

KA'A'GEE TU FIRST NATION

Kakisa, NT

CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended March 31, 2018



KA'A'GEE TU FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended March 31, 2018

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PAUL TEOH

Chartered Accountants

INDEPENDENT AUDITOR'S REPORT

To the members of Ka'a'gee Tu First Nation

I have audited the consolidated financial statements of Ka'a'gee Tu First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ka'a'gee Tu First Nation as at March 31, 2018, and the consolidated results of its operations, changes net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



PAUL TEOH

Chartered Accountants

Other Matter

The financial statements for the year ended March 31, 2017, was audited by another auditor who issued a qualified audit opinion on June 5, 2017 because the financial statements of Ka'a'gee Tu First Nation's subsidiary were not consolidated as required by the Canadian public sector accounting standards. This has been resolved in the current year.

Paul Teoh

Chartered Accountant

Calgary, Alberta
August 7, 2018

KA'A'GEE TU FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31,	2018	2017
		(Restated)
Financial Assets		
Cash (note 2)	\$ 680,420	\$ 778,442
Restricted deposits (note 3)	4,572,776	4,094,125
Accounts receivable (note 4)	45,221	73,480
Contributions receivable (note 5)	182,419	51,825
Total Financial Assets	5,480,836	4,997,872
Liabilities		
Accounts payable and accrued liabilities (note 6)	75,170	51,056
Deferred contributions (note 7)	4,733,819	4,331,860
Total Liabilities	4,808,989	4,382,916
Net Financial Assets	671,847	614,956
Non-Financial Assets		
Long term investment (note 8)	336,801	314,451
Tangible capital assets (note 9)	3,783,447	3,837,552
Total Non-Financial Assets	4,120,248	4,152,003
Accumulated Surplus (note 11)	\$ 4,792,095	\$ 4,766,959

Approved on behalf of the Council:

 Councillor

 Councillor

The accompanying notes and schedules are an integral part of these consolidated financial statements. 5.

KA'A'GEE TU FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the year ended March 31,	2018	2018	2017
	Budget (Unaudited)	Actual	Actual (Restated)
Revenue			
Contributions - MACA	\$ 726,000	\$ 1,585,000	\$ 1,444,000
Contributions - AANDC	49,950	70,227	177,208
Contributions - DFN	-	49,194	67,218
Contributions - GNWT	-	367,904	324,197
Contributions - others	-	34,443	15,260
Other revenue and recoveries	-	124,560	90,614
Add opening deferred revenue	-	4,331,861	3,922,276
Less closing deferred revenue	-	(4,733,820)	(4,331,861)
	775,950	1,829,369	1,708,912
Expenditure			
Municipal Services:			
Municipal administration	454,874	689,150	537,438
Roads and works	-	-	27,000
Recreation	-	20,608	19,000
Utilities and operating	33,000	58,186	58,628
Water and sewage	226,000	259,792	210,449
Other Municipal Programs	-	54,222	252,317
AANDC Band Member Services:			
Band support administration	49,950	52,386	59,269
Consultation and policy development	-	73,796	59,204
Summer and youth programs	-	16,335	-
Community economic development	-	9,680	9,976
Dehcho First Nation Funded Programs:			
Community events	-	5,800	22,636
Language and culture	-	18,763	7,903
Resource management	-	36,282	37,491
GNWT Funded Programs:			
Education, cultural and employment	-	20,424	14,664
Health and social services	12,126	157,224	79,523
Hunters and trappers assistance	-	33,750	30,743
Community justice	-	40,450	40,810
Resource programs	-	161,636	128,413
Other GNWT programs	-	1,000	5,426
Others:			
Administration	-	81,464	150,985
Other projects	-	20,000	9,400
Environmental	-	15,635	11,600
Total Expenditure	775,950	1,826,583	1,772,875
Operating Surplus (Deficit)	-	2,786	(63,963)
Equity Earnings (Loss) from Investments	-	22,350	(28,752)
Annual Surplus (Deficit)	-	25,136	(92,715)
Accumulated Surplus, beginning of year	4,766,959	4,766,959	4,859,674
Accumulated Surplus, end of year	\$ 4,766,959	\$ 4,792,095	\$ 4,766,959

The accompanying notes and schedules are an integral part of these consolidated financial statements. 6.

KA'A'GEE TU FIRST NATION

CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

For the year ended March 31,	2018	2018	2017
	Budget (Unaudited)	Actual	Actual (Restated)
Annual Surplus (Deficit)	\$ -	\$ 25,136	\$(92,715)
Acquisition of tangible capital assets	-	(235,491)	(203,512)
Proceeds on sale of tangible capital assets	-	19,500	-
Amortization of tangible capital assets	-	289,596	325,835
Loss (gains) on sale of tangible capital assets	-	(19,500)	-
Decrease (increase) in long term investments	-	(22,350)	28,752
	-	56,891	58,360
Increase (Decrease) in Net Financial Assets	-	56,891	58,360
Net Financial Assets, beginning of year	614,956	614,956	556,596
Net Financial Assets, end of year	\$ 614,956	\$ 671,847	\$ 614,956

The accompanying notes and schedules are an integral part of these consolidated financial statements. 7.

KA'A'GEE TU FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31,	2018	2017
Cash Flows from Operating Activities		
Cash receipts from government transfers	\$ 1,941,731	\$ 2,012,226
Cash receipts from contributions and recoveries	167,762	127,858
Cash paid to suppliers and employees	(1,512,873)	(1,288,608)
	596,620	851,476
Capital Transactions		
Purchase of tangible capital assets	(235,491)	(203,512)
Proceeds from disposal of tangible capital assets	19,500	-
	(215,991)	(203,512)
Net Increase (Decrease) in Cash and Cash Equivalents	380,629	647,964
Cash and Cash Equivalents, beginning of year	4,872,567	4,224,603
Cash and Cash Equivalents, end of year	\$ 5,253,196	\$ 4,872,567
Represented By:		
Cash	\$ 680,420	\$ 778,442
Restricted cash	4,572,776	4,094,125
	\$ 5,253,196	\$ 4,872,567

The accompanying notes and schedules are an integral part of these consolidated financial statements. 8.

KA'A'GEE TU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

The Ka'a'gee Tu First Nation ("Council") is an Indian Band registered under the *Indian Act*. It provides services to the band members of Ka'a'gee Tu First Nation. It is also recognized by Department of Municipal and Community Affairs, the Government of NWT, as the designated authority responsible for the provision of municipal services to the Community of Kakisa, NT.

The Council recognized as a municipality and is exempt for income tax purposes under Section 149 of the *Income Tax Act*.

1. Significant Accounting Policies

(a) Basis of Preparation

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

(b) Reporting Entities

The consolidated financial statements includes the accounts of Ka'a'gee Tu First Nation and Ka'a'gee Tu Community Improvement Society along with its following subsidiary and associated company using the modified equity method.

	Percentage Owned	Year End
Noda Enterprises Ltd.	100%	March 31, 2018

Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform to those of the Council. Further, the business enterprise's accounting principles are not adjusted to conform with those of the Council and inter-organizational transactions and balances are not eliminated.

(c) Fund Accounting

The Ka'a'gee Tu First Nation follows the deferral method of accounting for capital contributions. Externally restricted contributions are recognized as revenue when the related capital expenditures are incurred. Contributions received in advance of making the related expenditures is recorded as deferred revenue.

The general operating fund reports the core operating accounts of the Council and other programs in accordance with contribution agreements with funding agencies.

The Enterprise fund reports the assets, liabilities, revenue and expenditure relating to investments held by the Council.

KA'A'GEE TU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

1. Significant Accounting Policies (Continued)

(d) Cash and Cash Equivalents

Cash includes cash and demand deposits. Cash equivalents includes highly liquid investments that can be readily converted into cash for a fixed amount and that matures less than three months from the date of acquisition.

(e) Revenue Recognition

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

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. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

(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.

(i) Tangible Capital Assets

Purchased tangible capital assets are recorded at cost. Amortization expense is recorded over the estimated useful lives of the assets, with half the amortization for the year of acquisition, using the following method and annual rates:

Buildings	25-50 years	Straight-line
Land improvements	15-20 years	Straight-line
Mobile equipment	3-20 years	Straight-line
Heavy equipment	5-20 years	Straight-line
Infrastructure:		
- Water system	35-65 years	Straight-line
- Waste water system	35-65 years	Straight-line
- Other engineered structures	15-40 years	Straight-line
Office furniture and equipment	3-20 years	Straight-line

KA'A'GEE TU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

1. Significant Accounting Policies (Continued)

(g) Allocation of Expenditure

Certain common expenditure have been allocated to programs based on estimate of services provided.

(h) Financial Instruments - Recognition and Measurement

The Council has elected the following classifications with respect to its financial assets and financial liabilities:

- Cash and restricted cash are classified as assets held-for-trading and is subsequently measured at fair value with gains and losses arising from changes in the fair value recognized in net income in the period in which they arise. The estimated fair value of cash is assumed to approximate its carrying amount.
- Accounts receivable are classified as loans and receivables and are subsequently measured at amortized cost using the effective interest method. The amortized cost using the effective interest method approximates their fair values due to the short term nature.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are subsequently measured at amortized cost using the effective interest method. At inception, the estimated fair values of accounts payable and accrued liabilities are assumed to approximate their carrying amounts.

Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(i) Use of Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

(j) Government Transfers

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

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

KA'A'GEE TU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

2. Cash

	2018	2017
Bank main operating	\$ 662,279	\$ 760,322
Joint venture funds	18,141	18,120
	\$ 680,420	\$ 778,442

3. Restricted Deposits

	2018	2017
RBC Business Savings Account - Community Public Infrastructure	\$ 3,291,792	\$ 2,891,180
RBC Business Savings Account - Federal Gas Tax	1,280,984	1,202,941
RBC Business Savings Account - Joint Venture	-	4
	\$ 4,572,776	\$ 4,094,125

Interests on RBC Business Savings Account are paid monthly at rates ranging from 0.44% to 0.45% per annum depending on monthly average account balance.

	Community Public Infrastructure	Federal Gas Tax Funding	Total
Deferred contributions	\$ 3,431,121	\$ 1,279,184	\$ 4,710,305
Required balance	3,431,121	1,279,184	4,710,305
Restricted cash deposits	3,291,792	1,280,984	4,572,776
Deposit (deficiency)	\$ (139,329)	\$ 1,800	\$ (137,529)

Sufficient funds must be deposited to separate restricted bank accounts to correspond with the respective balances required. Interest earned on these accounts is credited to the appropriate restricted bank accounts. As at March 31, 2018, total net deposit deficiency amounts to \$137,529.

4. Accounts Receivable

	2018	2017
Contributions and other receivable	\$ 10,054	\$ 37,246
GST refundable	35,167	36,234
	\$ 45,221	\$ 73,480

KA'A'GEE TU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

5. Contributions Receivable

	2018	2017
Dehcho First Nations	\$ 12,913	\$ -
Aboriginal and Northern Affairs Canada	26,144	22,538
Government of NWT	143,362	29,287
	\$ 182,419	\$ 51,825

6. Accounts Payable and Accrued Liabilities

	2018	2017
Trade and other	\$ 70,126	\$ 49,173
Remittances payable	5,044	1,882
	\$ 75,170	\$ 51,055

7. Deferred Contributions

	2018	2017
Community Public Infrastructure	\$ 3,431,121	\$ 2,966,676
Federal Gas Tax Funding	1,279,184	1,201,093
AANDC Community Development	-	73,796
DFN/AAROM C.B. Monitoring	-	1,000
ENR - Biomass Project	-	7,306
DCHSS - Community Wellness Program	-	51,829
ECE - Healthy Children	-	6,646
DFN/IRDA Economic Development	23,514	23,514
	\$ 4,733,819	\$ 4,331,860

KA'A'GEE TU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

8. Long Term Investment

The Council owns 100% of Noda Enterprises Ltd.(the "Corporation"), a private company incorporated under the *Business Corporation Act* of Northwest Territories. The Corporation's principal activities are to operate the gas pump, motel and other rental properties.

The following summarizes the financial position and results of operations of the Corporation as at and for the year ended March 31, 2018

	2018	2017
		(Restated)
Financial Position		
Current assets	\$ 82,849	\$ 105,808
Non-current assets	329,549	360,186
Total assets	412,398	465,994
Current liabilities	9,276	81,937
Non-current liabilities	190,317	193,602
Shareholder's equity	\$ 212,805	\$ 190,455
Financial Performance		
Revenues	\$ 124,201	\$ 99,743
Expenses	101,851	128,495
Net earnings (loss)	\$ 22,350	\$ (28,752)
Investments:		
Investment at cost	\$ 47	\$ 47
Receivable from Corporation	123,996	123,996
Accumulated equity earnings	212,758	190,408
Investment in Corporation	\$ 336,801	\$ 314,451

KA'A'GEE TU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

9. Tangible Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 4,206,196	\$ 1,183,954	\$ 3,022,242	\$ 3,162,449
Heavy equipment	850,962	592,061	258,901	132,060
Infrastructure	192,172	61,507	130,665	137,070
Land improvements	67,082	37,833	29,249	32,603
Landfills and lagoon	561,805	511,988	49,817	63,862
Mobile equipment	570,737	450,864	119,873	116,003
Office furniture and equipment	312,060	139,360	172,700	193,504
	<u>\$ 6,761,014</u>	<u>\$ 2,977,567</u>	<u>\$ 3,783,447</u>	<u>\$ 3,837,551</u>

10. Equity in Tangible Capital Assets

	2018		2017	
Tangible capital assets		\$ 6,761,014		\$ 6,545,022
Accumulated amortization		(2,977,567)		(2,707,470)
		<u>\$ 3,783,447</u>		<u>\$ 3,837,552</u>

11. Accumulated Surplus

	2018		2017	
Unrestricted				
General Operating Fund		\$ 671,847		\$ 614,956
Enterprise Fund		336,801		314,451
Equity in Tangible Capital Assets		<u>3,783,447</u>		<u>3,837,552</u>
		<u>\$ 4,792,095</u>		<u>\$ 4,766,959</u>

12. Government Transfers

	2018		2017	
Government of NWT - MACA		\$ 1,585,000		\$ 1,444,000
Government of NWT		367,904		324,197
Aboriginal Affairs and Northern Development Canada		70,227		177,208
Dehcho First Nations		49,194		67,218
		<u>\$ 2,072,325</u>		<u>\$ 2,012,623</u>

KA'A'GEE TU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

13. Expenditure by Object

	2018	2018	2017
	Budget	Actual	Actual
Administration	\$ -	\$ 44,981	\$ 30,671
Amortization	-	289,596	325,835
Bank charges and interest	1,175	685	835
Community events	5,000	62,469	82,884
Contracted services	65,000	136,284	105,074
Contributions repaid (net)	-	-	360
Donations	-	3,621	7,683
Equipment rental	-	1,200	51,962
Honoraria	-	30,275	29,900
Insurance	51,014	51,014	51,386
Loss (gain) on disposal of assets	-	(19,500)	-
Materials and supplies	-	133,799	145,866
Meeting and workshop	-	22,991	3,619
Miscellaneous	38,822	115,250	56,038
Mobile equipment costs	47,762	35,299	36,847
Office	9,000	16,107	12,681
Power	55,000	76,758	61,493
Professional fees	20,050	82,619	90,576
Rent and utilities	-	1,250	3,000
Repairs and maintenance	-	2,181	2,626
Telephone and Internet	12,000	12,966	12,034
Training and scholarships	-	7,372	9,745
Travel and accommodation	25,000	121,674	61,857
Wages and benefits	446,127	597,692	589,903
Total Expenditure	\$ 775,950	\$ 1,826,583	\$ 1,772,875

KA'A'GEE TU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

14. Economic Dependence

The Council receives a major portion of its revenue from the Aboriginal Affairs and Northern Development Canada of the Government of Canada and the Government of the Northwest Territories, including, but not limited to the Department of Municipal and Community Affairs. The nature and extent of this revenue is of such significance that the Council is economically dependent on this source of revenue.

15. Comparative Figures

The long term investment in Noda Enterprises Ltd., a wholly owned subsidiary was omitted from the financial statements for the year ended March 31, 2017. The comparative figures have been restated as follows:

	Originally Stated	Adjustments	Re-stated
Statement of Financial Position:			
Long term investment	\$ -	\$ 314,451	\$ 314,451
Accumulated surplus	\$ 4,452,509	\$ (314,451)	\$ 4,766,959
Statement of Operations:			
Equity earnings (loss) from investment	\$ -	\$ (28,752)	\$ (28,752)
Annual surplus (deficit)	(63,962)	(28,753)	(92,715)
	-	-	-
Accumulated surplus, beginning of year	\$ 4,516,469	\$ 343,205	\$ 4,859,674

In addition, certain figures presented for comparative purposes have been reclassified to conform with current year's presentation.

KA'A'GEE TU FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2018

16. Financial Instruments and Risk Management

The Council's financial instruments are exposed to certain risks, which include credit risk, market risk, interest rate risk and liquidity risk.

Credit Risk - Credit risk refers to the potential that the funding agencies or counter party to a financial instrument will fail to discharge its contractual obligations. The Council is exposed mainly to credit risk from funding agencies' refusal to contribute the full funding due to the Council's non-compliance to the contribution agreements. The Council manages credit risk by ensuring that it complies with the terms and conditions of the contribution agreements.

Liquidity Risk - Liquidity risk is the risk that the Council will not be able to meet its financial obligations as they fall due. The Council manages liquidity risk through the management of its capital structure.

Unless otherwise noted, it is management's opinion that the Council is not exposed to other significant interest, currency and market risks arising from these financial instruments.