

KA'A'GEE TU FIRST NATION
Kakisa, N.W.T.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

KA'A'GEE TU FIRST NATION
FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Chief and Councillors
KA'AGEE TU FIRST NATION
Kakisa, Northwest Territories

We have audited the accompanying unconsolidated financial statements of Ka'a'gee Tu First Nation, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and accumulated surplus, statement of changes in net financial assets and statement of cash flow 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 for not-for-profit organizations, 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

The First Nation has investments in companies beneficially owned for the Members of the First Nation as set out in Notes 2, carried at a nominal value. Financial statements for the companies are available to the First Nation, and are monitored separately, hence these financial statements are not prepared on a consolidated or equity basis.

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of Ka'a'gee Tu First Nation as at March 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards for not-for-profit organizations.



June 8, 2015
Yellowknife, N.W.T.

CHARTERED ACCOUNTANT

Ka'n'gee Tu First Nation
Statement of Financial Position
as at March 31, 2015

	2015	2014
Financial Assets		
Cash	\$ 631,994	\$ 1,278,322
Restricted cash and temporary investments (Note 2)	3,533,624	3,875,990
Receivables (Note 3)	176,588	203,566
Total financial assets	4,342,206	5,357,878
Liabilities		
Accounts payable and accrued liabilities (Note 4)	114,538	102,548
Deferred revenue (Note 5)	3,812,661	4,932,511
	3,927,199	5,035,059
Net Financial Assets (Debt)	415,007	322,819
Non-Financial Assets		
Tangible Capital Assets (Note 6 and Schedule 10)	3,574,663	1,940,240
	3,574,663	1,940,240
Accumulated Surplus (Schedule 11)	\$ 3,989,670	\$ 2,263,059

See accompanying notes and schedules to the financial statements.

Approved on behalf of the First Nation:

Howard

 Chief

Ruby Simba

 Senior Band Manager

Ka'a'gee Tu First Nation
Statement of Financial Position
as at March 31, 2015

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See accompanying notes and schedules to the financial statements.

Approved on behalf of the First Nation:

 Chief

 Senior Band Manager

Ka'a'gee Tu First Nation
Statements of Operations and Accumulated Surplus
For the Year ended March 31, 2015

	2015 Budget	2015 Actual	2014 Actual
(Note 1c)			
Revenues			
Department of Indian & Northern Affairs ("DIAND") (Schedule 2)	\$ 96,911	\$ 107,211	\$ 343,623
Department of Municipal & Community Affairs ("MACA")			
Operating (Schedule 3)	721,000	727,500	710,177
Other GNWT Departments (Schedule 5)	-	401,044	170,402
Other (Schedule 6)	-	200,646	188,841
Total Revenues	817,911	1,436,401	1,413,043
Expenses			
Department of Indian & Northern Affairs ("DIAND") (Schedule 2)	96,911	107,211	339,761
Department of Municipal & Community Affairs ("MACA")			
Operating (Schedule 3)	721,000	632,693	596,517
Other GNWT Departments (Schedule 5)	-	405,796	169,018
Other (Schedule 6)	-	198,513	147,300
Total operating expenditures	817,911	1,344,213	1,252,596
Excess revenues over expenditures from operations	-	92,188	160,447
Capital (Schedule 4)			
Government transfers for capital	-	797,992	798,000
Miscellaneous revenue	-	-	-
Project expenses and amortization	-	(195,166)	(109,515)
Deferred revenue transfer	-	1,031,597	(502,163)
	-	1,634,423	186,322
Excess revenues for the year	-	\$ 1,726,611	\$ 346,769
Accumulated surplus, beginning of year	\$ 2,263,059	\$ 1,916,290	
Excess revenues for the year	1,726,611	346,769	
Accumulated surplus, end of year	\$ 3,989,670	\$ 2,263,059	

See accompanying notes and schedules to the financial statements.

Ka'a'gee Tu First Nation
Statement of Changes in Cash Flows
For the Year ended March 31, 2015

2015 **2014**
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

Operating Transactions		
Excess (deficiency) of revenues over expenditures	\$ 1,726,611	\$ 346,769
Non-cash charges to operations:		
Amortization of capital assets	156,601	162,760
Cash provided by operating transactions	1,883,212	509,529
Decrease (increase) in accounts receivable	26,978	(130,026)
Increase (decrease) in accounts payable and other liabilities	11,990	43,111
Deferred Revenue	(1,119,850)	588,563
Net cash (used for) from operations	802,330	1,011,177
Capital transactions		
Acquisition of Tangible Capital Assets	(1,791,024)	(342,814)
Net cash (used for) from capital transactions	(1,791,024)	(342,814)
Increase (decrease) in cash and cash equivalents	(988,694)	668,363
Net cash and temporary investments (bank indebtedness) at beginning of year	5,154,312	4,485,949
Net cash and temporary investments (bank indebtedness) at end of year	\$ 4,165,618	\$ 5,154,312
Comprised of:		
Cash in bank	\$ 631,994	\$ 1,278,322
Restricted Cash and Temporary Investments (Note 2)	3,533,624	3,875,990
	\$ 4,165,618	\$ 5,154,312

Notes:

Council has designated funds of \$3,533,624 (2014 -\$3,875,990) included in the above cash and term deposits for deferred revenues (note 5). The deferred revenues are not fully funded in separate bank accounts as required by the Department of Municipal and Community Affairs, however the cash is available in the general bank account.

Interest paid during the year amounted to \$1,216 (2014 - \$1,797). Interest received was Nil (2014 - Nil).

See accompanying notes and schedules to the financial statements.

Ka'a'gee Tu First Nation
Statement of Changes in Net Financial Assets (Debt)
For the Year ended March 31, 2015

	2015 Actual	2014 Actual
Excess (deficiency) of revenues over expenditures	\$ 1,726,611	\$ 346,769
Amortization of tangible capital assets	156,601	162,760
Proceeds of disposal of tangible capital assets	-	-
Change in inventories and prepaid expenses	-	-
Acquisition of tangible capital assets	(1,791,024)	(342,814)
 Increase (decrease) in net financial assets	 92,188	 166,715
Net financial assets (debt) at beginning of year	322,819	156,104
Net financial assets (debt) at end of year	\$ 415,007	\$ 322,819

See accompanying notes and schedules to the financial statements.

Ka'a'gee Tu First Nation
Notes to Financial Statements
For the Year ended March 31, 2015

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ka'a'gee Tu First Nation are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the Ka'a'gee Tu First Nation are as follows:

a) Reporting Entity and Unconsolidated Financial Statements

The unconsolidated financial statements reflect the assets, liabilities, revenues and expenditures, changes in net debt and change in cash flow of the reporting entity. This entity is comprised of the First Nation and municipal operations. The First Nation has investments in the following entities beneficially owned for the Members of the First Nation, carried at a nominal value:

	<u>Beneficial Ownership</u>
Noda Enterprises Ltd. (incl. Riverfront Store)	100%
Ka'a'gee Tu Community Improvement Society	100%

Financial statements for the companies are available to the First Nation hence these financial statements are not prepared on a consolidated or equity basis.

The Community Government receives significant funding from the Governments of Canada and the Northwest Territories in the form of operating and capital grants and contributions. Administration is of the opinion that discontinuance of funding would significantly disrupt operations.

b) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the legal obligation to pay.

Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used for certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

c) Use of Estimates and Budget

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the period. Where measurement uncertainty exists, the financial statements have been prepared within reasonable limits of materiality. Actual results could differ from those estimates. Budget figures are unaudited.

d) Investments

Investments are recorded at amortized cost. Investment premiums and discounts are amortized on the net present value basis over the term of the respective investments. When there has been a loss in value that is other than a temporary decline, the respective investment is written down to recognize the loss.

**Ka'a'gee Tu First Nation
Notes to Financial Statements
For the Year ended March 31, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (cont.)

e) Government Transfers

Government transfers are the transfer of monetary assets or tangible capital assets from a government for which the government making the transfer does not:

- receive any goods or services directly in return;
- expect to be repaid in future; or
- expect a direct financial return.

Operating transfers are recognized as revenue in the period in which the events giving rise to the transaction occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be determined.

Capital transfers are initially recognized as deferred revenue and subsequently recognized as revenue when the related tangible capital assets are acquired or constructed.

f) Non-Financial Assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the normal course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the consolidated Change in Net Financial Assets (Debt) for the year.

g) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

h) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost. There were no inventories of any significance at year end.

i) Measurement Uncertainty

The preparation of financial statements in accordance with stated accounting policies requires the First Nation to make estimates and assumptions that affect the amount of assets, liabilities, accumulated surplus (deficit), revenues and expenditures reported in the financial statements. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes to such estimates and assumptions in future periods could be significant, although, at the time of preparation of these statements, the First Nation believes the estimates and assumptions to be reasonable. Some of the more significant management estimates based on past experience relate to allowance for doubtful accounts, the accounting for tangible capital assets and investment in tangible capital investments, accrued liabilities and deferred revenue valuation.

**Ka'a'gee Tu First Nation
Notes to Financial Statements
For the Year ended March 31, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (cont.)

j) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	<u>YEARS</u>
Land Improvements	15-20
Buildings	25-50
Engineered structures	
Water system	35-65
Wastewater system	35-65
Other engineered structures	15-40
Machinery and equipment	5-20
Vehicles	3-20

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

k) Contributions of Tangible Capital Assets

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and also are recorded as revenue.

l) Equity in Tangible Capital Assets

Equity in Tangible capital assets represents the Ka'a'gee Tu First Nation's net investment in its total Tangible capital assets, after deducting work in progress, the portion financed by third parties through debenture, mortgage debts, long term capital borrowings, capitalized leases and other capital liabilities.

m) Cultural and Historical Tangible Capital Assets

Works of art for display are not recorded as tangible capital assets but are disclosed.

n) General Band Services and Municipal Services

General Band Services is primarily comprised of Band Support and Other Funding from the Department of Indian and Northern Affairs Canada. Municipal Services is primarily comprised of Community Government and Other Funding from the Department of Municipal and Community Affairs. The results of these operations are summarized in Schedules 2 and 3 respectively.

o) Contract Services

The Band enters into various contracts to provide specific services, primarily to the Government of the Northwest Territories and Dehcho First Nations. The results of these operations are summarized in Schedules 4, 5, and 6.

p) Funding Agency Contract Surplus (Deficit)

According to contracts or contribution agreements with funding agencies, any contract surplus is to be recovered by the funding agency and any contract deficit is to be retained by the First Nation. Financial statements of the First Nation have not been reviewed by the funding agencies when these statements were prepared. Accordingly, any adjustments as a result of the review will similarly be accounted for in the new year.

**Ka'a'gee Tu First Nation
Notes to Financial Statements
For the Year ended March 31, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (cont.)

q) Financial instruments

All significant financial assets and financial liabilities of the First Nation are either recognized or disclosed in the financial statements together with available information for a reasonable assessment of future cash flows, interest rate risk and credit risk.

For cash, accounts receivable, and accounts payable, the carrying amounts of these financial instruments approximates their fair value due to their short-term maturity or capacity of prompt liquidation.

The First Nation is exposed to credit risk arising from the possibility that outstanding accounts receivable are not followed up on a timely basis.

r) Employee Benefit Liabilities

Accounts payable and accrued liabilities include employee benefit liabilities which are future obligations of the First Nation to its employees for benefits earned but not taken as at the end of the fiscal year. The First Nation and its employees do not make contributions to a defined pension plan. Any contributions represent the total liability of the First Nation, are recognized in the accounts on a current basis, and there was no significant change during the year affecting the comparability of the costs for the current and prior period.

2. RESTRICTED CASH AND TEMPORARY INVESTMENTS

	2015	2014
Restricted cash held in bank	\$ 3,533,624	\$ 3,875,990
Term deposits	18,000	-
	\$ 3,551,624	\$ 3,875,990

Temporary investments are short-term deposits with original maturities of one year or less. Due to requirements of MACA, the Nation no longer invests in interest bearing term deposits.

3. ACCOUNTS RECEIVABLE

	2015	2014
Municipal & Community Affairs	\$ -	\$ 93,320
Indian & Northern Affairs Canada	48,253	37,953
GNWT – other departments	8,526	-
Dehcho First Nations	-	2,956
Goods & services tax	107,151	31,025
Dehcho Health & Social Services	-	28,004
Other	12,928	10,308
	176,588	203,566
Less: allowance for doubtful accounts	-	-
	\$ 176,588	\$ 203,566

Ka'a'gee Tu First Nation
Notes to Financial Statements
For the Year ended March 31, 2015

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Accounts payable and accrued liabilities	\$ 30,527	\$ 45,548
Holdbacks Payable	84,011	57,000
	\$ 114,538	\$ 102,548

5. DEFERRED REVENUE

Deferred revenue is comprised of amounts received but not yet earned or disbursed as a result of project initiation dates extending beyond the fiscal year end, or conditions attached to the use of the funds as follows:

	Deferred Balance 2015	Restricted Balance 2015	Excess Cash (Shortfall)	Deferred Balance 2014
Deferred Revenue is comprised of:				
MACA Gas Tax Funds unspent	\$ 968,306	\$ 970,154	\$ 1,848	\$ 828,807
MACA Public Infrastructure Funds unspent	2,554,886	2,563,470	8,584	3,205,489
MACA Building Canada Fund	-	-	-	520,493
MACA Community Capacity Fund	252,440	-	(252,440)	281,321
INAC Youth Worker Program	6,209	-	(6,209)	6,209
ENR Biomass Project	7,306	-	(7,306)	
DCHSS Community Wellness Program	-	-	-	66,678
DFN/IRDA Economic Development	23,514	-	(23,514)	23,514
	\$ 3,812,661	\$ 3,533,624	\$ (279,037)	\$ 4,932,511

6. TANGIBLE CAPITAL ASSETS

	2015	2014
	Net book Value	Net book value
Land improvements	\$ 35,957	\$ 37,634
Buildings	3,049,497	1,386,750
Water and waste water	89,406	102,179
Machinery and equipment and other	177,165	225,417
Furniture and equipment	69,170	-
Vehicles	153,468	188,260
	\$ 3,574,663	\$ 1,940,240

The insured value of physical assets is \$3,670,011. For additional information see the Schedule of Tangible Capital Assets (Schedule 10).

7. EQUITY IN TANGIBLE ASSETS

	2015	2014
Tangible capital assets (Schedule 10)	\$ 5,639,453	\$ 3,848,429
Accumulated amortization (Schedule 10)	(2,064,790)	(1,908,189)
Long term debt	-	-
Debt charges recoverable	-	-
	\$ 3,574,663	\$ 1,940,240