	807,137	14,635	-24,278	-1,725	29,707	29,883	-1,227,968	3,418,059	-790,436		

CARLYLE SHEPHERD & CO.

CHARTERED PROFESSIONAL ACCOUNTANTS

