



**Spuzzum First Nation
Financial Statements**

March 31, 2017



Spuzzum First Nation

INDEX TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2017

Management's Responsibility for Financial Reporting

Auditor's Report

SUMMARY FINANCIAL STATEMENTS

Summary Statement of Financial Position	Statement 1
Summary Statement of Operations	Statement 2
Consolidated Statement of Changes in Net Debt	Statement 3
Summary Statement of Cash Flows	Statement 4
Notes to Financial Statements	

Spuzzum First Nation March 31, 2017

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 Chartered Professional Accountants of Canada 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 Chang Haylock, 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

Chief

David Thompson
Councillor

Councillor

Chad Edwards
Councilor

~~Deputy~~ Councillor

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, 2017, and the summary statement of operations, summary statement of change in net financial assets, 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 public sector accounting standards, 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, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Port Coquitlam, B.C.
July 19, 2017

Chartered Professional Accountants

Spuzzum First Nation

SUMMARY STATEMENT OF FINANCIAL POSITION

As at March 31, 2017	Statement 1	
	2017	2016
Financial assets		
Cash	\$ 294,764	\$ 294,415
Restricted cash	50,959	50,675
Accounts receivable - Note 3	123,073	47,130
Investments - Note 4	15,975	15,975
Trust moneys - Note 5	738,095	723,642
Total financial assets	1,222,866	1,131,837
Liabilities		
Accounts payable and accrued expenses	255,408	123,686
Demand loan - Note 6	306,549	316,226
Long-term debt - Note 7	44,157	56,726
Contingent liability - Note 8		
Total liabilities	606,114	496,638
Net financial assets	616,752	635,199
Non-financial assets		
Prepaid expenses	10,791	6,884
Tangible capital assets - Note 9	1,929,843	1,639,291
Total non-financial assets	1,940,634	1,646,175
Accumulated surplus - Note 10	\$ 2,557,386	\$ 2,281,374

See accompanying notes

On behalf of Band Council:


Chief


Councillor

Spuzzum First Nation

SUMMARY STATEMENT OF OPERATIONS

For the year ended March 31, 2017	Statement 2	
	Budget	2017
Revenue		
Operating Fund		
Indigenous and Northern Affairs Canada	\$1,098,726	\$1,130,816
Nlaka'pamux Nation Tribal Council	1,157	1,157
Fraser Thompson Indian Services Society	104,398	104,398
First Nation Education Steering Committee	48,426	48,426
Sto:lo Nation	7,551	7,551
Property tax revenue	203,111	40,902
Rental revenue	48,154	48,154
New Relationship Trust	5,400	5,400
Investment income	44,101	2,640
Other	142,996	180,119
Social Housing Fund	59,624	60,648
Trust Fund	-	14,453
	1,763,644	1,644,664
		1,327,334
Expenditure		
Operating Fund		
Band government	287,842	337,614
Social development	127,164	128,809
Economic development	335,227	131,728
Education and training	328,601	325,291
Health programs	74,929	74,929
Community infrastructure	169,548	160,311
Capital projects	427,304	43,320
Depreciation	-	101,988
Social Housing Fund	59,651	83,403
	1,810,266	1,387,393
		1,316,687
Annual surplus	(46,622)	257,271
Accumulated surplus, beginning of year		2,281,374
Reimbursements (recoveries)		2,298,769
	18,741	(28,042)
Accumulated surplus, end of year		\$2,557,386
		\$2,281,374

See accompanying notes

Spuzzum First Nation

SUMMARY STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the year ended March 31, 2017 Statement 3

	2017	2016
Annual surplus	\$ 257,271	\$ 10,647
Reimbursements (recoveries) in the year	18,741	(28,042)
	276,012	(17,395)
Changes in tangible capital assets		
Acquisition of tangible capital assets	(405,109)	(506,648)
Amortization of tangible capital assets	114,557	98,631
	(290,552)	(408,017)
Changes in other non-financial assets		
Use of prepaid asset - net	(3,907)	610
	(3,907)	610
Decrease in net financial assets	(18,447)	(424,802)
Net financial assets, beginning of year	635,199	1,060,001
Net financial assets, end of year	\$ 616,752	\$ 635,199

Spuzzum First Nation

SUMMARY STATEMENT OF CASH FLOWS

For the year ended March 31, 2017

Statement 4

	2017	2016
OPERATING ACTIVITIES		
Funding surplus	\$ 257,271	\$ 10,647
Less:		
Recoveries	18,741	(28,042)
Net change in Band Members' Equity	276,012	(17,395)
Items not involving cash:		
Depreciation of capital equity assets	101,988	86,788
Depreciation of Social Housing Fund assets	12,569	11,843
Revenues earned in Trust Fund	(14,453)	(15,233)
Changes in non-cash working capital items	51,872	(19,407)
Cash provided by operating activities	427,988	46,596
INVESTING ACTIVITIES		
Purchase of fixed assets	(405,109)	(506,648)
Cash used in investing activities	(405,109)	(506,648)
FINANCING ACTIVITIES		
Loan proceeds	-	320,000
Repayment of long-term debt	(22,246)	(15,617)
Cash (used in) provided by financing activities	(22,246)	304,383
Increase (decrease) in cash during the year	633	(155,669)
Cash, beginning of year	345,090	500,759
Cash, end of year	\$ 345,723	\$ 345,090
Represented by:		
Cash	\$ 294,764	\$ 294,415
Restricted cash	50,959	50,675
	\$ 345,723	\$ 345,090

See accompanying notes

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditor's Report

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.

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditor's Report

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) Tangible capital assets

Tangible capital 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 tangible capital 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.

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

h) Depreciation

Tangible capital assets are recorded and depreciated with a corresponding reduction in Equity in Tangible Capital 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
Infrastructure	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.

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditor's Report

1. Continued...

i) Non-financial assets

Tangible capital 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 DEPENDENCE

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

3. ACCOUNTS RECEIVABLE

	2017	2016
Indigenous and Northern Affairs Canada	\$ 34,572	\$ 34,778
Canada Mortgage and Housing Corporation	42,000	-
First Nation Health Authority	4,746	-
First Nations Education Steering Committee	12,503	-
Nlaka'pamux Nation Services Society	-	10,758
Other	32,765	1,594
Allowance for doubtful accounts	(3,513)	-
Nation members loans	286,506	276,995
Nation members loans allowance	(286,506)	(276,995)
Nation members rent	218,163	218,163
Nation members rent allowance	(218,163)	(218,163)
	<hr/> \$ 123,073	<hr/> \$ 47,130

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditor's Report

4. INVESTMENTS

Investments consist of the following:	2017	2016
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.

6. DEMAND LOAN

	2017	2016
Loan payable with monthly payments of \$1,404 including interest at 2.3% per annum is due November 1, 2020, secured by assignment of fire insurance and a Ministerial Guarantee.	\$ 306,549	\$ 316,226

Assuming early repayment of the debt is not demanded, scheduled principal repayments for the

2018	9,904
2019	10,134
2020	10,370
2021	10,611
2022	265,530
	\$ 306,549

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditor's Report

7. LONG-TERM DEBT

	2017	2016
Mortgage payable with monthly payments of \$1,098 including interest at 1.11% per annum is due August 1, 2020, secured by certain assets and a Ministerial Guarantee.	<u>\$44,157</u>	<u>\$56,726</u>

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

2018	12,751
2019	12,893
2020	13,037
2021	5,475
2022	-
	<hr/>
	<u>\$ 44,157</u>

8. CONTINGENT LIABILITY

In 2017 Spuzzum First Nation has received a loan under the On-Reserve Residential Rehabilitation Assistance Program in the amount of \$60,000. The forgivable loan will to be earned over 5 years starting from January 6, 2017. In order to earn the full amount of the forgivable RRAP loan, the First nation must continue to own and operate the property and it must be occupied by band members with a total household income at or below the income threshold established by CMHC, for the entire terms of the loan. If the First Nation fails to comply with the terms and conditions of the loan agreement, the loan becomes due on demand with interest at 4.75% per annum calculated half yearly not in advance from the date of failure to comply.

Spuzzum First Nation

NOTES TO FINANCIAL STATEMENTS

March 31, 2017

See Auditor's Report

9. TANGIBLE CAPITAL ASSETS

	Beginning Cost	Additions	Disposals	Ending Cost	2017		2016	
					Beginning Accumulated Depreciation	Depreciation	Ending Accumulated Depreciation	Net Book Value
Capital Fund								
Land	\$ 37,000	\$ 54,350	\$ -	\$ 91,350	\$ -	\$ -	\$ -	\$ 91,350
Domestic water system	2,754,683	-	-	2,754,683	(2,385,620)	(27,338)	(2,412,958)	341,725
Buildings	1,403,809	99,600	-	1,503,409	(376,430)	(56,153)	(432,583)	1,070,826
Infrastructure	133,821	195,199	-	329,020	(28,724)	(5,353)	(34,077)	294,943
Equipment	366,830	55,960	-	422,790	(338,834)	(8,564)	(347,398)	75,392
Vehicles	22,900	-	-	22,900	(6,870)	(4,580)	(11,450)	11,450
	4,719,043	405,109	-	5,124,152	(3,136,478)	(101,988)	(3,238,466)	1,885,686
								1,582,565
Social Housing Fund								
Buildings and infrastructure	278,436	-	-	278,436	(221,710)	(12,569)	(234,279)	44,157
	\$ 4,997,479	\$ 405,109	\$ -	\$ 5,402,588	\$ (3,358,188)	\$ (114,557)	\$ (3,472,745)	\$ 1,929,843
								\$ 1,639,291