

KITSELAS BAND COUNCIL

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

MARCH 31, 2014

The financial statements of the Kitselas Band Council and all information provided in this annual report have been approved by the Council.

These financial statements have been prepared by management in accordance with Canadian public sector accounting standards which includes certain amounts based on judgments and estimates. Management has chosen the most appropriate method to determine the judgments/estimates to ensure the financial statements are presented fairly, in all material respects.

The Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. The systems are designed to provide reasonable assurance that financial information is reliable and accurate and assets are adequately safeguarded.

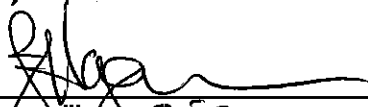
The Band Council is responsible for ensuring management fulfills its responsibility for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Band Council meets regularly with management and is available to meet with the external auditor to satisfy themselves that each party is properly discharging their responsibilities. The Band Council also considers the engagement of the external auditor.

The financial statements have been audited by Carlyle Shepherd & Co., Chartered Accountants, in accordance with generally accepted auditing standards on behalf of the members. Carlyle Shepherd & Co. have full and free access to the Band Council.



Chief Councillor



Councillor CEO

KITSELAS BAND COUNCIL

FINANCIAL STATEMENTS

MARCH 31, 2014

KITSELAS BAND COUNCIL
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INDEPENDENT AUDITOR'S REPORT

To the Kitselas Band Council

Report on the Financial Statements

We have audited the accompanying statement of financial position of Kitselas Band Council as at March 31, 2014 and the statements of financial activities, cash flows, and changes in net financial assets (liabilities) 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 Band Council as at March 31, 2014 and the results of its operations, cash flows and net financial assets (liabilities) for the year then ended in accordance with Canadian public sector accounting standards.

Terrace, BC
August 16, 2014


Carlyle Shepherd : Co.

KITSELAS BAND COUNCIL
STATEMENT OF FINANCIAL POSITION

MARCH 31

	2014	2013
	\$	\$
FINANCIAL ASSETS		
Cash	2,592,879	4,680,666
Short-term investments (note 2)	2,553,552	-
Accounts receivable (note 3)	737,105	759,249
Due from Kitselas Forestry LP (note 1)	3,727,823	1,183,568
Ottawa Trust funds (note 4)	4,308	4,284
Prepaid expenditures	<u>30,429</u>	<u>54,707</u>
	<u>9,646,096</u>	<u>6,682,474</u>
LIABILITIES		
Accounts payable and accruals	270,113	359,353
Long-term debt (note 5)	6,434,805	6,725,718
Replacement reserve (note 6)	<u>342,477</u>	<u>277,842</u>
	<u>7,047,395</u>	<u>7,362,913</u>
NET FINANCIAL ASSETS (LIABILITIES)	<u>2,598,701</u>	<u>-680,439</u>
NON-FINANCIAL ASSETS		
Loan to Kitselas Development LP (note 7)	346,310	-
Property and equipment (notes 1 and 8)	<u>13,455,215</u>	<u>13,947,096</u>
	<u>13,801,525</u>	<u>13,947,096</u>
	<u>16,400,226</u>	<u>13,266,657</u>
BAND POSITION		
Surplus (note 10)	9,050,375	6,062,171
Equity in property and equipment (note 9)	6,999,233	7,200,202
Equity in loan to Kitselas Development LP (note 7)	346,310	-
Equity in Ottawa Trust funds (note 3)	<u>4,308</u>	<u>4,284</u>
CONTINGENT LIABILITIES (note 11)	<u>16,400,226</u>	<u>13,266,657</u>

APPROVED BY THE COUNCIL

 Chief Councilor

 Director of Finance and HR

CARLYLE SHEPHERD & CO.
CHARTERED ACCOUNTANTS

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KITSELAS BAND COUNCIL
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED MARCH 31

	2014	2013
	\$	\$
REVENUE		
AANDC	4,252,775	3,179,457
CMHC	301,649	632,014
Department of Fisheries and Oceans	-	27,705
First Nations Health Authority	587,859	464,733
Ottawa Trust Funds	1,524	1,500
Province of British Columbia	416,876	172,204
Rental	515,855	519,878
The TFN Treaty Society	924,966	929,052
Other	<u>3,455,477</u>	<u>2,598,652</u>
	<u>10,456,981</u>	<u>8,525,195</u>
EXPENDITURE		
Administration	381,633	273,445
Amortization	542,689	532,451
Capital projects	1,004,405	600,303
Community health	663,228	692,625
Economic development	370,197	161,210
Education	1,459,737	1,302,213
Housing rentals	522,739	698,473
Land management	197,413	218,809
Public works	131,651	180,509
Resource development	484,597	392,293
Social services	664,837	815,466
Treaty process	<u>900,286</u>	<u>921,655</u>
	<u>7,323,412</u>	<u>6,789,452</u>
REVENUE OVER EXPENDITURE	3,133,569	1,735,743
OPENING POSITION	<u>13,266,657</u>	<u>11,530,914</u>
CLOSING POSITION	<u>16,400,226</u>	<u>13,266,657</u>

KITSELAS BAND COUNCIL
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31

	2014	2013
	\$	\$
OPERATING ACTIVITIES		
Revenue over expenditure	3,133,569	1,735,743
Amortization	542,689	532,451
Accounts receivable	22,144	197,280
Due from Kitselas Forestry LP	-2,544,255	-1,114,306
Ottawa Trust funds	-24	-75
Prepaid expenditures	24,278	-2,501
Accounts payable and accruals	-89,240	-266,124
	<u>1,089,161</u>	<u>1,082,468</u>
FINANCING ACTIVITIES		
Long-term debt	-290,913	-26,685
Replacement reserve	64,635	70,995
	<u>-226,278</u>	<u>44,310</u>
INVESTING ACTIVITIES		
Short-term investments	-2,553,552	-
Loan to Kitselas Development LP	-346,310	-
Property and equipment additions	-50,808	-26,727
	<u>-2,950,670</u>	<u>-26,727</u>
CHANGE IN CASH	-2,087,787	1,100,051
OPENING CASH BALANCE	<u>4,680,666</u>	<u>3,580,615</u>
CLOSING CASH BALANCE	<u>2,592,879</u>	<u>4,680,666</u>

KITSELAS BAND COUNCIL

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (LIABILITIES)

YEAR ENDED MARCH 31

	2014	2013
	\$	\$
Revenue over expenditure	3,133,569	1,735,743
Amortization	542,689	532,451
Loan to Kitselas Development LP	-346,310	-
Property and equipment additions	<u>-50,808</u>	<u>-26,727</u>
Change in net financial assets (liabilities)	3,279,140	2,241,467
Opening net financial assets (liabilities)	<u>-680,439</u>	<u>-2,921,906</u>
Closing net financial assets (liabilities)	<u>2,598,701</u>	<u>-680,439</u>

KITSELAS BAND COUNCIL

NOTES

MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES

a) Fund Accounting

These financial statements have been prepared based on the fund accounting method and guidelines issued by Aboriginal Affairs and Northern Development Canada which requires compliance with Canadian public sector accounting standards.

The Band maintains the following funds which are consolidated into the financial statements:

- Operating Fund reports the general activities of the Band.
- Capital Fund reports the property and equipment of the Band, together with related financing.
- Social Housing Fund reports the social housing assets, together with related activities.
- Ottawa Trust Fund reports the trust funds owned by the Band and held by the federal government.

b) Recognition of Revenue and Expenditures

Revenue and expenditures are reported on an accrual basis.

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.

Expenditures are accounted for in the period when the goods and services are acquired and the liability is incurred.

c) 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.

d) Financial Instruments

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

KITSELAS BAND COUNCIL

NOTES

MARCH 31, 2014

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property and Equipment

Property and equipment are reported at cost and are amortized using the declining balance method, for non-social housing assets, at the following annual rates:

Buildings	4%
Engineered structures	4%
Equipment	20%

For social housing, amortization on buildings is based on the annual principal reduction of the related mortgage.

f) Investments

Financial information for Kitselas Development Limited Partnership and Kitselas Forestry Limited Partnership as at March 31, 2014 is as follows:

	Kitselas Development LP	Kitselas Forestry LP
	\$	\$
Assets	2,276,571	5,821,308
Liabilities	2,429,539	2,093,519
Revenue	277,512	29,581,679
Net income (loss)	-225,723	2,616,528

The Band Council has a 99.99% partnership interest in both Limited Partnerships. Controlled enterprises are accounted for using the modified equity method.

g) Budget Information

Budget information is not available.

2. SHORT-TERM INVESTMENTS

Short-term investments in bonds and common shares.

KITSELAS BAND COUNCIL

NOTES

MARCH 31, 2014

3. ACCOUNTS RECEIVABLE

Accounts receivable are reported net of a \$974,795 allowance for doubtful accounts (2013 \$851,239).

4. OTTAWA TRUST FUNDS

Aboriginal Affairs and Northern Development Canada 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 Aboriginal Affairs and Northern Development Canada.

	Capital	Revenue	Total 2014	Total 2013
	\$	\$	\$	\$
Opening balance	2,784	1,500	4,284	4,209
Income	-	1,524	1,524	1,500
Withdrawals	-	-1,500	-1,500	-1,425
Closing balance	<u>2,784</u>	<u>1,524</u>	<u>4,308</u>	<u>4,284</u>

5. LONG-TERM DEBT

The mortgages are secured by buildings.

Royal Bank of Canada, \$1,024/month including interest at 3.01% per annum \$ 144,210

All Nations Trust Company

\$ 2,941/month including interest at 2.65% per annum	332,207
\$ 3,180/month including interest at 2.84% per annum	388,055
\$ 3,028/month including interest at 1.53% per annum	560,068
\$ 4,841/month including interest at 1.65% per annum	915,287
\$ 9,931/month including interest at 1.67% per annum	1,867,119
\$ 4,217/month including interest at 3.13% per annum	782,182
\$ 6,514/month including interest at 1.82% per annum	<u>1,445,677</u>
	\$ <u>6,434,805</u>

CARLYLE SHEPHERD & CO.

CHARTERED ACCOUNTANTS



KITSELAS BAND COUNCIL

NOTES

MARCH 31, 2014

5. LONG-TERM DEBT (continued)

Principal repayment during the next five years is as follows:

2015	\$ 301,099
2016	307,299
2017	313,638
2018	320,116
2019	<u>326,740</u>
	<u>\$ 1,586,892</u>

6. REPLACEMENT RESERVE

Under the terms of agreement with Canada Mortgage and Housing Corporation, the replacement reserve account is to be credited with \$66,900 annually. These funds, with accumulated interest, must be held in a separate bank account and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as approved by CMHC. At year-end the funds are in a separate bank account.

Opening balance	\$ 277,842
Current provision	66,900
Expenditure	<u>-2,265</u>
Closing balance	<u>\$ 342,477</u>

7. LOAN TO KITSELAS DEVELOPMENT LP

The loan to Kitselas Development Limited Partnership bears interest at 3.65% with repayment beginning January 1, 2019. As a result of the operating loss in the year, interest has not been accrued as the loan is considered partially impaired at year-end

KITSELAS BAND COUNCIL

NOTES

MARCH 31, 2014

8. PROPERTY AND EQUIPMENT

	PROPERTY AND EQUIPMENT			ACCUMULATED AMORTIZATION			NET BOOK VALUE	
	Opening Balance	Additions	Closing Balance	Opening Balance	Annual Amortization	Closing Balance	Total 2014	Total 2013
	\$	\$	\$	\$	\$	\$	\$	\$
Buildings	12,569,460	-	12,569,460	1,299,852	386,382	1,686,234	10,883,226	11,269,608
Engineered structures	3,494,387	-	3,494,387	1,050,064	97,773	1,147,837	2,346,550	2,444,323
Equipment	<u>1,171,063</u>	<u>50,808</u>	<u>1,221,871</u>	<u>937,898</u>	<u>58,534</u>	<u>996,432</u>	<u>225,439</u>	<u>233,165</u>
	<u>17,234,910</u>	<u>50,808</u>	<u>17,285,718</u>	<u>3,287,814</u>	<u>542,689</u>	<u>3,830,503</u>	<u>13,455,215</u>	<u>13,947,096</u>

KITSELAS BAND COUNCIL

NOTES

MARCH 31, 2014

9. EQUITY IN PROPERTY AND EQUIPMENT

	2014	2013
Opening balance	\$ 7,200,202	\$ 7,428,698
Contributions from operations	50,807	26,727
Long-term debt repayment	290,913	277,228
Amortization	<u>-542,689</u>	<u>-532,451</u>
Closing balance	<u>\$ 6,999,233</u>	<u>\$ 7,200,202</u>

10. SURPLUS (DEFICIT)

	2014	2013
Administration	\$ 230,092	\$ 121,654
Capital projects	-493,398	-383,353
Community health	116,007	60,783
Economic development	7,567,756	5,410,423
Education	91,178	204,772
Housing rentals	-162,179	-103,928
Land management	284,342	180,295
Public works	-72,375	-51,164
Resource development	536,420	348,490
Social services	186,762	103,204
Treaty process	<u>765,770</u>	<u>170,995</u>
	<u>\$ 9,050,375</u>	<u>\$ 6,062,171</u>

11. CONTINGENT LIABILITIES

A portion of the Treaty Process revenue from the TFN Treaty Society is repayable upon settlement of land claims. The contingent liability is \$6,932,157.

The Band has guaranteed a Royal Bank of Canada demand loan of \$520,000 for Kitselas Forestry Products Limited Partnership.

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 year are as follows:

KITSELAS BAND COUNCIL

NOTES

MARCH 31, 2014

Note 12 continued

	Administration	Amortization	Capital Projects	Community Health	Economic Development	Education	Housing Rentals	Land Management	Public Works	Resource Development	Social Services	Treaty Process	Total 2014	Total 2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Revenue														
AANDC	351,281	-	823,988	-	66,590	1,311,007	-	279,536	106,940	-	747,043	566,390	4,252,775	3,179,457
CMHC	-	-	70,371	-	-	-	231,278	-	-	-	-	-	301,649	632,014
DFO	-	-	-	-	-	-	-	-	-	-	-	-	-	27,705
FNHA	-	-	-	587,859	-	-	-	-	-	-	-	-	587,859	464,733
Ottawa Trust Funds	1,524	-	-	-	-	-	-	-	-	-	-	-	1,524	1,500
Province of British Columbia	-	-	-	1,699	370,177	-	-	-	-	45,000	-	-	416,876	172,204
Rent	-	-	-	-	-	-	515,855	-	-	-	-	-	515,855	519,878
The TFN Treaty Society	-	-	-	-	-	-	-	-	-	-	-	924,966	924,966	929,052
Other	137,287	-	-	128,894	2,437,074	83,375	804	27,812	3,500	631,872	1,353	3,706	3,455,477	2,598,652
	<u>490,092</u>	<u>-</u>	<u>894,359</u>	<u>718,452</u>	<u>2,873,841</u>	<u>1,394,382</u>	<u>747,937</u>	<u>307,148</u>	<u>110,440</u>	<u>676,872</u>	<u>748,396</u>	<u>1,495,062</u>	<u>10,456,981</u>	<u>8,525,195</u>
Expenses														
AANDC/DFO recovery	-	-	-	-	-	-	-	-	-	-	5,078	-	5,078	283,611
Administration recovery	-413,526	-	-	-	-	-	-	-	-	-	-	-	-413,526	-312,384
Amortization	-	542,689	-	-	-	-	-	-	-	-	-	-	542,689	532,451
Bad debts	-	-	-	13,689	-	-	127,458	-	-	37,156	-	-	178,303	229,992
Benefits and programs	-	-	-	-	-	1,115,963	-	-	-	-	605,225	-	1,721,188	1,661,731
Contract services	-	-	843,823	94,979	114,416	-	9,570	55,956	28,920	114,958	-	76,168	1,338,788	887,050
Honoraria	61,136	-	-	-	-	-	350	-	-	3,090	-	3,227	67,803	54,432
Insurance	11,205	-	-	2,649	-	2,865	42,412	-	4,235	3,111	134	-	66,611	56,768
Materials, supplies and other	95,216	-	41,429	205,297	108,225	153,276	271,948	52,182	33,285	108,777	2,037	182,394	1,254,066	1,142,341
Professional services	33,470	-	-	-	-	-	7,560	-	-	-	-	215,936	256,966	247,618
Telephone and utilities	48,520	-	-	3,275	5,406	1,252	1,338	5,053	63,292	6,576	-	9,835	144,547	145,779
Travel and workshops	139,221	-	4,949	37,562	30,822	19,094	9,903	13,580	1,436	29,930	12,187	79,123	377,807	226,578
Wages and benefits	406,391	-	114,204	305,777	111,328	167,287	52,200	70,642	483	181,001	40,176	333,603	1,783,092	1,633,485
	<u>381,633</u>	<u>542,689</u>	<u>1,004,405</u>	<u>663,228</u>	<u>370,197</u>	<u>1,459,737</u>	<u>522,739</u>	<u>197,413</u>	<u>131,651</u>	<u>484,597</u>	<u>664,837</u>	<u>900,286</u>	<u>7,323,412</u>	<u>6,789,452</u>
Revenue over expenditure	108,459	-542,689	-110,046	55,224	2,503,644	-65,355	225,198	109,735	-21,211	192,275	83,559	594,776	3,133,569	1,735,743
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Annual surplus (deficit)	<u>108,459</u>	<u>-542,689</u>	<u>-110,046</u>	<u>55,224</u>	<u>2,503,644</u>	<u>-65,355</u>	<u>225,198</u>	<u>109,735</u>	<u>-21,211</u>	<u>192,275</u>	<u>83,559</u>	<u>594,776</u>	<u>3,133,569</u>	<u>1,735,743</u>