



**Spuzzum First Nation
Financial Statements**

March 31, 2014

Spuzzum First Nation
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For the year ended March 31, 2014

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**Spuzzum First Nation
March 31, 2014**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements for the Spuzzum First Nation and all the information in this annual report are the responsibility of management and have been approved by Council.

The financial statements have been prepared in conformity with Canadian generally accepted accounting principles as defined by the Public Sector Accounting and Auditing Handbook and the Canadian Institute of Chartered Accountants Handbook and where appropriate, include amounts that are based on management's best estimates and judgments. Management has established internal control systems to ensure that the financial information is objective and reliable and that the Spuzzum First Nation assets are appropriately accounted for and adequately safeguarded.


The financial statements have been audited by the independent auditor, Ribeyre & Company, whose report outlines the scope of their opinion on the financial statements.

Council carries out its responsibility for the financial statements through the Office of Chief and Council, which is comprised of a quorum of council. Council meets with the auditors to satisfy themselves on the adequacy of internal control and to review the financial statements and auditors' report.

Council reviewed the audited financial statements with the external auditors before making recommendations for presentation to the band membership.

Chief Councilor

Councilor



Councilor

INDEPENDENT AUDITOR'S REPORT

To: The Members of the Spuzzum First Nation

Report on the Financial Statements

We have audited the accompanying financial statements of the Spuzzum First Nation, which comprise the summary statement of financial position as at March 31, 2014, and the summary statement of operations, summary statement of change in net debt, summary statement of cash flows 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 considers internal control relevant



to the entity's preparation and 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Spuzzum First Nation as at March 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Port Coquitlam, B.C.
July 2, 2014

P. L. & S. P.
Chartered Accountants

Spuzzum First Nation

SUMMARY STATEMENT OF FINANCIAL POSITION

As at March 31, 2014

Statement 1

	2014	2013
Financial assets		
Cash	\$ 69,477	\$ 39,715
Restricted cash	52,019	49,637
Accounts receivable - Note 3	77,558	24,355
Investments - Note 4	15,975	15,975
Trust moneys - Note 5	691,113	671,382
Total financial assets	906,142	801,064
Liabilities		
Accounts payable and accrued expenses	118,651	238,266
Deferred revenue - Note 6	-	628
Long-term debt - Note 7	80,071	91,240
Total liabilities	198,722	330,134
Net financial assets	707,420	470,930
Non-financial assets		
Prepaid expenses	9,506	-
Tangible capital assets - Note 8	941,548	1,175,148
Total non-financial assets	951,054	1,175,148
Accumulated surplus - Note 9	\$ 1,658,474	\$ 1,646,078

See accompanying notes

Approved by Council:

Chief Councilor

Councilor

Spuzzum First Nation

SUMMARY STATEMENT OF OPERATIONS

For the year ended March 31, 2014

Statement 2

	Budget	2014	2013
Revenue			
Operating Fund			
Aboriginal Affairs and Northern Development Canada	\$ 494,402	\$ 709,073	\$ 602,611
Fraser Thompson Indian Services Society	82,091	83,478	51,677
Sto:Lo Tribal Council	3,076	25,062	-
Nlaka'pamux Nation Tribal Council	92,000	113,627	57,256
First Nation Education Steering Committee	1,666	4,757	2,666
All Nations Trust Company	-	840	546
Rental revenue	25,000	28,508	19,562
Property tax revenue	38,600	38,837	38,600
Investment income	50,000	51,563	24,270
Other	100,450	21,146	24,082
Social Housing Fund	20,000	25,858	47,086
Trust Fund	-	19,731	15,910
	907,285	1,122,480	884,266
Expenditure			
Operating Fund			
Band government	297,750	227,026	212,182
Social development	89,888	90,183	108,764
Economic development	12,042	51,332	11,518
Education and training	286,572	226,899	188,906
Health programs	25,170	40,699	23,398
Community infrastructure	170,208	98,371	92,815
Capital projects	74,618	105,205	19,466
Depreciation	-	233,573	260,505
Social Housing Fund	-	33,430	20,912
	956,248	1,106,718	938,466
Annual surplus (deficit)	(48,963)	15,762	(54,200)
Accumulated surplus, beginning of year		1,646,078	1,745,083
Recoveries		(3,366)	(44,807)
Accumulated surplus, end of year		\$1,658,474	\$1,646,078

See accompanying notes

Spuzzum First Nation**CONSOLIDATED STATEMENT OF CHANGE IN NET SURPLUS**

For the year ended March 31, 2014	Statement 3	
	2014	2013
Annual (deficit) surplus	\$ 15,762	\$ (54,200)
Recoveries in the year	(3,366)	(44,807)
	12,396	(99,007)
Changes in tangible capital assets		
Acquisition of tangible capital assets	(9,900)	(92,274)
Amortization of tangible capital assets	243,500	271,360
	233,600	179,086
Changes in other non-financial assets		
Use of prepaid asset - net	(9,506)	-
	(9,506)	-
Increase in net financial assets	236,490	80,079
Net financial assets, beginning of year	470,930	390,850
Net financial assets, end of year	\$ 707,420	\$ 470,930

Spuzzum First Nation

SUMMARY STATEMENT OF CASH FLOWS

For the year ended March 31, 2014

Statement 4

	2014	2013
OPERATING ACTIVITIES		
(Deficit) funding surplus	\$ 15,762	\$ (54,200)
Less:		
Recoveries	(3,366)	(44,807)
Net change in Band Members' Equity	12,396	(99,007)
Items not involving cash:		
Depreciation of capital equity assets	233,573	260,505
Depreciation of Social Housing Fund assets	9,927	10,855
Revenues earned in Trust Fund	(19,731)	(15,910)
Changes in non-cash working capital items	(182,952)	21,768
Cash provided by operating activities	53,213	178,211
INVESTING ACTIVITIES		
Purchase of fixed assets	(9,900)	(92,274)
Cash used in investing activities	(9,900)	(92,274)
FINANCING ACTIVITIES		
Repayment of long-term debt	(11,169)	(10,854)
Cash used in financing activities	(11,169)	(10,854)
Increase in cash during the year	32,144	75,083
Cash, beginning of year	89,352	14,268
Cash, end of year	\$ 121,496	\$ 89,352
Represented by:		
Cash	\$ 69,477	\$ 39,715
Restricted cash	52,019	49,637
	\$ 121,496	\$ 89,352

See accompanying notes

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2014

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1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These summary financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook, which encompasses the following principles.

a) Fund accounting

The Spuzzum 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. The Spuzzum First Nation maintains the following funds:

- The Operating Fund which reports the general activities of the Nation administration.
- The Trust Fund which reports on trust funds owned by the Nation and held by a third party.
- The Social Housing Fund which reports on the housing activities related to CMHC funded housing.

b) Reporting entity and principles of financial reporting

The Spuzzum First Nation reporting entity includes the Spuzzum First Nation government and all related entities which are accountable to the Nation and are either owned or controlled by the Nation.

These financial statements consolidate the assets, liabilities and results of operation for the following entities which use accounting principles which lend themselves to consolidation:

- Operating Fund
- Trust Fund
- Social Housing Fund

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 necessarily been eliminated on the individual schedules.

c) Investments in non-controlled entities

Long-term investments in non-controlled entities are recorded at the lower of cost or net realizable value.

d) Cash and/or cash equivalents

Cash equivalents include short-term highly liquid investments with a term to maturity of 90 days or less at acquisition.

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1. Continued...

e) Restricted cash

Restricted cash represents amounts reserved either internally or by statute for specific future purposes.

f) Deferred Revenue

Deferred revenue represents grants and other fees which have been collected, but for which the related expenses or services have yet to be incurred or performed. These amounts will be recognized as revenues in the fiscal year in which the services are performed or related expenditures incurred.

g) Fixed assets

Fixed assets are valued at either cost or estimated cost and recorded in the Operating Fund. Items over \$3,000 are capitalized.

The acquisition costs of fixed assets and payments on capital debt, which are not funded from capital financing sources, are charged to operations and matched with the applicable revenue source in the year of expenditure. These expenditures are also recorded as an addition to assets of the Operating Fund with a corresponding increase in Operating Fund - unrestricted equity.

Fixed assets acquired as part of the Social Housing Fund are recorded as assets of that Fund.

h) Depreciation

Fixed assets are recorded and depreciated with a corresponding reduction in Equity in Fixed Assets. Assets are depreciated over their expected useful life using the straight line method:

Domestic water system	15 years
Buildings	25 years
Equipment	5 years
Fire boxes and improvements	5 years
Roads and paving	25 years
Street signs / poles	25 years
Vehicles	5 years

Social Housing assets acquired under Canada Mortgage and Housing Corporation sponsored housing programs are depreciated at a rate equivalent to the annual principal reduction in the related long-term debt, as required for Canada Mortgage and Housing Corporation reporting purposes. To be consistent, housing assets in the Capital Fund are also depreciated at a rate equivalent to the annual principal reduction in the related long-term debt.

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1. Continued...

i) **Non-financial assets**

Fixed assets and other non-financial assets are accounted for as assets by the Spuzzum First Nation because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the Spuzzum First Nation unless they are sold.

j) **Revenue recognition**

Revenue is recognized as it becomes receivable under the terms of the applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Statement of Financial Position.

k) **Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reported period. Actual results could differ from the estimates.

2. **ECONOMIC DEPENDANCE**

The Spuzzum First Nation receives a major portion of its revenue pursuant to a funding arrangement with Aboriginal Affairs and Northern Development Canada .

3. **ACCOUNTS RECEIVABLE**

	2014	2013
Aboriginal Affairs and Northern Development Canada	\$ 42,688	\$ 1
Other	34,870	24,354
Nation members loans	261,375	253,837
Nation members loans allowance	(261,375)	(253,837)
Nation members rent	219,056	219,056
Nation members rent allowance	(219,056)	(219,056)
	<u>\$ 77,558</u>	<u>\$ 24,355</u>

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4. INVESTMENTS

Investments consist of the following:	2014	2013
All Nations Trust Company, 8,400 Class A shares, at cost	\$ 5,600	\$ 5,600
Skuzzy Creek Power Station, 17.3% interest in common shares	10,375	10,375
Southern Nlaka'pamux Forestry Resources Ltd., 6 Common shares at cost of \$1 each (20% interest) and advances of \$15,994	16,000	16,000
Less allowance for impairment	(16,000)	(16,000)
	-	-
	\$ 15,975	\$ 15,975

5. TRUST MONEYS

The Ottawa Trust accounts arise from moneys 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 and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 and 69 of the Indian Act.

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6. DEFERRED REVENUE

Deferred revenue reported on the consolidated statement of financial position consists of the following:

	2014	2013
Rent deposits	\$ -	\$ 628

7. LONG-TERM DEBT

	2014	2013
Mortgage payable with monthly payments of \$1,143 including interest at 2.97% per annum is due April 1, 2016, secured by certain assets and a Ministerial Guarantee.	\$ 80,071	\$ 91,240

Scheduled principal repayments for the next five years are as follows:

2015	11,490
2016	11,836
2017	56,746
2018	-
2019	-
	<u>\$ 80,071</u>

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8. Tangible Capital Assets

	2014						2013	
	Beginning Cost	Additions	Disposals	Ending Cost	Beginning Accumulated Depreciation	Ending Accumulated Depreciation	Net Book Value	Net Book Value
Capital Fund								
Land	\$ 37,000	\$ -	\$ -	\$ 37,000	\$ -	\$ -	\$ 37,000	\$ 37,000
Domestic water system	2,344,613	-	-	2,344,613	(2,086,112)	(2,242,420)	102,193	258,501
Buildings	889,741	-	-	889,741	(263,555)	(299,145)	590,596	626,186
Band office flooring	7,420	-	-	7,420	(148)	(297)	6,975	7,272
Bridge upgrade	76,354	-	-	76,354	(1,527)	(3,054)	71,773	74,827
Equipment	324,008	9,900	-	333,908	(288,803)	(36,195)	8,910	35,205
Fire boxes and improvements	10,762	-	-	10,762	(10,762)	(10,762)	-	-
Roads and paving	39,195	-	-	39,195	(7,546)	(9,114)	30,081	31,649
Street signs / poles	9,772	-	-	9,772	(3,592)	(3,983)	5,789	6,180
Water plant fencing	8,500	-	-	8,500	(170)	(340)	8,160	8,330
Vehicles	83,158	-	-	83,158	(83,158)	(83,158)	-	-
	3,830,523	9,900	-	3,840,423	(2,745,373)	(233,573)	861,477	1,085,150
Social Housing Fund								
Buildings and infrastructure	278,436	-	-	278,436	(188,438)	(9,927)	80,071	89,998
	\$4,108,959	\$ 9,900	\$ -	\$4,118,859	\$ (2,933,811)	\$ (243,500)	\$ 941,548	\$1,175,148

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9. ACCUMULATED SURPLUS

	2014	2013
<hr/>		
Accumulated Surplus is comprised of the following:		
Restricted surpluses		
Trust Fund	\$ 691,113	\$ 671,382
CMHC subsidy surplus reserve	1,511	1,511
Unrestricted surplus	965,850	973,185
	<hr/>	<hr/>
	\$ 1,658,474	\$ 1,646,078
	<hr/>	<hr/>

10. REPLACEMENT RESERVE FUND

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage and Housing Corporation, Spuzzum First Nation Social Housing must set aside funds annually for the non-annual expenditures of the Program for the repair, maintenance and replacement of worn out assets.

As at March 31, 2014, cash and term deposits required to fund the Replacement Reserve Fund were deficient by \$17,494 (2013 - \$22,273).

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11. SUBSIDY SURPLUS FUND

In accordance with the terms and conditions of the "Operating Agreement" with Canada Mortgage and Housing Corporation, Spuzzum First Nation Social Housing is permitted to set aside an amount of \$500 per housing unit for the purpose of meeting future requirements of income listed over and above the maximum federal assistance. The Fund may be replenished to its original limit from subsequent operating surpluses.

As at March 31, 2014, cash and term deposits required to fund the Subsidy Surplus Fund were deficient by \$789 (2013 surplus - \$4,177).

12. BUDGET INFORMATION

The budget information disclosed has been approved by the Spuzzum First Nation Chief and Council. Individual program operations not showing budget information does not mean budgets were not prepared but rather that their amounts were not readily determinable.

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NOTES TO FINANCIAL STATEMENTS

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13. FINANCIAL INSTRUMENTS

Risk management policy

Spuzzum First Nation is exposed to various risks through its financial instruments. The following analysis provides a measure of the risks at March 31, 2014.

Credit risk

The carrying value of the First Nation's main financial assets represents the maximum credit risk to which the nation is exposed.

Spuzzum First Nation Social Housing's credit risk is due mainly to its loans receivable. The balance sheet amounts are presented net of the allowance for impaired loans, which management estimates based on past experience and its assessment of current economic conditions. Spuzzum First Nation believes that its loans receivable credit risk is limited because:

- Majority of its receivables are due from Canadian government agencies.
- Spuzzum First Nation recognizes a specific allowance for accounts receivable when management considers the expected collectable amount to be lower than the actual amount receivable.

Liquidity risk

Spuzzum First Nation considers that it has sufficient credit facilities to ensure that funds are available to meet its current and long-term financial needs, at a reasonable cost.

Market risk

Spuzzum First Nation is exposed to interest rate risk on its fixed-interest and variable-interest financial instruments. Fixed-interest instruments subject the nation to a fair value risk while the variable-interest instruments subject it to a cash flow risk.

The following table summarizes the contractual maturities of the financial liabilities as at March 31, 2014.

	Carrying amount	Contractual cash flows	0 to 1 year	2 to 4 years	Over 5 years
Accounts payable and accrued expenses	\$ 118,651	\$ 118,651	\$ 118,651	\$ -	\$ -
Long-term debt	80,071	80,071	11,490	68,581	-
	<u>\$ 198,722</u>	<u>\$ 198,722</u>	<u>\$ 130,141</u>	<u>\$ 68,581</u>	<u>\$ -</u>