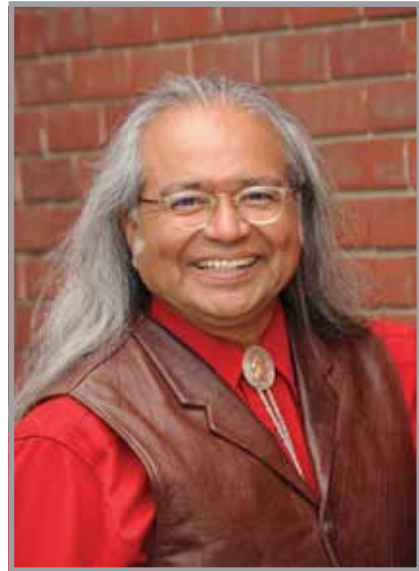




First Nations Tax Commission

Annual Report 2011/2012





C.T. (Manny) Jules,
Chief Commissioner/CEO

As Chief Commissioner of the First Nations Tax Commission (FNTC), it is my honour to present our fifth annual report to the Minister of Aboriginal Affairs and Northern Development, to First Nations of Canada, and to their taxpayers.

Our goal is to help First Nations build tax systems, and improve service and infrastructure so that First Nations can build their economies, attract investment and create jobs. In this period of growing expenditure pressure, it is more important than ever before that First Nations productively employ their land, resources, and people.

FNTC takes this job to heart. Our policies, standards, laws, and curriculum reflect our key objectives: ensuring that First Nations jurisdiction is protected and expanded, ensuring that taxpayers on First Nation lands receive the same or better services as taxpayers elsewhere, making it as easy to do business on First Nation lands as it is elsewhere, and helping interested First Nations make progress on the path of investment-led growth more easily.

This year, twenty additional First Nations joined the *First Nations Fiscal and Statistical Management Act* (FSMA). As well, FNTC approved over 100 FSMA laws, and recommended and received approval for 75 by-laws under s.83 of the *Indian Act*, bringing the total annual local revenues generated by tax-collecting First Nations to over \$70 million.



FNTC also worked with Canada and the other fiscal institutions to complete the Report to Parliament on the Legislative Review of the *First Nations Fiscal and Statistical Management Act*. Tabled in both Chambers of Parliament in March 2012, the report required under the FSMA recommended amendments to improve efficiencies and support higher rates of First Nation economic growth. Once implemented, these proposed amendments will move First Nations, taxpayers, and potential investors one step closer to operating at the “speed of business.”

I am pleased to report that during the past three years, FNTC has continued its work with a number of proponent First Nations toward a proposal that would create legislation for a Torrens land title system to support First Nations property ownership. Legislation, once enacted, would provide First Nations with a secure property title system that is already used by the rest of Canada.

As we look to the future, we recognize that this next fiscal year will be pivotal in advancing First Nation

self-sufficiency and First Nations economic growth. We look forward to developing new revenue options for First Nations, to offering more accredited courses through the Tulo Centre of Indigenous Economics, to implementing new FSMA tax systems, to enhancing the national First Nation tax system, to facilitating notices through the *First Nations Gazette*, and to implementing the recommended amendments to the FSMA.

First Nations and Canadians are not satisfied with the status quo for First Nation people. Change requires strong local leadership and supportive national institutions to build capacity and provide certainty and systems that will help implement change. The successes of tax-collecting First Nations illustrate the positive changes possible for unlocking the potential of a better future for First Nations of Canada. I hope you enjoy our 2011/2012 annual report, and I invite your comments, feedback, and insights as we work together into the upcoming year.

C.T. (Manny) Jules,
Chief Commissioner



Contents

Message from the Chief Commissioner	1
Overview	4
Supporting the Economic Action Plan 2012 and the Federal Framework for Aboriginal Economic Development	6
New Initiatives – Focus for 2012/2013	7
Highlights	8
Corporate Profile	14
Mandate	15
Structure	16
Governance	17
2011/2012 Strategic Objectives and Measuring Performance	18
Corporate Services	20
Policy Development	21
Law, By-Law Review and Regulations	22
Education	23
Communications	24
Dispute Management	25
Audited Financial Statements 2011/2012	26

*“Never doubt that a small group of thoughtful,
committed people can change the world.
Indeed, it’s the only thing that ever has.”
— Margaret Mead*



Overview

Overview

The First Nations Tax Commission has made significant strides in strengthening First Nation property taxation and building the foundation for long-term economic growth. In 2011/2012, FNTC developed legislative proposals to improve access to the FSMA. In addition, FNTC continued its work with First Nations and Canada on a market-based land tenure system for First Nations and celebrated the first graduates of the Tulo Centre of Indigenous Economics. The Commission also approved 105 laws and recommended 75 by-laws for approval. The total revenue raised in 2011/2012 through property taxation exceeded \$70 million.

Increasing investment on First Nations lands is an effective way for First Nations to increase the value of their land and resources. FNTC continued to promote First Nation economic growth to create investment opportunities on First Nation lands, to generate employment, and to create capacity development opportunities for First Nation people. These investments increase First Nation revenues to support improved local services and reduce First Nation poverty.

FNTC's work in 2011/2012 to support First Nation economic growth focused on the following areas:

Improving investment climate – Investors want stable property rights and quality local services and infrastructure at a fair price. FNTC continued to work with First Nations and their taxpayers to create investment and regulatory certainty related to property rights, local revenues, local services, and dispute management. Improved legal and administrative frameworks help to provide investor certainty and reduce investor risk.

Developing national standards for First Nation governments – FNTC was created, in part, to develop and implement national standards. Through the development of sample laws, certified training, and the implementation of national standards, the regulatory burden for First Nations has been reduced. It has improved the system of accountability and transparency to First Nations, taxpayers, and the public.

Expanding revenue options – Quality infrastructure and local services attract investment. First Nations have been working to become more financially self-sufficient to finance infrastructure and local service improvements. FNTC continued to help First Nations implement new local revenue options, such as development cost charges, business activity taxes, and taxation for the provision of services. These local revenue options were created within a regulatory framework that is helping to strengthen the relationship between local revenues and the provision of services and infrastructure. Expansion of revenue options helps to ensure that First Nations have similar financing options to other local governments.

Building capacity – FNTC continued to focus on helping build capacity for First Nation governments. FNTC, through the Tulo Centre of Indigenous Economics, provided university-accredited training in First Nation tax administration and applied economics to First Nation governments. These two accredited certificates are the first of their kind and FNTC honored the first graduating class in the Certificate of First Nation Tax Administration in October 2011.

Clarifying property title – FNTC continued to support the creation of legislation that will develop a Torrens-based property title system for First Nations. The House of Commons Standing Committee on Finance report in December 2011 recommended that “the federal government examine the concept of a *First Nations Property Ownership Act* as proposed by the First Nations Tax Commission.” In response, the Government of Canada’s 2012 Budget Plan stated its intent “to explore with interested First Nations the option of moving forward with legislation that would allow private property ownership within current reserve boundaries.”

This Annual Report details FNTC’s progress, performance measures, and financial results for 2011/2012.

Supporting the Economic Action Plan 2012 and the Federal Framework for Aboriginal Economic Development

In 2009, the federal government initiated the Federal Framework for Aboriginal Economic Development (FFAED), an approach designed to address the unique circumstances of Aboriginal Canadians that limit their participation in the Canadian economy. It was followed by the Economic Action Plan 2012, which placed emphasis on investment in training, infrastructure, and job creation while providing new opportunities for First Nations.

The objectives of the Economic Action Plan 2012 and the FFAED are to reduce the risks to potential investors, to increase the value of First Nation land, and to increase employment opportunities. FNTC identified many of the same barriers in its research into the high costs of doing business on First Nation lands. In alignment with these objectives, FNTC works with First Nations to maximize their resources and expand their economics by increasing the value of their land and by relieving regulatory burdens.

In 2011/2012, FNTC engaged in various activities to help address these barriers.

Barriers to Aboriginal economic development as identified by FFAED	FNTC activities that address barriers to Aboriginal economic development
<i>Government processes do not move at the "speed of business"</i>	<ul style="list-style-type: none"> • Provided efficient approval mechanisms to First Nations • Approved FSMA laws to support First Nations tax systems
<i>Deficits in infrastructure</i>	<ul style="list-style-type: none"> • Worked with First Nations to develop targeted laws that address deficits in capital infrastructure (e.g. Borrowing Law, Taxation for the Provision of Services Law, and Development Cost Charges Law) • Provided training to First Nations in Capital Planning and Debenture Financing through the Tulo Centre of Indigenous Economics
<i>Limited access to commercial capital and financing</i>	<ul style="list-style-type: none"> • Assisted with the development of Borrowing Agreement Laws for First Nations • Developed Borrowing Law templates and administrative materials to support FNFA local revenue backed borrowing
<i>Deficits in administrative capacity, human capital, and systems to facilitate investment</i>	<ul style="list-style-type: none"> • Delivered certificate programs in First Nations Tax Administration and First Nation Applied Economics • Honored the first graduates of the First Nation Tax Administration certificate program • Enhanced the capabilities of Tax Administration Software (TAS) to provide greater administrative efficiencies and enhanced transparency to First Nations and taxpayers
<i>Insufficient Aboriginal institutional support, including access to expert advice and support for long-term planning</i>	<ul style="list-style-type: none"> • Developed Sample Laws and provided law development support to First Nations • Published FNTC Standards in the <i>First Nations Gazette</i> (including the on-line version) • Provided training through the Tulo Centre of Indigenous Economics
<i>Aspects of the Indian Act and regulations impede investment</i>	<ul style="list-style-type: none"> • Assisted First Nations entering property taxation and First Nations moving from the <i>Indian Act</i> to the FSMA property taxation system • Received support from the federal government in the development of a proposed FNPO legislation to provide an option to First Nations to move beyond the <i>Indian Act</i>.

New Initiatives – Focus for 2012/2013

The FNTC will focus on the following five initiatives and program areas during 2012/2013:

FSMA Seven Year Review Implementation – In 2012/2013, FNTC will continue to work with Canada following the tabling in Parliament of the "Report on the Legislative Review of the *First Nations Fiscal and Statistical Management Act*." This report contains a number of legislative suggestions aimed to improve the efficiency and effectiveness of the FSMA. FNTC will work with Canada in 2012/2013 to implement changes to the FSMA recommended by Parliament.

Expanded Revenue Options – FNTC will work with interested First Nations to advance initiatives that expand FSMA revenue options. In 2012/2013, FNTC will devote time and resources to help First Nations implement business activity taxes related to hotels, well drilling, and casinos. FNTC will also continue work on taxes related to the transfer of property interests, and to support First Nation debentures.

Transition to FSMA Laws – Currently there are over 70 First Nations on the FSMA Schedule, and another 12 First Nations have requested to be added. In 2012/2013, FNTC

will allocate resources to ensure that First Nations have the support needed to implement their FSMA property tax and assessment laws. FNTC will provide law development support funding, mentoring, and workshops developed in partnership with the Tulo Centre of Indigenous Economics (Tulo), to support these First Nations.

Increased access to the Tax Administration Courses – In partnership with Tulo and Thompson Rivers University, FNTC will continue to offer its certificate program in First Nation Tax Administration for the 2012/2013 academic year.

First Nations Property Ownership (FNPO) – As a special initiative, FNTC will continue to work with First Nations and government to create First Nations property ownership. In 2012/2013, FNTC will work with Canada to develop a proposal for FNPO legislation, begin to develop internal organizational capacity, and provide continued support to proponent First Nations as work on the FNPO initiative proceeds.





Highlights

FSMA Seven Year Review Completed

Section 146 of the FSMA requires that seven years after the FSMA is passed it must be reviewed to identify opportunities for efficiencies and improvements. A number of activities were undertaken in 2011/12 that contributed to the seven year review, including:

- FSMA Evaluation – an evaluation report on the implementation of the FSMA was completed by Aboriginal Affairs and Northern Development Canada (AANDC);
- Performance Measurement Strategy – an umbrella performance measurement strategy was developed by the FSMA institutions and AANDC officials; and
- Legislative amendments – each of the FSMA institutions proposed amendments to the legislation.

Based on our experience and feedback received from FSMA First Nations, FNTC advanced a number of amendments aimed at improving the FSMA:

- Notice of laws – Under the current legislation, 60-days' notice is required for every property tax law. FNTC proposed a change that would permit notification through an improved format reflecting best practices, and a better balance between the interests of taxpayers and First Nations governments, while reducing the administrative burden;
- Timing for making annual laws – FNTC proposed a change for the timing of making annual laws that would follow best practices and increase flexibility in how First Nations harmonize the making of their laws with adjacent jurisdictions;
- Fees and charges – FNTC proposed a change that would confirm First Nations authority to make laws under the FSMA to levy fees and charges that relate to the provision of certain local services;
- Grants-in-lieu – FNTC is seeking clarification on including grants-in-lieu of taxes within the local revenue account for the purposes of expenditures and borrowing;
- Assessment appeals – FNTC proposed a change that would streamline the assessment appeal procedures in the FSMA; and
- Access – FNTC is seeking to improve the accessibility to the legislation so that taxation systems under s.83 of the Indian Act could make the transition to the FSMA easier.

In March 2012, the Minister of AANDC presented the final report on the seven year legislative review of the FSMA to both Chambers of Parliament. We anticipate these amendments will follow this report.



National Standards for Property Tax Rates

In 2011/2012, FNTC strengthened the First Nation taxation regulatory framework by publishing improved law standards for annual tax rates, development cost charges, delegation of authority, taxation of business activity, and taxation for the provision of services.

Among these standards, FNTC's rates standard is probably the core regulation for the First Nation tax system, which is intended to balance the interests of First Nation taxpayers and First Nations tax authorities. First Nation tax authority interests include protecting their jurisdiction, financing local services and infrastructure, and building a strong economy. Taxpayers are interested in fairness, quality local services, and increasing property values.

In October 2007, FNTC developed the first standards under the FSMA respecting the form and content of First Nation tax rates laws. The tax rate standard is focused on setting the requirements needed to support a healthy tax system in the mutual interests of both taxpayers and First Nations. The standard also serves to improve the First Nation investment climate so that property values will increase. In this regard, there are four core principles to the FNTC's tax rate standard.

Transparency – FNTC rates standards provide for the notification to taxpayers of pending rates. To support this requirement, a notification service is provided through the *First Nations Gazette* for First Nations to post their proposed rates when they have been sent to FNTC for review.

FNTC standards assess fairness in two ways. FNTC standards require that the average tax bill increase for a representative taxpayer is set within the rate of inflation unless there is specific justification. This standard is also used by provinces to determine tax rate increases in unincorporated areas. Second, First Nations can set the same rates as their reference jurisdiction. This is considered a reasonable approach, particularly if the quality and number of local services provided by the First Nation is similar to that of their reference jurisdiction.

Clarity – FNTC standards establish a clear relationship between tax rates and expenditures of tax revenues. FSMA requires that First Nations balance local expenditures with local revenues. First Nations can determine tax rates based either on a budget or by mirroring reference jurisdiction tax rates.

Efficiency – FNTC rates standards promote administrative efficiency. First, a First Nation tax authority can establish a budget-based tax rate at any time before their reference jurisdiction rates are established, as long as their rates meet the FNTC standard requirements for fairness. Second, reference jurisdiction rates do not need to go through an average tax bill comparison. As long as they are identical to the reference jurisdiction rates, they will pass the FNTC standard.

FNTC rates standards reflect best practices and are consistent with the First Nations tax system's objective to provide quality local services at a fair rate of taxation.

The Tax Rates Laws Standards have been amended several times in order to achieve greater clarification, efficiency, and consistency. In June 2011, FNTC approved proposed amendments to the Standards for First Nation Tax Rates Laws that improve administrative efficiency and provide greater transparency.



First Graduates of Tax Administration Program



On October 7, 2011, the Tulo Centre of Indigenous Economics, in partnership with the First Nations Tax Commission and Thompson Rivers University (TRU), honoured and celebrated its inaugural graduating class in the First Nations Tax Administration program. The program is designed to provide students with the practical skills and

"We are tremendously proud of our graduates. We are looking forward to hearing about their leadership in developing on-reserve infrastructure projects that utilize best practices they have learned from our program -- we have the utmost confidence that our Class of 2011 is now uniquely positioned to help First Nations governments unlock their economic potential and create sustainable communities."

Chief Michael LeBourdais, Chair of the Tulo Centre of Indigenous Economics

knowledge to develop First Nations' economies, generate tax revenues, and create support systems for First Nation investors and taxpayers. In particular, the program is designed to equip students with the technical skills and proficiencies to implement the *First Nations Fiscal and Statistical Management Act*.

MOU with the CPTA



In November 2011, Canadian Property Tax Association (CPTA) President Grace Marsh and FNTC Chief Commissioner Jules signed a Memorandum of Understanding. FNTC and the CPTA have had a long-standing relationship over many years. The CPTA is a national organization providing a forum for the exchange of ideas and information relating to both commercial and industrial property tax issues arising across Canada.

The organizations agreed to maintain an open dialogue concerning First Nations property taxation and property taxation in general by discussing matters of mutual concern, sharing information on emerging regulatory or policy initiatives, and identifying initiatives that may be undertaken to jointly achieve organizational objectives.

In September 2011, the CPTA held its 45th Annual Workshop in Niagara Falls. The meeting took into consideration

the plentiful and diverse issues facing property taxation in Canada today. Chief Commissioner Jules delivered a presentation on the importance of regulation in order to improve the First Nation investment climate. FNTC had also signed a similar Memorandum of Understanding with the First Nations Tax Administrations Association (FNTAA) in 2007.

"On behalf of the Board of Directors of the CPTA, I am extremely pleased to be signing the MOU along with Chief Commissioner Jules. The unanimous CPTA Board support of the MOU demonstrates our ongoing commitment to the FNTC and their objectives of an efficient, responsive property tax system."

Ms. Grace Marsh, President of the Canadian Property Tax Association



First Nations Gazette Expansion

The *First Nations Gazette* was developed by the Indian Taxation Advisory Board (now the FNTC) as a response to the concern surrounding the publication requirements for enforceability of by-laws and rules under the *Indian Act*. In 1985, the *Indian Act* was changed to exempt First Nation by-laws from publication in the Canada Gazette. The effect of the exemption from publication under the federal *Statutory Instruments Act* was to place the burden of providing notice and publication of by-laws with First Nations. The public exemption did not alter the fact that First Nation by-laws can be struck down for lack of due process in notification, passage, or publication.

As First Nations increasingly exercised and expanded their legislative jurisdiction, there was also a growing need to provide public notice and transfer information regarding First Nation legislation. In order to publish the *First Nations Gazette*, the Indian Taxation Advisory Board signed a Memorandum of Understanding with the Native

Law Centre at the University of Saskatchewan. The *First Nations Gazette* was officially launched on June 21, 1997 (Aboriginal Day), publishing two volumes a year, as well as occasional special editions. In 2010, the FNTC further expanded the *Gazette* by introducing an on-line version (www.fng.ca).

The *Gazette* provides public notice of First Nation laws and by-laws and serves as the authoritative reference for First Nation law in Canada. In the evolution of the Indian Taxation Advisory Board to the First Nations Tax Commission in accordance with the *First Nations Fiscal and Statistical Management Act* (FSMA), it is part of the FNTC mandate pursuant to s.34(2) of the FSMA to publish the *First Nations Gazette*.

In 2011/2012, the FNTC embarked on an initiative to develop a full-scale notification component of the on-line version of the *Gazette*. Once completed, the notification component will provide First Nation governments and their institutions with a facility to immediately publish on-line notices in a way other governments do. Notices, announcements, draft First Nation legislation, and proposed FSMA standards are just a few examples of the types of notification that the *Gazette* will be able to publish.

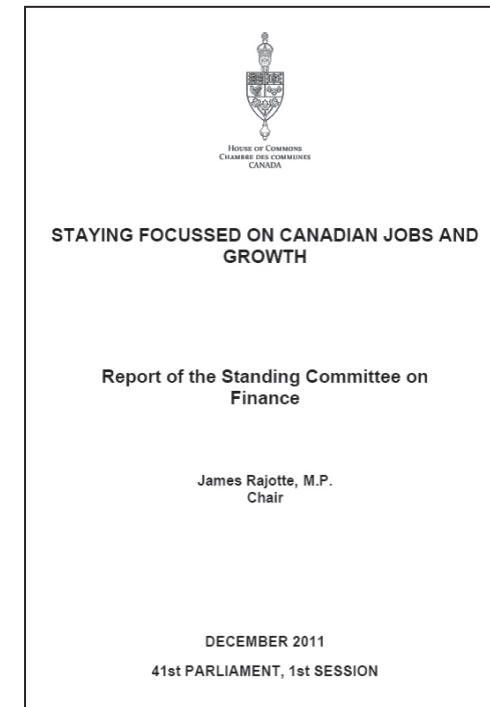


Presentation to Standing Committee on Finance

On November 1, 2011, Chief Commissioner Jules was among a panel of seven speakers who were invited to address the House of Commons Standing Committee on Finance during their pre-budget hearings. Chief Commissioner Jules spoke about the need for creating sustainable infrastructure systems to build economies

Chief Commissioner Jules also proposed a new approach to providing First Nations infrastructure systems that are integrated into the tax system. FNTC would work with government in programs that aim to develop self-sustaining infrastructure systems. It would mean a shift in focus from developing assets that only meet community needs to developing the fiscal and administrative capacity that will allow First Nations to assume responsibility for planning, financing, building, operating, and maintaining infrastructure.

Following the Chief Commissioner's presentation, the Standing Committee on Finance expressed its support for the concept of a First Nations Property Ownership Act in its December 2012 report.¹ FNTC's proposal has since led to an announcement by the Government of Canada to support the drafting of legislation in its March 2012 budget.²



on First Nation lands and creating legislation for the First Nations Property Ownership initiative.

First Nations Property Ownership legislation would allow First Nations who opt into the program to own their own lands. The passage and implementation of this legislation would allow the market to operate more effectively for these First Nations. The end result would be lowered cost of doing business, improved reporting requirements, and less bureaucracy. Participating First Nations would work with the same property rights that are used in real estate, credit, and investment markets elsewhere in the country.



"The fundamental economy builder in this country is individual private property rights so that we can enter into partnerships -- without infrastructure, you can't build an economy."

Chief Commissioner Jules

¹ Staying Focussed on Canadian Jobs and Growth, Report of the Standing Committee on Finance (Dec 14, 2011).

² Jobs Growth and Long-Term Prosperity, Economic Action Plan 2012 (Mar 29, 2012).



Corporate Profile

Mandate of the First Nations Tax Commission

The mandate of the FNTC is set out in section 29 of the FSMA:

“The purposes of the Commission are to:

- a. ensure the integrity of the system of first nations real property taxation and promote a common approach to first nations real property taxation nationwide, having regard to variations in provincial real property taxation systems;
- b. ensure that the real property taxation systems of first nations reconcile the interests of taxpayers with the responsibilities of chiefs and councils to govern the affairs of first nations;
- c. prevent, or provide for the timely resolution of, disputes in relation to the application of local revenue laws;
- d. assist first nations in the exercise of their jurisdiction over real property taxation on reserve lands and build capacity in first nations to administer their taxation systems;
- e. develop training programs for first nation real property tax administrators;
- f. assist first nations to achieve sustainable economic development through the generation of stable local revenues;
- g. promote a transparent first nations real property taxation regime that provides certainty to taxpayers;
- h. promote understanding of the real property taxation systems of first nations; and
- i. provide advice to the Minister regarding future development of the framework within which local revenue laws are made.”

MOU with Minister of Aboriginal Affairs

Following an agreement with the Minister of Aboriginal Affairs and Northern Development Canada (AANDC), FNTC provides advice regarding the approval of s.83 by-laws and delivers services to First Nations exercising property tax jurisdiction under s.83 of the *Indian Act*.

Structure

The FNTC is a shared-governance institution. The Governor in Council appoints nine of the Commissioners and, under regulations, the Native Law Centre, University of Saskatchewan, appoints one Commissioner. The Commissioners are:

Commissioners of the First Nations Tax Commission 2012



C.T. (Manny) Jules, Kamloops, BC
Chief Commissioner/CEO



David Paul, Tobique, NB
Deputy Chief Commissioner



Dr. Céline Auclair, Gatineau, QC



William McCue, Georgina Island, ON



Leslie Brochu, Kamloops, BC



Lester Lafond, Saskatoon, SK



Latraica Nicholas, Windermere, BC



Ken Marsh, Okotoks, AB

At the end of the 2011/2012 fiscal year, there were two vacancies on the Commission.

Governance

FNTC maintains a best practices approach for good governance, adhering to a comprehensive governance and management policy. The Chief Commissioner has established the following committees to support the work of FNTC:

- Executive Management Committee
- Management Committee
- Audit Committee
- s.83 Rates Committee
- Education and First Nation Tax Administrators Association Committee
- International Relations Committee
- *First Nations Gazette* Editorial Board

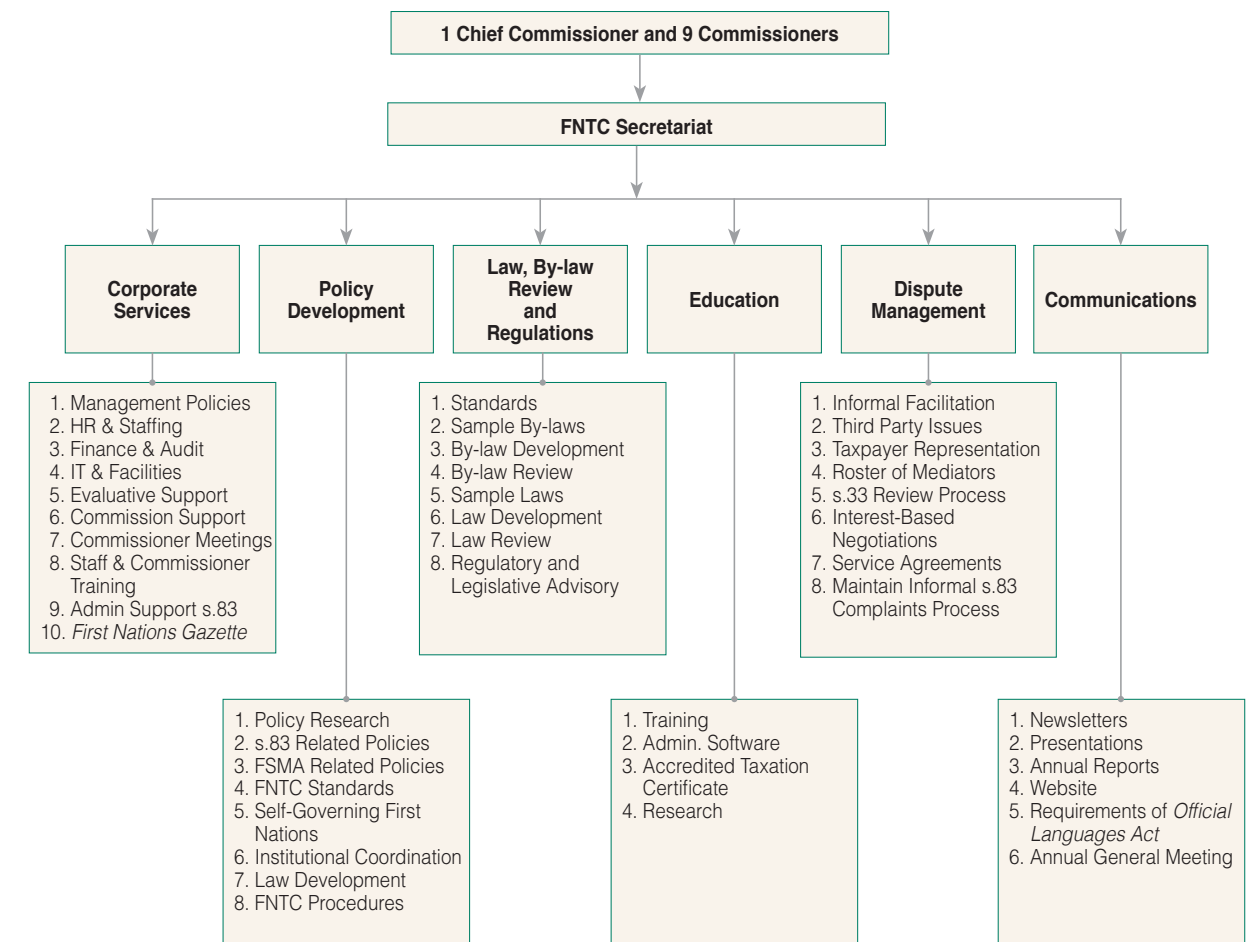
Committees consist of either Commissioners, or a mix of Commissioners, staff, and other professionals, as appropriate.

Pursuant to s.26 of the FSMA, FNTC maintains a head office on the reserve lands of Kamloops Indian Band and an office in the National Capital Region.

FNTC is supported by a Secretariat with an allocation of 21 full-time equivalents comprised of staff and professionals with expertise related to the FNTC mandate who assist FNTC on a contractual basis.

FNTC operates six business lines, as illustrated below.

Organizational and Business Lines



Strategic Objectives and Measuring Performance 2011/2012

Performance Summary 2011/2012

FNTC sets out its strategic objectives and performance measures in its annual corporate plan. Below is a summary of the FNTC 2011/2012 objectives and its performance for each objective.

STRATEGIC OBJECTIVES	PERFORMANCE MEASURE
Corporate Services	
Develop corporate plan, work plan and budget	Completed
Hold four Commission and six law review Commission meetings	Completed
Implement recommendations from Special Examination	Completed
Support FSMA seven year legislative review.	Ongoing*
Develop materials in support of proposed FSMA legislative amendments.	Ongoing*
Manage Special Initiatives.	Ongoing*
Facilities Management/Administration Management.	Ongoing*
Meet <i>Access to Information Act</i> and <i>Privacy Act</i> and OLA Requirements	Ongoing*
Publish <i>First Nations Gazette</i> and maintain online <i>First Nations Gazette</i>	Ongoing*
Maintain Registry of approved First Nation Laws and By-laws	Ongoing*
Begin research to explore potential to expand FNG to FN Notices of Law and s.81 by-laws	Ongoing*
Work with Canada to finalize new instrument to support annual grant funding agreement	Completed
FNTC Committee Support	Ongoing*
Obtain mandate for FNPO legislative process, communications, and implementation plan	Completed
Policy Development	
Develop, amend or consolidate, and seek public input on six standards/procedures	Completed
Review two s.83 policies - Business License and Financial Management	Completed
Six policies in progress	Completed
Complete three projects with other institutions	Completed
Initiate two projects with other institutions	Completed
Law, By-law Review and Regulations	
Develop, amend or consolidate five sample laws.	Completed
Regulations - s.141 Tsawwassen and Westbank.	Ongoing*
Review 90 FSMA laws	105 laws reviewed
Review 50 by-laws.	62 by-laws reviewed
Finalize FSMA legislative amendments	Ongoing*
Operate the First Nation support program for 10 First Nations	Ongoing*
Communications	
Prepare and publish Annual Report	Completed
Hold annual meeting	Completed
Update communications for FSMA participation.	Ongoing*
Update and maintain website	Ongoing*
Develop presentations.	Ongoing*
Compliance with OLA obligations	Ongoing*
Publish quarterly newsletter	Completed
Education	
Complete accreditation process for First Nation Applied Economics Diploma	Completed
Develop three course curricula	Completed
Develop three on-line course curricula	Completed
Enhance and improve curricula for seven courses	Completed
Deliver seven courses	Completed
Tulo Graduation Ceremony	Completed
Dispute Management	
Roster of mediators maintained.	Completed
Facilitation of negotiations or dispute resolution provided on request	As required
Training provided to FNTC and selected First Nations	Ongoing*

*FNTC has met deliverable requirement for 2011/2012, program is continued.

Corporate Services



The objective of the Corporate Services area is to create an effective work environment for FNTC business lines, and operate the FNTC and its Secretariat in keeping with the FSMA Part 2, Part 6, and its Corporate Plan. Corporate Services is also responsible for the management of the *First Nations Gazette*, and any special projects or initiatives that FNTC undertakes.

Key Accomplishments

FSMA Seven Year Review – FNTC worked with the other FSMA institutions, AANDC, the Department of Justice, and advanced a number of amendments to the FSMA aimed at facilitating the exercise of First Nations' law-making authorities under the FSMA, including notice of laws, timing for making annual laws, fees and charges, grants-in-lieu, assessment appeals, and access. The "Report on the Seven Year Review of the First Nations Fiscal and Statistical Management Act" was tabled in Parliament in March 2012.

MOU with CPTA – In 2011/2012, the FNTC signed a memorandum of understanding with the Canadian Property Tax Association with a view to maintaining an open dialogue concerning First Nations property taxation and property taxation in general.

First Nations Gazette Expansion – FNTC expanded the services provided through the *First Nations Gazette*. In 2011/2012, the Specific Claims Tribunal approached the *Gazette* and the FNTC about publishing the rules in the *Gazette*. The two organizations are now working together. In the Fall edition of the *First Nations Gazette*, the Specific Claims Tribunal Rules of Practice and Procedures were published. *The Gazette* and FNTC are also continuing discussions about using future publications as a place for First Nations to give notice, and possibly publish s.81 by-laws of the *Indian Act*. A concept paper for this work is currently under development.



Special Projects – FNTC worked on several special projects in 2011/2012.

- **FNGST** – FNTC provided continued support to communities in the development of FNGST systems. In 2011/2012, FNTC supported three communities in this area;
- **Expanding FSMA Participation** – FNTC provided continued support to First Nations participating in the FSMA. In 2011/2012, FNTC assisted three First Nations in converting from s.83 to FSMA systems and helped an additional 20 First Nations to join the FSMA; and,
- **First Nations Property Ownership Initiative** – FNTC has been working with the federal government on a First Nations Property Ownership Initiative that would support participating First Nations in developing property rights on reserve. In the 2012/2013 budget, the federal government supported the recommendation of FNTC to develop property ownership legislation in 2012/2013.

Policy Development



The objective of Policy Development is to develop and implement, through a transparent process, effective standards and policies. These policies and standards should support sound administrative practices and increase First Nation, taxpayer, and investor confidence in the integrity of the First Nation local revenue system.

Key Accomplishments

Standards for Business Activity Tax (BAT) – Under the FSMA, First Nations have the ability to enact laws for the taxation of business activities on reserve lands. This type of taxation is distinct from ad valorem taxation and represents an important source of revenue for governments off reserve. Examples of business activity taxation include business occupancy taxation, amusement taxes, and well drilling taxes. In 2011/2012, FNTC developed standards for taxes in business occupancy.

Standards for Annual Rates Laws – In June 2011, the FNTC approved amendments to the Standards for First Nation Tax Rates Laws. These changes included provisions to facilitate the practice of First Nations matching their tax rates to the annual rates established by adjacent jurisdictions and requiring notice of annual rates laws before they are submitted to FNTC for review and approval.

BC Carbon Tax – Since carbon tax relief measures are offered to some taxpayers in BC but are not available for taxpayers situated on First Nation lands, FNTC Chief Commissioner Jules met with the BC Finance Minister and established a bi-lateral process between provincial and FNTC officials. FNTC estimates that taxpayers from 35 taxing First Nations are affected. Although the province does not plan to extend these benefits to on-reserve taxpayers, the Commission continues to support on-reserve taxpayers in the view that taxpayers on reserve should have the same access to carbon tax relief measures as are available to similar taxpayers off reserve.

Debenture Financing Preparation – In February 2012, FNTC approved Borrowing Agreement Laws for the Tzeachten First Nation, Songhees Nation, and Osoyoos Indian Band. The Borrowing Laws authorize the First Nations to enter into borrowing member agreements with the First Nations Finance Authority. These laws are a prerequisite to accessing debenture financing through the FSMA.



Law, By-Law Review, and Regulations



The objective of the Law, By-Law Review, and Regulations area is to provide technical support in carrying out FNTC's law review responsibilities under both the FSMA and an MOU with the Minister of AANDC. Further, this area provides technical assistance in the development of FSMA regulations, which includes monitoring regulatory impacts and developing proposals.

Key Accomplishments

Law Approval – In 2011/2012, FNTC reviewed and approved 105 FSMA laws and recommended 75 by-laws for approval by the Minister of AANDC;

Sample laws – FNTC has developed sample laws based on the FSMA, its regulations, and the Commission Standards. All First Nations using the FSMA have taken advantage of the samples provided and developed their laws consistently with the FNTC sample laws. This consistency has helped to create a national standard for FSMA taxation, which will ensure that it is readily understood by First Nations, taxpayers, and investors. In 2011/2012, the FNTC developed 21 sample laws, covering several different fiscal powers (e.g., business activity taxes, delegation of authority, property taxation, assessment, and annual tax rates);

Law Development – FNTC worked with First Nations to assist them in developing property tax laws that are compliant with the FSMA. This entailed working with First Nations to repeal and replace their existing s.83 property tax by-laws or working with First Nations new to taxation. In 2011/2012, twenty additional First Nations joined the FSMA and the FNTC helped seven First Nations to establish property tax laws that meet the requirements of the FSMA;

Regulations – First Nations who are party to land claims agreements or self-government agreements may choose to participate in the FSMA. In 2011/2012, FNTC worked with AANDC and the other institutions to develop regulations that would enable two such First Nations to benefit from the provisions of the FSMA. These regulations continue to be in development;

Expanding First Nation Revenue Options – Accommodation Taxes – FNTC continued its work with

First Nations to expand their FSMA revenue options and promote greater financial self-sufficiency between local revenues and services. To advance this potential revenue opportunity, FNTC has developed a sample accommodation tax law and standards for the review of these laws in 2011/2012.

Business Activity Taxes – FNTC has developed sample business activity tax laws for business occupancy in 2011/2012. For the 2012/2013 year, FNTC will work on business activity tax sample laws related to well drilling and the gross receipts of casinos.

FNTC Welcomes 20 First Nations to the FSMA

On September 30, 2011, ten First Nations were added by an order to amend the FSMA:

Metlakatla First Nation (BC)
Shackan First Nation (BC)
Splatsin First Nation (BC)
Taku River Tlingit First Nation (BC)
Tsartlip First Nation (BC)
George Gordon First Nation (SK)
Whitecap Dakota First Nation (SK)
Yellow Quill Band (SK)
Buffalo Point First Nation (MB)
Serpent River First Nation (ON)

On March 2, 2012, an order to amend the FSMA added ten more First Nations:

Coldwater Indian Band (BC)
Cowichan Tribes First Nation (BC)
Gitwangak First Nation (BC)
Nadleh Whut'en Band (BC)
Skidegate First Nation (BC)
Whispering Pines/Clinton Indian Band (BC)
Nipissing First Nation (ON)
Wasauksing First Nation (ON)
Conseil des Montagnais du Lac Saint-Jean (QC)
Membertou First Nation (NS)

Education



The objective of the Education area is to promote an understanding of the real property taxation systems of First Nations, to develop training programs for First Nation property tax administrators, and to build capacity in First Nations to administer their taxation systems.

Key Accomplishments

Curriculum Development – Curricula for three courses related to development cost charges, capital planning and infrastructure financing and fiscal feasibility and impact analysis were completed in 2011/2012. This means that all 14 courses for the two certificate programs in First Nation Applied Economics and First Nation Tax Administration are complete.

Course Delivery – Seven courses were delivered in the two certificate programs in 2011/2012 to 35 students from 28 First Nations. A total of 180 university credits were earned by the students, which may be applied to the Tulo Centre of Indigenous Economics (Tulo) certificate programs or degrees in Commerce, Business Administration, Arts, or Public Administration throughout Canada.

Graduation – Eleven Tulo-Thomson Rivers University (TRU) students became the first class to receive a certificate of First Nation Tax Administration in October 2011. The students completed the eight courses and 18 credits that make up this certificate program. The next graduating class is scheduled for 2013.

Tax Administration Software (TAS) Upgrades and New Software Release – FNTC continued to expand and enhance the capabilities of TAS to meet the needs of taxing First Nations in Canada. The TAS software is now being used by over 30 First Nations in four provinces. A new version of the Tax Administration Software (TAS) for Alberta was released in April 2011, and enhancements to the British Columbia version were released in May 2011. A number of key features in these releases include:

- **Laws/By-Laws Submission Process** – TAS now provides a law/by-law submission toolkit, which was designed to assist tax administrators in streamlining the process for completing and compiling documents, data, and reports that are required for submitting annual laws or by-laws for review and approval;



"This program reflects TRU's commitment to Aboriginal learners and is another example of how Tulo provides innovative approaches to serving the needs of our communities in BC and the rest of Canada"

Dr. Alan Shaver, President of
Thompson Rivers University

- **TAS (Alberta)** – TAS is now available to First Nations in Alberta. The Alberta version includes all features available in the BC version, including data import routines, rate setting tools, reporting functions, folio management, and automated submission processes;
- **Class Sub-categories** – TAS now has the ability to split rates between land and improvements. Provincial models call for fraction of total class rates to apply to either land or improvements portion of the property assessment value;
- In addition to these software updates, a new cloud server hosting option for TAS has been developed. This new cloud portal allows TAS users to utilize an on-line version of TAS through remote access. The cloud server version eliminates down time resulting from hardware failure, and streamlines and simplifies the release of updates and the provision of maintenance and support services.

Communications



The objective of Communications is to promote understanding of the First Nation real property tax system and its potential to assist First Nations in economic development.

Key Accomplishments

In 2011/2012, Communications continued to support Commissioners and staff in presenting information to First Nations, taxpayers, and other stakeholders. Over 100 presentations were made regarding the FNTC, the First Nation local revenue system, the First Nation Property Ownership initiative, and increasing the value of the First Nation property tax base. Presentations were made to the following groups:

- First Nations, on the development of property tax jurisdiction, the FSMA, and debenture borrowing under the FSMA;
- Ontario First Nations at the Government Development Network, Rama, ON;
- Aboriginal Financial Officers Association 2012 AGM, Saskatoon, SK;
- Aboriginal Lands and Natural Resources Forum, Ottawa, ON;
- First Nations Tax Administrators Association 18th Annual Forum, Quaaout Lodge, BC;
- Canadian Property Tax Association 45th Annual Workshop, Niagara Falls, ON;
- Forum Autochtone, Quebec City, QC; and
- Briefings with various Aboriginal leaders and business representatives on the First Nations Property Ownership initiative, including a presentation to the House of Commons Standing Committee on Finance.

Other activities:

- Annual General Meeting was held on October 6, 2011 in Kamloops, B.C.
- FSMA Seven Year Review – Throughout the legislative review process, FNTC has kept key stakeholders updated on meetings between the FSMA institutions and AANDC officials. This has included extensive coverage in the summer and fall editions of *Clearing the Path* as well as specific presentations to the Canadian Property Tax Association, First Nations Tax Administrators Association, and the Canadian Energy Pipeline Association;
- *Official Languages Act* – FNTC has complied with the

Official Languages Act. Materials and websites are now available in both English and French;

- New FNTC Website Launched - In April 2011, FNTC launched a new website. Over the past year, FNTC has been making improvements to the website in order to provide efficient access to FNTC resources. The redesigned website now includes a “Property Tax Toolkit,” which illustrates the steps in implementing property taxation and provides all the required documentation to do so. A “Document Resource Kit” has also been added to the website, which includes all necessary documents to meet the various property taxation requirements. A section on “Bulletins and Notices” has been added to alert tax administrators to new requirements, changes, or important news in the field.

Other features on the website include:

- A link to commonly asked questions and answers at the bottom of the page;
- A link to facts about taxing First Nations across Canada accessible from the interactive map on the right-hand side of the page;
- A link to the *First Nations Gazette*;
- A link to the Tulo Centre of Indigenous Economics; and,
- A link to the current edition of the *Clearing the Path* newsletter
- A link to each of the FSMA institutions.
- *First Nations Gazette* Website Revision – In December 2011, work began on the expansion of the *Gazette* website to include a notification component. This included changes to the website itself, and the development of a policy framework to support the notification process; and
- New Publications – Work began on the development of a handbook on service agreements, which will be available later in 2012.

Four editions of the *Clearing the Path* newsletter were published in 2011/2012. The 2010/2011 FNTC Annual Report was produced and distributed in July 2011.

Dispute Management



The objective of Dispute Management is to prevent disputes or facilitate the timely resolution of disputes in relation to the application of local revenue laws, and to provide support to First Nations in negotiations related to expanding tax jurisdiction and completing service agreements.

Key Accomplishments

Facilitation Requests – FNTC provides facilitation services to support negotiations, or resolve disputes on request from FSMA and s.83 First Nations. In 2011/2012, FNTC responded to concerns from taxpayers and participated in the resolution of a number of issues and disputes.

In 2011/2012, FNTC worked with First Nations and taxpayers in BC to raise the concern with the province that the provincial carbon tax rebate is not available to First Nation taxpayers, which is creating a disparity. This matter remains under discussion.

FNTC worked with First Nations in Manitoba and New Brunswick toward the provision of provincial assessment services to First Nations in those provinces.

FNTC also worked with First Nations in Saskatchewan to identify methods to maintain competitive equity between Saskatchewan First Nations and Saskatchewan’s local governments as a result of reductions in the provincial education tax.

s.33 Simulated Hearing Training – Under s.33 of the FSMA, a taxpayer may file a complaint with the Commission if the taxpayer contends that a regulation has been improperly applied by a First Nation. FNTC worked with the Consensus Building Institute and the First Nations Financial Management Board (FMB) on the development of a simulation hearing that could be held under s.33 of the FSMA. The simulation was held in March 2012. It provided training to FNTC and FMB and the lessons learned from the simulation will help refine dispute procedures and policies.



Contents

Management's Responsibility for Financial Reporting	28
Independent Auditor's Report	29
Financial Statements	
Statement of Financial Position	30
Statement of Change in Net Financial Assets	30
Statement of Financial Activities	31
Statement of Cash Flows	31
Summary of Significant Accounting Policies	32 - 34
Notes to Financial Statements	35 - 37
Auditors' Report on Supplementary Financial Information	38
Schedule 1 - Corporate Plan	39
Schedule 2 - Towards a Policy Framework for the Proposed First Nation Property Ownership Legislation	39
Schedule 3 - First Nations Property Ownership Act Legislative Outline Development & Proponent Community Preparation Implementation	39
Schedule 4 - First Nations Tax Authorities National Meeting (2011)	40
Schedule 5 - First Nations Property Ownership Initiative (2011)	40
Schedule 6 - Supplementary Funding to Support First Nations Property Ownership Initiative (2011)	40



Financial Statements

Management's Responsibility for Financial Reporting

The accompanying financial statements of the First Nations Tax Commission ("FNTC") are the responsibility of management and have been presented to the Commission for its acceptance.

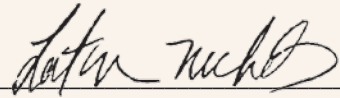
The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for public sector accounting. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly in all material respects.

The FNTC maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that FNTC's assets are appropriately accounted for and adequately safeguarded.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the Commission. BDO Canada LLP has full access to the Commission.



Chief Commissioner



Commissioner

Independent Auditor's Report

To the Commissioners of First Nations Tax Commission

We have audited the accompanying financial statements of the First Nations Tax Commission ("FNTC") as at March 31, 2012, which comprise the statement of financial position and the statements of change in net financial assets, financial activities, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with Canadian generally accepted accounting principles for public sector accounting, 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 controls relevant to the entity's preparation 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 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 the FNTC as at March 31, 2012 and the results of its operations, change in net financial assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles for public sector accounting. The quantitative information is accurate in all material respects and was prepared on a basis consistent with that of the preceding year. The transactions of the institution that have come to the auditor's notice in the course of this examination were carried out in accordance with the *First Nations Fiscal and Statistical Management Act*.

"BDO Canada LLP"

Chartered Accountants

June 11, 2012,

Kamloops, British Columbia

Statement of Financial Position

As at March 31	2012	2011
Financial Assets		
Cash (Note 2)	\$ 1,834,610	\$ 631,282
Accounts receivable (Note 3)	107,450	845,905
	1,942,060	1,477,187
Liabilities		
Accounts payable (Note 9)	1,071,385	673,332
Contracts payable (Note 4)	571,277	553,633
	1,642,662	1,226,965
Net financial assets	299,398	250,222
Non-Financial Assets		
Prepaid expenses	29,413	15,285
Tangible capital assets (Note 5)	163,946	333,755
	193,359	349,040
Accumulated surplus (Note 9)	\$ 492,757	\$ 599,262

Approved on behalf of the Commission:



Chief Commissioner



Commissioner

Statement of Change in Net Financial Assets

For the year ended March 31	Financial plan	2012	2011
Annual surplus (deficit)	\$ -	\$ (106,505)	\$ 106,255
Acquisition of tangible capital assets	-	(108,247)	(212,686)
Amortization of tangible capital assets	-	278,056	371,522
	-	63,304	265,091
Consumption (acquisition) of prepaid expenses	-	(14,128)	20,060
Net change in net financial assets	-	49,176	285,151
Net financial assets (debt), beginning of year	250,222	250,222	(34,929)
Net financial assets, end of year	\$ 250,222	\$ 299,398	\$ 250,222

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Financial Activities

For the year ended March 31	Financial plan	2012	2011
Revenue			
Corporate Plan	\$ 5,879,309	\$ 5,899,550	\$ 5,735,627
First Nations Property Ownership Act Policy Framework	298,728	298,728	-
First Nation Property Ownership Act Legislative Outline	549,720	549,720	-
First Nations Tax Authorities National Meeting 2011	-	-	202,000
First Nations Property Ownership Initiative 2011	-	-	984,384
First Nations Property Ownership Act Supplementary 2011	-	-	338,256
	6,727,757	6,747,998	7,260,267
Expenses			
Corporate Plan	5,879,309	6,006,055	5,629,122
First Nations Property Ownership Act Policy Framework	298,728	298,728	-
First Nations Property Ownership Act Legislative Outline	549,720	549,720	-
First Nations Tax Authorities National Meeting 2011	-	-	202,272
First Nations Property Ownership Initiative 2011	-	-	984,598
First Nations Property Ownership Act Supplementary 2011	-	-	338,020
	6,727,757	6,854,503	7,154,012
Annual surplus (deficit)	-	(106,505)	106,255
Accumulated surplus, beginning of year	-	599,262	493,007
Accumulated surplus, end of year	\$ -	\$ 492,757	\$ 599,262

Statement of Cash Flows

For the year ended March 31	2012	2011
Operating activities		
Annual surplus (deficit)	\$ (106,505)	\$ 106,255
Items not involving cash		
Amortization	278,056	371,522
Changes in non-cash operating balances		
Accounts receivable	738,455	1,208
Prepaid expenses	(14,128)	20,061
Accounts payable and contracts payable	415,697	151,306
Cash flows from operating activities	1,311,575	650,352
Capital activity		
Purchase of tangible capital assets	(108,247)	(212,686)
Net increase (decrease) in cash	1,203,328	437,666
Cash, beginning of year	631,282	193,616
Cash, end of year	\$ 1,834,610	\$ 631,282

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

Accounting Principles

The First Nations Tax Commission ("FNTC") prepares its financial statements in accordance with Canadian generally accepted accounting principles for public sector entities.

Revenue Recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized if the amount to be received can be reasonably estimated and collection is reasonably assured. Interest and other income are recognized as revenue when earned.

No restricted contributions were received during the year.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes all amounts directly attributable to acquisition, development or retirement of the asset. Proceeds on disposal of tangible capital assets are recorded as revenue in the appropriate program.

The cost less residual value of the tangible capital assets are amortized using the straight line method at the following annual rates, which approximates the useful life of the assets:

<u>Asset</u>	<u>Rate</u>
Equipment	3 years
Leasehold improvements	5 years

Government Transfers

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

Use of Estimates

The preparation of financial statements in accordance 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates in these financial statements include the amortization of tangible capital assets and the recognition of accounts and contracts payable.

Segmented Information

The FNTC is a shared governance institution with a head office in Kamloops, BC and an Eastern office in Ottawa, ON. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:

Commission Services

FNTC is a shared governance institution with a Chief Commissioner and eight commissioners appointed by the Governor in Council and one commissioner appointed by the Native Law Centre of Canada at the University of Saskatchewan. The Commission Services business line includes the operational and support costs of the Chief Commissioner and the commissioners.

Summary of Significant Accounting Policies

Communications

The Communications business line promotes the understanding of First Nation real property taxation systems and communicates policy initiatives for the Commission through the publication of a quarterly newsletter, meetings and presenting to First Nations, attending and hosting professional conferences, preparing and distributing the FNTC annual report, developing and maintaining an internet website, and preparing and distributing marketing materials.

Corporate Services

Corporate Services business line provides financial, human resources, insurance, audit and administrative services to FNTC and is responsible for meeting corporate planning and reporting requirements as well as coordinating the annual general meeting and commission meetings. Corporate Services also has a lead role in meeting Access to Information and Privacy (ATIP) and official languages requirements, corporate policy development and implementation, and providing management and support to meeting s.83 and First Nation Fiscal and Statistical Management Act ("FSMA") administrative requirements.

Dispute Management

The objective of the Dispute Management business line is to prevent or provide for the timely resolution of disputes in relation to the application of FSMA laws as well as to provide education, training and facilitation services to s.83 tax authorities as requested. Dispute resolution supports and manages the s.33 review of complaints process.

Education

The Education business line promotes understanding of the real property taxation systems of First Nations, through public education, through the development of training programs for First Nation real property tax administrators, and through the development of administrative tools to assist those First Nations.

Gazette

The Gazette business line manages the publication and distribution of the First Nations Gazette in conjunction with the Native Law Centre. The First Nations Gazette publishes First Nations laws, by-laws, and sample laws under the FSMA and s.83.

Summary of Significant Accounting Policies

Law Review, By-law Review and Regulations

The Law Review business line reviews laws to ensure that they comply with the FSMA and the associated regulatory framework and also provides support to First Nations in the law development process. The Law Review business line also develops sample laws both under the FSMA and by-laws under s.83 of the Indian Act. The law review business line also reviews and liaises with Aboriginal Affairs and Northern Development of Canada ("AANDC") on the approval of s.83 by-laws and maintains a registry for both s.83 by-laws and FSMA laws.

Policy Development

The Policy Development business line develops and implements policies and standards to support administrative practices to increase First Nation, taxpayer, and investor confidence and certainty in the integrity of the First Nation local revenue and s.83 property taxation systems.

First Nation Property Ownership Initiative

This initiative is intended to allow First Nations to gain inalienable title and real jurisdiction over their lands. The Commission continued consultation on this initiative throughout 2011-2012 to interested First Nation leaders, Certificate of Possession holders, and stakeholders in other governments and businesses

First Nations Tax Authorities National Meeting

During 2010-2011, the FNTC hosted a national meeting of First Nation tax authorities. The meeting provided First Nation tax authorities with an opportunity to discuss and learn about innovations in the property tax systems, new ways to expand growth, learn about the FSMA process and develop collective strategies to overcome common challenges.

Notes to Financial Statements

1. Nature of Operations

FNTC is a national shared governance institution with a head office in Kamloops, BC and an office in Ottawa, ON. Its mission is to help First Nation governments build and maintain fair and efficient First Nation property tax regimes, and to ensure those First Nation communities, and their taxpayers alike, receive the maximum benefit from those systems. FNTC was created through passage of the *First Nations Fiscal and Statistical Management Act*.

2. Cash

Cash is held in one Canadian Chartered Bank and earns interest at the current prevailing rate for business operating accounts. Canada Deposit Insurance Corporation ("CDIC") insures these deposits to the extent of \$100,000 per Canadian resident.

3. Accounts Receivable

	2012	2011
Government of Canada	\$ -	\$ 705,479
Harmonized Sales Tax	107,450	133,750
Other	-	6,676
	<u>\$ 107,450</u>	<u>\$ 845,905</u>

4. Contracts Payable

The organization has commenced work and committed funds by contract to a number of projects that were in progress at year end.

5. Tangible Capital Assets

	2012			2011		
	Leasehold Improvements	Equipment	Total	Leasehold Improvements	Equipment	Total
Cost, beginning of year	\$ 355,203	\$ 1,208,888	\$ 1,351,405	\$ 355,203	\$ 698,906	\$ 1,054,109
Additions		108,247	108,247	-	212,686	212,686
Cost, end of year	355,203	1,317,135	1,672,338	355,203	1,208,888	1,564,091
Accumulated amortization, beginning of year	263,277	967,059	1,230,336	192,236	666,578	858,814
Amortization	71,041	207,015	278,056	71,041	300,481	371,522
Accumulated amortization, end of year	334,318	1,174,074	1,508,392	263,277	967,059	1,230,336
Net carrying amount, end of year	\$ 20,885	\$ 143,061	\$ 163,946	\$ 91,926	\$ 241,829	\$ 333,755

6. Economic Dependence

FNTC receives substantially all of its revenue pursuant to a funding arrangement with the Government of Canada. In addition to the Government's base funding of \$5,879,309 (2011 \$5,715,996), contributions provided by the Government and others are necessary for FNTC to undertake specific research and policy development initiatives.

Notes to Financial Statements

7. Financial Instruments

As part of the FNTC operations, the FNTC holds various financial instruments, consisting of cash, accounts receivable, and accounts payable. The nature of these instruments and the FNTC's operations expose the FNTC to credit risk.

8. Commitments

FNTC entered into an operating lease for its premises in Ottawa, ON. The office is leased at \$7,897 per month plus applicable taxes under a lease expiring in January 2013.

FNTC entered into an operating lease for its premises in Kamloops, BC. The office is leased on month to month basis at \$4,482 per month plus applicable taxes.

FNTC has entered into various operating leases for equipment to be used in their offices. The monetary range of these lease agreements is \$370 \$2,700 per month plus applicable taxes with lease expiration dates ranging from May 2013 October 2016.

The minimum annual lease payments for the next four years are as follows:

2013	\$	144,452
2014		35,761
2015		4,440
2016		2,590
	\$	187,243

9. Accumulated Surplus

The Commission segregates its accumulated surplus in the following categories:

	2012	2011
Investment in tangible capital assets	\$ 163,946	\$ 333,755
Current Funds	328,811	159,002
Employee future benefit reserve	-	106,505
	\$ 492,757	\$ 599,262

The investment in tangible capital assets represents amounts already spent and invested in equipment and leasehold improvements.

During the prior year, the FNTC began development of an employee future benefits policy similar to the policies of the federal government. At March 31, 2011, the employee future benefit policy had not been finalized. The FNTC allocated \$106,505 to an employee future benefit reserve to internally restrict a portion of its net assets for the purpose of funding the employee future benefit policy. The employee future benefit policy was finalized in 2011-2012 and \$429,619 (2011 \$Nil) of accrued benefits are included in accounts payable. The accrued amount is based on an actuarial valuation report dated February 29, 2012.

10. Statements of Expenditures by Object

	2012	2011
Amortization	\$ 278,056	371,520
Operating Goods and Services	4,067,950	4,720,131
Salaries and Honorarium	2,508,497	2,062,361
	\$ 6,854,503	\$ 7,154,012

Notes to Financial Statements

11. Segmented Information

	For the year ended March 31, 2012	Commission Services	Communications	Corporate Services	Dispute Management	Education	Gazette	FNPOA Policy Framework	FNPOA Legislative Outline	Law Review, By-Law Review and Regulations	Policy Development	Special Initiative Legislative Review	2012 Total
Revenue													
Government of Canada	\$ 853,454	\$ 691,714	\$ 1,226,875	\$ 157,095	\$ 540,671	\$ 202,210	\$ 298,728	\$ 549,720	\$ 1,295,484	\$ 836,806	\$ 75,000	\$ 6,727,757	
Interest	-	-	7,779	-	-	241	-	-	-	-	-	-	8,020
Other Income	-	5	-	-	-	12,216	-	-	-	-	-	-	12,221
	853,454	619,719	1,234,654	157,095	540,671	214,667	298,728	549,720	1,295,484	836,806	75,000	75,000	6,747,998
Expenses													
Salaries and honoraria	632,104	222,489	487,387	64,970	99,063	-	-	-	666,135	346,349	-	-	2,508,497
Goods and services	218,208	524,991	579,296	91,181	396,660	189,773	298,728	549,720	681,731	462,662	75,000	75,000	4,067,950
Amortization	20,388	13,892	164,435	-	50,918	6,894	-	-	15,058	6,471	-	-	278,056
	870,700	761,372	1,231,118	156,151	546,641	196,667	298,728	549,720	1,352,924	815,482	75,000	75,000	6,854,503
Net surplus (deficit)	\$ (17,246)	\$ (69,653)	\$ 3,536	\$ 944	\$ (5,970)	\$ 18,000	\$ -	\$ -	\$ (57,440)	\$ 21,324	\$ -	\$ -	\$ (106,505)
	For the year ended March 31, 2011	Commission Services	Communications	Corporate Services	Dispute Management	Education	Gazette	First Nations Property Ownership Act	First Nation Tax Administrators Meeting	Law Review, By-Law Review and Regulations	Policy Development	2011 Total	
Revenue													
Government of Canada	\$ 883,780	\$ 623,296	\$ 1,139,020	\$ 202,158	\$ 490,220	\$ 311,721	\$ 1,136,790	\$ 202,000	\$ 202,000	\$ 1,206,436	\$ 859,365	\$ 7,054,786	
Interest	-	-	4,153	-	-	148	-	-	-	-	-	-	4,301
Other Income	-	-	1,500	-	-	13,830	185,850	-	-	-	-	-	201,180
	883,780	623,296	1,144,673	202,158	490,220	325,699	1,322,640	202,000	202,000	1,206,436	859,365	7,260,267	
Expenses													
Salaries and honoraria	566,294	160,260	392,429	50,180	88,316	-	-	-	-	516,242	288,640	-	2,062,361
Goods and services	233,780	478,873	575,389	100,547	361,283	229,552	1,322,617	202,274	202,274	643,326	572,490	-	4,720,131
Amortization	19,333	14,266	170,202	-	101,360	6,894	-	-	-	28,123	31,342	-	371,520
	819,407	653,399	1,138,020	150,727	550,959	236,446	1,322,617	202,274	202,274	1,187,691	892,472	-	7,154,012
Net surplus (deficit)	\$ 64,373	\$ (30,103)	\$ 6,653	\$ 51,431	\$ (60,739)	\$ 89,253	\$ 23	\$ (274)	\$ 18,745	\$ (33,107)	\$ -	\$ -	\$ 106,255

Auditors' Report on Supplementary Financial Information

To the Commissioners of First Nations Tax Commission

We have audited the financial statements of the First Nations Tax Commission, which comprises of the Statement of Financial Position as at March 31, 2012, and the Statements of Changes in Net Assets, Operations and Cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon date June 11, 2012. The following supplementary financial information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.

"BDO Canada LLP"

Chartered Accountants

June 11, 2012
Kamloops, British Columbia

Schedule 1 - Corporate Plan

For the year ended March 31	Financial plan	2012	2011
Revenue			
Government of Canada	\$ 5,876,309	\$ 5,879,309	\$ 5,715,996
Interest and other income	3,000	20,241	19,631
	<u>5,879,309</u>	<u>5,899,550</u>	<u>5,735,627</u>
Expenses			
Commission services	853,454	870,700	819,407
Communications	691,714	761,372	653,400
Corporate services	1,226,875	1,231,118	1,138,020
Dispute management	157,095	156,151	150,727
Education	540,671	546,641	550,959
Gazette	202,210	196,667	236,446
Law review, by-law review and regulations	1,295,484	1,352,924	1,187,691
Policy development	836,806	815,482	892,472
Special Initiatives Legislative Review	75,000	75,000	-
	<u>5,879,309</u>	<u>6,006,055</u>	<u>5,629,122</u>
Excess (deficiency) of revenue over expenditures	-	(106,505)	106,505
Transfer from (to) Employee Future Benefits reserve	-	106,505	(106,505)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule 2 - Towards a Policy Framework for the Proposed First Nations Property Ownership Legislation

For the year ended March 31	Financial plan	2012	2011
Revenue			
Government of Canada	\$ 298,728	\$ 298,728	\$ -
Expenses			
Policy framework	298,728	298,728	-
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule 3 - First Nations Property Ownership Act Legislative Outline Development & Proponent Community Preparation Implementation

For the year ended March 31	Financial plan	2012	2011
Revenue			
Government of Canada	\$ 549,720	\$ 549,720	\$ -
Expenses			
Legislative outline	549,720	549,720	-
Excess of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Contact Us

Head Office	National Capital Region Office
321 - 345 Yellowhead Highway	160 George St., Suite 200
Kamloops, BC	Ottawa, ON
V2H 1H1	K1N 9M2
Phone 250-828-9857	Phone 613-789-5000
Fax 250-828-9858	Fax 613-789-5008
Email: mail@fntc.ca	Email: mail@fntc.ca

www.fntc.ca
Toll Free 1-855-682-3682

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Schedule 4 - First Nations Tax Authorities National Meeting (2011)

For the year ended March 31	Budget	2012	2011
Revenue			
Government of Canada	\$ -	\$ -	\$ 202,000
Expenses			
Meeting costs	-	-	202,272
Deficiency of revenue over expenditures	\$ -	\$ -	\$ (272)

Schedule 5 - First Nations Property Ownership Initiative (2011)

For the year ended March 31	Financial plan	2012	2011
Revenue			
Government of Canada	\$ -	\$ -	\$ 798,534
Sponsorship Income	-	-	105,000
Registrations	-	-	80,850
	-	-	984,384
Expenses			
Legislative Outline	-	-	984,598
Deficiency of revenue over expenditures	\$ -	\$ -	\$ (214)

Schedule 6 - Supplementary Funding to Support First Nations Property Ownership Initiative (2011)

For the year ended March 31	Budget	2012	2011
Revenue			
Government of Canada	\$ -	\$ -	\$ 338,256
Expenses			
Increased Outreach	-	-	338,020
Excess of revenue over expenditures	\$ -	\$ -	\$ 236

