

METLAKATLA GOVERNING COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2016

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CARLYLE SHEPHERD & CO.
CHARTERED PROFESSIONAL ACCOUNTANTS



METLAKATLA GOVERNING COUNCIL

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MARCH 31, 2016

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CHARTERED PROFESSIONAL ACCOUNTANTS



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INDEPENDENT AUDITOR'S REPORT

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TO THE METLAKATLA GOVERNING COUNCIL

Report on the Financial Statements

We have audited the accompanying statement of financial position of the Metlakatla Governing Council as at March 31, 2016 and the statements of financial activities, cash flows and changes in net financial assets for the year then ended 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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Governing Council 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 24, 2016

METLAKATLA GOVERNING COUNCIL

STATEMENT OF FINANCIAL POSITION

MARCH 31

	2016	Restated (note 11) 2015
	\$	\$
FINANCIAL ASSETS		
Cash	4,152,888	7,290,622
Marketable securities (note 1)	2,040,067	2,001,295
Accounts receivable (note 2)	3,562,078	1,014,071
Ottawa Trust funds (note 5)	<u>928,003</u>	<u>907,217</u>
	<u>10,683,036</u>	<u>11,213,205</u>
FINANCIAL LIABILITIES		
Accounts payable and accruals (note 3)	700,364	2,035,150
Deferred revenue (note 4)	1,549,063	38,158
Bank loans		428,086
	<u>2,249,427</u>	<u>2,501,394</u>
NET FINANCIAL ASSETS	<u>8,433,609</u>	<u>8,711,811</u>
NON-FINANCIAL ASSETS		
Inventory (note 1)	254,166	254,166
Prepaid expenses (note 6)	50,227	67,408
Property and equipment (notes 1 and 7)	<u>20,703,370</u>	<u>20,011,056</u>
	<u>21,007,763</u>	<u>20,332,630</u>
	<u>29,441,372</u>	<u>29,044,441</u>
GOVERNING COUNCIL POSITION		
Operating surplus (note 8)	7,809,999	8,126,168
Equity in property and equipment (note 9)	20,703,370	20,011,056
Ottawa Trust funds (note 5)	<u>928,003</u>	<u>907,217</u>
	<u>29,441,372</u>	<u>29,044,441</u>
CONTINGENT LIABILITIES (note 10)		

APPROVED ON BEHALF OF COUNCIL

 Chief Councillor
 Executive Director

METLAKATLA GOVERNING COUNCIL

STATEMENT OF FINANCIAL ACTIVITIES

YEAR ENDED MARCH 31

	Unaudited Budget 2016	2016	Restated (note 11) 2015
	\$	\$	\$
REVENUE			
INAC	3,572,153	3,294,894	10,546,021
First Nations Health Authority	447,597	447,599	523,676
Ottawa Trust funds	-	20,786	23,374
Province of British Columbia	598,492	552,749	1,246,848
Other	<u>1,279,038</u>	<u>2,451,195</u>	<u>5,346,339</u>
	<u>5,897,280</u>	<u>6,767,223</u>	<u>17,686,258</u>
EXPENDITURE			
Administration	1,182,548	1,553,567	1,316,748
Amortization	-	963,207	593,384
Capital	-	2,024	-
Community Health	477,073	399,562	450,595
Education	724,947	707,337	521,141
Other	<u>1,323,453</u>	<u>2,490,502</u>	<u>1,039,321</u>
Social Services	<u>265,946</u>	<u>254,093</u>	<u>250,336</u>
	<u>3,973,967</u>	<u>6,370,292</u>	<u>4,171,525</u>
REVENUE OVER EXPENDITURE	1,923,313	396,931	13,514,733
OPENING POSITION	<u>29,044,441</u>	<u>29,044,441</u>	<u>15,529,708</u>
CLOSING POSITION	<u>30,967,754</u>	<u>29,441,372</u>	<u>29,044,441</u>

METLAKATLA GOVERNING COUNCIL

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2016	Restated (note 11) 2015
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	396,931	13,514,733
Amortization	963,207	593,384
Accounts receivable	-2,548,007	825,456
Accounts payable and accruals	-1,334,786	885,321
Deferred revenue	1,510,905	38,158
Inventory	-	-254,166
Marketable securities	-38,772	-92,791
Prepaid expenses	17,181	-13,441
Ottawa Trust funds	<u>-20,786</u>	<u>-23,374</u>
	<u>-1,054,127</u>	<u>15,473,280</u>
FINANCING ACTIVITIES		
Bank loans	<u>-428,086</u>	<u>-300,763</u>
INVESTING ACTIVITIES		
Property and equipment additions, net	<u>-1,655,521</u>	<u>-9,158,474</u>
CHANGE IN CASH	-3,137,734	6,014,043
OPENING CASH BALANCE	<u>7,290,622</u>	<u>1,276,579</u>
CLOSING CASH BALANCE	<u>4,152,888</u>	<u>7,290,622</u>

METLAKATLA GOVERNING COUNCIL
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31

	Unaudited Budget 2016	2016	Restated (note 11) 2015
	\$	\$	\$
Revenue over expenditure	1,923,313	396,931	13,514,733
Amortization	-	963,207	593,384
Inventory	-	-	-254,166
Prepaid expenses	-	17,181	-13,441
Property and equipment additions, net	<u>-1,190,152</u>	<u>-1,655,521</u>	<u>-9,158,474</u>
Change in net financial assets	733,161	-278,202	4,682,036
Opening net financial assets	<u>8,711,811</u>	<u>8,711,811</u>	<u>4,029,775</u>
Closing net financial assets	<u>9,444,972</u>	<u>8,433,609</u>	<u>8,711,811</u>

METLAKATLA GOVERNING 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 include compliance with Canadian public sector accounting standards.

b) Property and Equipment

Property and equipment are reported at cost and are amortization using the declining balance method at the following annual rates:

Buildings	4%
Infrastructure	4%
Equipment	20%

Purchases costing more than \$5,000 are capitalized.

c) Recognition of Revenue and Expenditures

Revenue is recognized as it becomes receivable under the terms of the contractual funding arrangements.

Other revenue is reported in the period which the goods are sold or services rendered.

Expenditures are reported in the period which the goods are received or services delivered.

d) 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.

e) Financial Instruments

Financial assets and liabilities are reported at market value at the date of acquisition except for marketable securities which are reported at market value at year-end. It is management's opinion that the Governing Council's financial instruments are not exposed to significant interest rate, liquidity, market or other price risks except for marketable securities.

METLAKATLA GOVERNING COUNCIL

NOTES

MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES continued

f) Marketable Securities

Marketable securities classified as held for trading are reported at market value (cost \$1,827,111).

g) Inventory

Inventory is reported at the lesser of cost and net realizable value.

2. ACCOUNTS RECEIVABLE

	2016	2015
AANDC	\$ 150,000	\$ 4,246
Government of Canada	22,234	70,406
Housing	65,025	53,065
Metlakatla Development Corporation	1,785,233	633,945
Province of BC	1,500,000	174,396
Trade and Other	<u>92,651</u>	<u>131,078</u>
	3,615,143	1,067,136
Allowance for doubtful accounts	<u>53,065</u>	<u>53,065</u>
	<u>\$ 3,562,078</u>	<u>\$ 1,014,071</u>

3. ACCOUNTS PAYABLE

	2016	2015
AANDC	\$ -	\$ 4,145
Trade and other	631,585	1,971,097
Wages and benefits	<u>68,779</u>	<u>59,908</u>
	<u>\$ 700,364</u>	<u>\$ 2,035,150</u>

METLAKATLA GOVERNING COUNCIL

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MARCH 31, 2016

4. DEFERRED REVENUE

	2016	2015
Province of BC	\$ 1,500,000	\$ -
Other	<u>49,063</u>	<u>38,158</u>
	<u><u>\$ 1,549,063</u></u>	<u><u>\$ 38,158</u></u>

5. OTTAWA TRUST FUNDS

Indigenous and Northern Affairs Canada (INAC) holds funds in trust for the Governing Council. These funds are designated as revenue or capital funds as is required by the Indian Act. The Governing Council is permitted to expend its revenue fund for any purpose that will promote the general progress and welfare of the Governing Council 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.

	Revenue	Capital	Total
Opening balance	\$ 752,561	\$ 154,656	\$ 907,217
Interest	<u>20,786</u>	<u>-</u>	<u>20,786</u>
Closing balance	<u><u>\$ 773,347</u></u>	<u><u>\$ 154,656</u></u>	<u><u>\$ 928,003</u></u>

6. PREPAID EXPENSES

	2016	2014
Legal retainer	\$ 15,815	\$ 15,815
Post-secondary living allowances	7,157	4,225
Social assistance allowances	1,496	692
Council advances	-	20,000
Specific claims research	20,000	15,000
Other	<u>5,759</u>	<u>11,676</u>
	<u><u>\$ 50,227</u></u>	<u><u>\$ 67,408</u></u>

METLAKATLA GOVERNING COUNCIL

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MARCH 31, 2016

7. PROPERTY AND EQUIPMENT

	Cost						Accumulated Amortization	Net Book Value Restated (note 11) 2015
	Opening Balance	Additions	Disposal	Closing Balance	Opening Balance	Disposal	Current Provision	Closing Balance
Infrastructure	16,137,096	1,398,635	—	17,535,731	2,816,953	—	588,751	3,405,704
Buildings	7,652,959	185,253	—	7,838,212	1,493,812	—	253,776	1,747,588
Vehicles	503,033	69,793	58,296	514,530	411,220	46,070	29,876	395,026
Equipment	717,402	14,066	—	731,468	277,449	—	90,804	368,253
	<u>25,010,490</u>	<u>1,667,747</u>	<u>58,296</u>	<u>26,619,941</u>	<u>4,999,434</u>	<u>46,070</u>	<u>963,207</u>	<u>5,916,571</u>
								<u>20,703,370</u>
								<u>20,011,056</u>

METLAKATLA GOVERNING COUNCIL

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MARCH 31, 2016

8. OPERATING SURPLUS

	2016	2015
Administration	\$ -183,621	\$ -17,520
Capital	166,470	1,066,233
Community Health	108,455	28,539
Education	280,726	65,000
Social Services	32,867	70,000
Other	<u>7,405,102</u>	<u>6,913,916</u>
	<u>\$ 7,809,999</u>	<u>\$ 8,126,168</u>

9. EQUITY IN PROPERTY AND EQUIPMENT

Opening balance	\$ 20,011,056
Contribution from operations	1,655,521
Amortization	<u>-963,207</u>
Closing balance	<u>\$ 20,703,370</u>

10. CONTINGENT LIABILITIES

The Band, through the L.C.H. Committee, received funding to pursue a treaty settlement. Upon settlement, \$6,978,289 is payable.

Guarantor of loans and lines of credit totaling \$5,642,000 for Metlakatla Ferry Service Ltd., Grassy Bay Services Ltd., Metlakatla Development Corporation and North-Co-Corp Ferry Services Ltd.

METLAKATLA GOVERNING COUNCIL

NOTES

MARCH 31, 2015

11. RESTATEMENT

Opening equity in property and equipment at April 1, 2014 was restated as follows:

Equity in property and equipment previously reported at March 31, 2014	\$ 11,571,572
Adjustments to equity in property and equipment per engineer review	
Cost of vehicles and equipment previously disposed of	-377,163
Reduction of accumulated amortization of vehicles and equipment previously disposed of	251,557
Restated position at March 31, 2014	\$ 11,445,966

Revenue over expenditure for the year ended March 31, 2015 has been restated as follows:

Revenue over expenditure previously reported	\$ 13,440,179
Reduction of amortization expense to reflect assets previously disposed of	74,554
Restated revenue over expenditure	\$ 13,514,733

12. 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 period are as follows:

METLAKATLA GOVERNING COUNCIL

NOTES

MARCH 31, 2016

NOTE 12. SEGMENT DISCLOSURE (continued)

	Unaudited Budget Total 2016	Administration	Capital	Community Health	Education	Other	Social Services	Amortization	Total 2016	Resated (note 11) Total 2015
REVENUE										
Government of Canada	4,019,750	711,864	683,482	447,599	724,946	907,642	266,961		3,742,494	11,069,697
Province of BC	598,492			17,121		535,628			552,749	1,246,848
Other	1,279,038	293,750		14,758	44,000	2,119,472			2,471,980	5,369,713
	<u>5,897,280</u>	<u>1,005,614</u>	<u>683,482</u>	<u>479,478</u>	<u>768,946</u>	<u>3,562,742</u>	<u>266,961</u>		<u>6,767,223</u>	<u>17,686,258</u>
EXPENDITURE										
Allowances (recoveries)	245,800	53,329			163,370		15,137		231,836	84,105
Advances to corporations		40,000							40,000	40,000
Amortization			58,514						963,207	593,384
Contract services			372,087						432,552	331,478
Council remuneration and travel	280,600			4,314	343,719	21,031	4,974		372,087	351,058
Elder payments	377,460								795,000	
Equipment rentals and repairs	128,486				25		298,427		298,452	169,024
Insurance	39,000						53,003		53,003	42,319
Materials and supplies	391,933	214,380		30,133	11,232	176,206	49,915		483,866	377,546
Office and other	117,198	79,373		21,474	2,112		1,613		104,572	133,630
Professional services	555,865	230,053		1,214	41,673	605,659	32,226		912,849	353,061
Telephone and utilities	124,809	39,098		2,024	23,210	3,823	53,653		122,292	87,818
Travel and workshops	375,204	92,936			21,465	13,966	38,657		169,197	221,337
Wages and benefits	1,337,612	373,797			297,727	127,442	446,866	145,547	1,391,379	1,386,755
	<u>3,973,967</u>	<u>1,553,567</u>	<u>2,024</u>	<u>399,562</u>	<u>707,337</u>	<u>2,490,502</u>	<u>254,093</u>	<u>963,207</u>	<u>6,370,292</u>	<u>4,171,525</u>
REVENUE OVER EXPENDITURE	1,923,313	-547,953	681,458	79,916	61,609	1,072,240	12,868	-963,207	396,931	13,514,733
TRANSFERS										
		<u>381,850</u>	<u>2,667</u>		<u>37,873</u>	<u>-422,390</u>				
ANNUAL SURPLUS (DEFICIT)	1,923,313	-166,103	684,125	79,916	99,482	649,850	12,868	-963,207	396,931	13,514,733

CARLYLE SHEPHERD & CO.

CHARTERED PROFESSIONAL ACCOUNTANTS

