

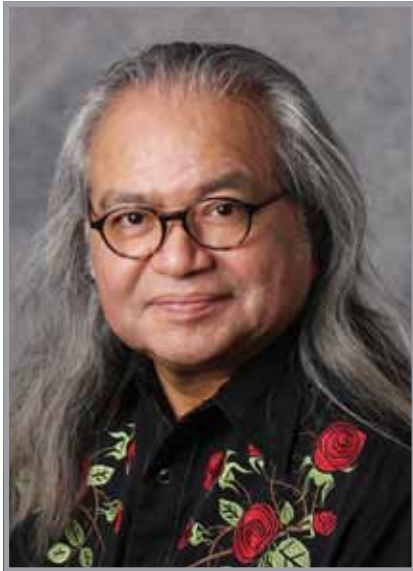


First Nations Tax Commission

Annual Report 2012/2013



Message from the Chief Commissioner



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

As Chief Commissioner of the First Nations Tax Commission, I am pleased to present our sixth annual report to the Minister of Aboriginal Affairs and Northern Development Canada, to First Nations, and to their taxpayers.

This year is the 25th anniversary of the start of the modern era of First Nations property taxation. On June 28, 1988, the “Kamloops Amendment” (Bill C-115) received Royal Assent. With the full support of all parties in Parliament, it was the first ever First Nation-led change to the *Indian Act*, and clearly established the power of First Nation governments to levy property taxes on reserve, including leasehold developments. It replaced the term “conditional surrender” with the then new concept of “designated lands”. Through the designation process, First Nation governments could set lands aside for leasing and economic development without losing its reserve status. It also eliminated the outdated and paternalistic requirement that only those First Nations who have been declared to have “reached an advanced stage of development” could enact by-laws under section 83 of the *Indian Act*.

The 1988 amendments to the *Indian Act* were to be viewed simply as an interim measure - that the *Indian Act* should be made to work for First Nations, rather than against them, as long as it was still around. The “Kamloops Amendment” was an important step forward for First Nations, and opened up an entirely new field of economic development. In 2005, after considerable consultation, and lengthy parliamentary scrutiny, we saw the passage of the *First*





Nations Fiscal and Statistical Management Act – again with all-party support in Parliament as our work continued.

The central task is still before us. The issues First Nations are dealing with in their property taxation have evolved significantly but many of the obstacles facing our communities remain the same. We must work together to expand and implement First Nations jurisdiction. First Nations across the country who are on the frontier of change are working with their new taxpayers, planning their budgets, negotiating service agreements with local governments and contracting with assessors as they establish their tax jurisdiction. A key goal of the Commission in working with these communities is to help First Nations build accountable tax systems, improve First Nation services to taxpayers, build new infrastructure, and bring investment to First Nation lands. Through this work we have been able to develop a solid regulatory framework for property tax on-reserve.


First Nations success in property taxation has been remarkable and the tax system remains stable as it

expands. Using the policy and legal framework for property taxation that has been established, 183 First Nations – from every region of Canada – are improving services in their communities by collecting millions of dollars annually in property taxes through our legislative base, creating jobs, attracting investment, and building their economies.

Growth in the number of FMA First Nations continues the trend toward the work with First Nations fiscal institutions and away from the *Indian Act*. Our e-services to the First Nations tax system, particularly with the FNTC website, the *First Nations Gazette* and our TAS software, have been expanded to provide better access and improved functionality. Most importantly, the FNTC education program continues to expand First Nations' awareness and understanding of taxation and its benefits.

I hope you enjoy our 2012/2013 annual report, and I invite your comments, feedback, and insights as we work together into the upcoming year to improve our services to the First Nations tax system.

C.T. (Manny) Jules,
Chief Commissioner



*"Let me be a free man, free to travel, free to stop,
free to work, free to trade where I choose, free to choose
my own teachers, free to follow the religion of my
fathers, free to talk, think and act for myself."*

- Chief Joseph, 1879

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Overview



Overview

The First Nations Tax Commission has always seen the increase in investment on First Nations land as an effective way to increase the value of their land and resources. Creating investment opportunities generates employment, and the increased revenues support improved local services and help reduce First Nation poverty.

The FNTC continues its work to strengthen First Nation property taxation and build the foundation for investment and economic development on First Nation land. In 2012/2013, the Commission approved over 120 *First Nations Fiscal Management Act* (FMA) laws, and recommended over 70 *Indian Act* s.83 by-laws for ministerial approval. The total property tax revenue generated in 2012/2013 exceeded \$70 million.

In support of economic growth and expanding the revenue options for First Nations, FNTC worked with several communities to establish Development Cost Charge laws and Taxation for the Provision of Services laws. FNTC also created a regulatory framework for Oil and Gas Well Drilling Tax Laws that can be used by First Nations in Alberta. It also established the framework for an Annual Services Tax law so that interested First Nations can use FMA laws to levy, collect, and enforce the payment for basic services such as water, sewer, and garbage collection. Further research was applied in developing the policy framework for Accommodation Tax laws in British Columbia.

Since the introduction of the FMA, an increasing number of First Nations each year have opted for the FMA. In 2012/2013, 20 First Nations joined the FMA, bringing the total number of participation to 99 First Nations, and another three First Nations have requested to be added. Fifteen First Nations are currently working on replacing their existing s.83 property taxation by-laws with property tax laws made under the FMA. Property tax laws enacted under the FMA are needed to access the full range of fiscal powers available under the FMA.

In partnership with the Tulo Centre and Thompson Rivers University, the FNTC continued to provide First Nations with access to the certificate program in First Nation Tax Administration. Thirteen students graduated with an accredited First Nation tax administration certificate. FNTC also continued to work with Thompson Rivers University and the Tulo Centre to add courses to the existing certificates in Applied Economics and Tax Administration in order to create an accredited diploma program.

In 2012/2013, FNTC advanced the findings of the Minister of Aboriginal Affairs' "Report on the Legislative Review of the *First Nations Fiscal and Statistical Management Act*" to the Standing Committee on Finance as a part of the FNTC's Pre-Budget Submission. It further refined its recommended changes to the *Act* in anticipation of working with Canada and the other fiscal institutions to implement the Report's findings.

The FNTC continued to work with the federal government to explore legislative options to implement a land title based property rights system on First Nation lands. In March 2012, the federal government committed to develop First Nation Property Ownership (FNPO) legislative options for interested First Nations.

The work of the FNTC supports First Nations' and Canada's economic and fiscal objectives. In 2012, a bestselling book *Why Nations Fail* by Mr. James Robinson and Mr. Daron Acemoglu was released. The premise of the book was that nations that provide economic and political institutions that are inclusive for the broad population are much more likely to economically succeed than nations that don't. Their survey of over 50 nations throughout the world concluded that the governments of the most successful economies provide the services and infrastructure necessary to support trade and innovation and ensure secure property rights. The researchers conclude that the key to successful economies are property and local taxes that pay for services and infrastructure and secure property rights that raise property values. Their research strongly supports the work of the FNTC and the aspirations of many First Nations.

This annual report details the work of the FNTC in 2012/2013 to implement First Nation jurisdiction and build the foundation for First Nation economies that benefit all Canadians.



Highlights

Highlights

The First Nations Tax Commission continues to help First Nations implement the jurisdictions they require to build the foundation for long-term economic growth. In 2012/2013 significant FNTC accomplishments include:

- Approved 122 laws and recommended 71 by-laws to the Minister of Aboriginal Affairs for approval
- Developed sample laws to support First Nations asserting business activity tax and taxation for the provision of services jurisdiction
- Supported taxpayers to ensure the fair application of the Carbon Tax rebate program in BC
- Worked to ensure First Nation access to provincial assessment services in Alberta, Saskatchewan, Manitoba, Ontario and New Brunswick
- Provided training so 13 more students could graduate with an accredited First Nation tax administration certificate
- Worked with the First Nation Tax Administrators Association to develop the Certified Professional First Nation Tax Administrator designation
- Tested the Tax Administration Software (TAS) Cloud version to improve TAS security, performance and flexibility
- Provided the regulatory framework so First Nation tax authorities could collect over \$70 million in tax revenues in 2012/2013
- Offered facilitation services to First Nations and their taxpayers to address issues related to service agreements, tax rates and First Nation jurisdiction
- Supported First Nations interested in implementing a First Nation Goods and Services Tax system
- Developed legislative options for the First Nation Property Ownership (FNPO) initiative and provided communications and support to FNPO proponent communities
- Enhanced the *First Nations Gazette* (FNG) to expand its application to First Nation laws and by-laws, improve online searching and provide notification services to First Nations and professionals

These accomplishments are part of a much larger agenda to provide the administrative and legal framework for First Nation economies to succeed. The FNTC and First Nation tax authorities are working to build jurisdiction based First Nation government, step by step. For 25 years we have worked to move from a model of service agencies contracting to a central government bureau to one of jurisdiction based government responding to the needs of taxpayers and members.

The FNTC has always worked to build the regulatory framework, public revenue options and capacity First Nations need to provide quality public infrastructure and services at a fair price.

First Nation economic growth supported by FNTC services and initiatives will not just benefit First Nations; it will benefit all of Canada. First Nation economic growth reduces the fiscal costs of First Nation poverty on all governments. It raises the productivity of First Nation youth – the fastest growing cohort of the Canadian labor force. It sustains Canada's social programs in the long run. It makes First Nations partners in the success of the Canadian economic economy and federation.



Continued Growth in FMA Participation

For a second consecutive year, the FMA experienced strong growth in First Nation participation. In 2012/2013, 20 First Nations were added to the Schedule, bringing the number of FMA First Nations to 99 representing 20% in growth. Nearly two thirds of these First Nations are from outside BC and nearly half are from provinces east of Manitoba. Of the 36 First Nations added to the Schedule over the last two fiscal years, only 31% had existing tax by-laws under s.83 of the *Indian Act*. This growth indicates a strong movement away from the *Indian Act*. It is anticipated that the trend for growth will continue, particularly from regions outside of BC.

Improved First Nations Access to Provincial Assessment Services

The FNTC carried out five strategic initiatives aimed at improving First Nation access to provincial assessment service providers in BC, Alberta, Saskatchewan, Ontario, and New Brunswick. These initiatives will help to provide standardized, professionally certified, and cost effective assessment services to FMA First Nations in these provinces.



First Nation Gazette Notification Project

In the past year over 40 First Nation tax authorities used the new FNG online notification service to provide notice of their proposed tax rates to members, taxpayers and others. The online FNG will be expanding its public notification services in 2013/2014 so that First Nation governments, First Nation institutions, other governments, and private organizations can publish notices online about a range of matters relevant to First Nations governments. This expanded service will be the first of its kind in Canada.

Improved Standards and Expanded Jurisdiction

In 2012/2013 the FNTC developed a policy framework to support First Nation taxation of oil and gas well drilling activity on reserve lands in Alberta and for the taxation of accommodation service providers in BC. FNTC worked to expand First Nations revenue options for First Nations with new standards to ensure that taxation is implemented in a manner that enhances the First Nation investment climate.

Enhanced FNTC Services through Strategic Partnerships

FNTC continued to enhance its service delivery through the development of working relationships and the use of strategic partnerships with organizations including: BC Assessment Authority, Thompson Rivers University, Consensus Building Institute, National Energy Board and others.

Advancing the First Nation Property Ownership (FNPO) Initiative

The FNTC worked with proponent First Nations and the federal government along with support from partners, such as the BC Land Title and Survey Authority, to develop a framework for proposed legislation and advance this initiative throughout 2012/2013.

Priorities for 2013/2014



The FNTC has completed its Corporate Plan and developed its performance measures for 2013/2014. The FNTC will focus on the following three key areas:

1. Implementing First Nation Local Revenue Jurisdiction

Jurisdiction – The FNTC continues to work with all interested First Nations to implement their local revenue jurisdictions. In 2013/2014 the FNTC expects to respond to First Nations in Ontario and Saskatchewan regarding property tax jurisdiction, and anticipates that this may also involve increased support to facilitate First Nation local government service agreements in these provinces, as well as Manitoba. The FNTC will work with interested First Nations to implement Business Activity Taxes (BATs) related to gross receipts, hotels, and amusement. This work may require coordination and agreements with provincial governments.

2. Capacity Development – In 2013/2014, the FNTC will focus on work with the Tulo Centre of Indigenous Economics, Thompson Rivers University (TRU) and other partners to build capacity in local revenue collecting First Nations. This will include adding accredited courses related to business activity tax and financial management and deliver workshops to increase awareness of FNTC education programs across Canada. The FNTC will

research and develop options that will facilitate quicker access to the FMA and expedite implementation of FMA property tax jurisdictions. The FNTC will continue to promote and enable taxpayer relations initiatives and systems.

3. Legislative and Regulatory Initiative – The FNTC will support the federal government on any legislative initiatives related to the FMA that may be initiated in follow-up to the Evaluation of the Implementation of the First Nations Fiscal and Statistical Management Act which was tabled in Parliament by the Minister of Aboriginal Affairs and Northern Development, in March 2012.

The FNTC will continue its work with the Department of Finance Canada to respond to First Nations requests for advice as they seek to implement FNGST systems.

The FNTC will continue to work with the federal government on legislative options related to, and in support of, the FNPO initiative.





Corporate Profile



Mandate

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

“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

Through an agreement with the Minister of Aboriginal Affairs and Northern Development Canada (AANDC), the 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*.

FSMA becomes FMA

The *First Nations Fiscal and Statistical Management Act* (FSMA), which came into force on April 1, 2005, has been renamed the *First Nations Fiscal Management Act* (FMA) effective April 1, 2013. In March 2013, the Government of Canada announced (as part of Bill C-38, the *Jobs, Growth and Long-term Prosperity Act*) that the First Nations Statistical Institute (FNSI) would cease operations. The name of the FSMA was also changed, and all references to FNSI were removed and FNSI officially closed on March 31, 2013.

Structure

The FNTC is a shared-governance institution with a Chief Commissioner, a Deputy Chief Commissioner and eight commissioners from across Canada. The Governor in Council appoints nine of the Commissioners and, under regulations, the Native Law Centre, University of Saskatchewan, appoints one Commissioner. The Commissioners for 2012/2013 are as follows:

- Mr. C.T. (Manny) Jules, Kamloops, BC (Chief Commissioner/CEO)
- Mr. David Paul, Tobique, NB, (Deputy Chief Commissioner)
- Dr. Céline Auclair, Gatineau, QC
- Ms. Leslie Brochu, Kamloops, BC
- Mr. Lester Lafond, Saskatoon, SK
- Mr. Ken Marsh, Okotoks, AB
- Mr. William McCue, Georgina Island, ON
- Ms. Terry Nicholas, Windermere, BC
- Mr. Randy Price, North Vancouver, BC
- Ms. Ann Shaw, Chateauguay, QC

Commissioners of the First Nations Tax Commission 2013



Back left to right: David Paul, Ken Marsh, Randy Price, William McCue, Lester Lafond
Front left to right: Leslie Brochu, Ann Shaw, C.T. (Manny) Jules, Céline Auclair, Terry Nicholas

Governance

The FNTC maintains a best practices approach for good governance. It operates in keeping with a comprehensive governance and management policy and the Chief Commissioner has established the following committees to support the work of the FNTC:

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

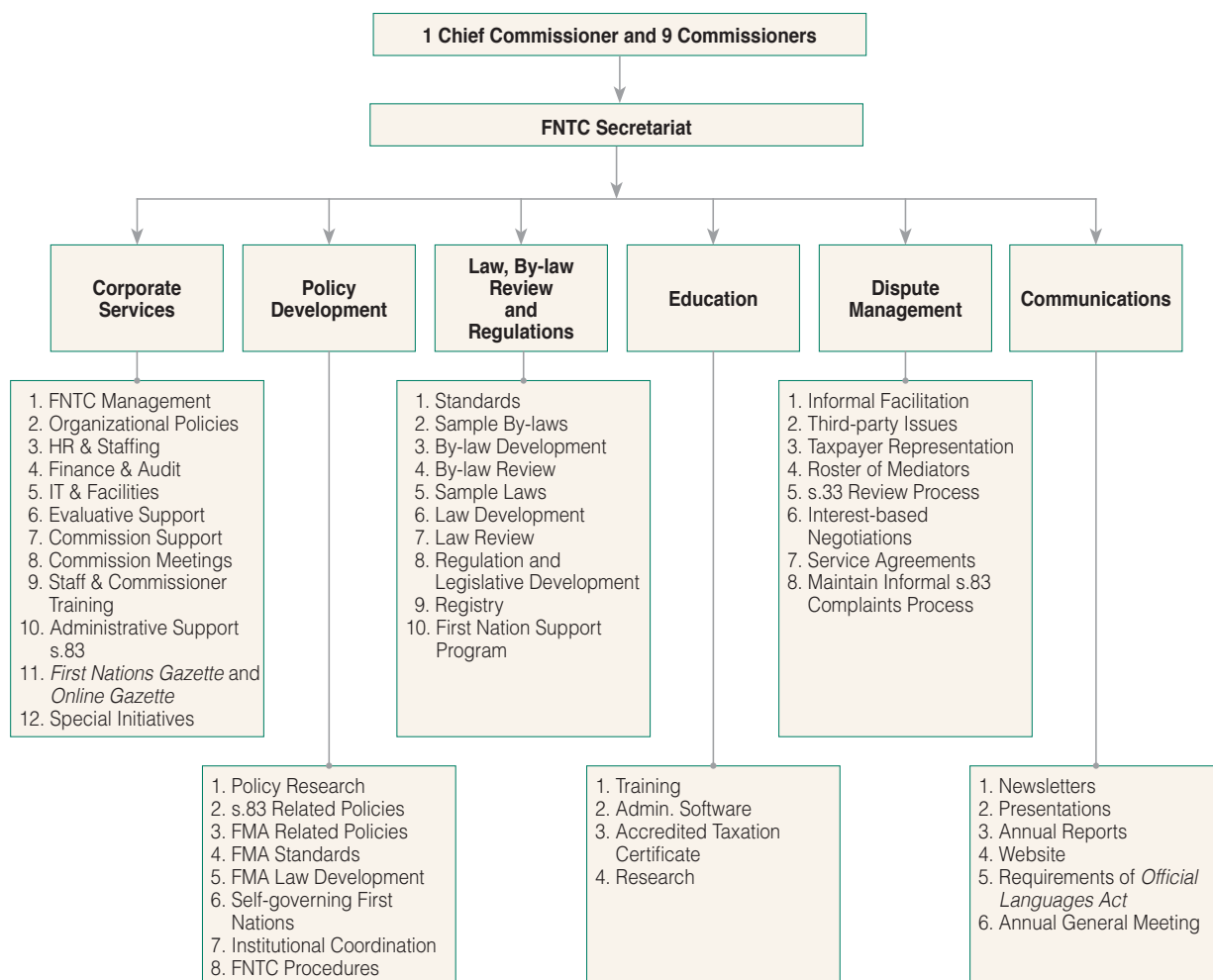
Committees consist of Commissioners only, or a mix of Commissioners, staff, and other professionals, as appropriate.

Pursuant to section 26 (FMA), the FNTC maintains a head office on the reserve lands of the Tk'emlúps te Secwépemc and an office in the National Capital Region.

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

The FNTC operates six business lines, as illustrated below.

Organizational and Business Lines





**Strategic Objectives and
Measuring Performance
2012/2013**

Performance Summary 2012/2013

FNTC sets out its strategic objectives and performance measures in its annual corporate plan. Below is a summary of the FNTC 2012/2013 objectives and its performance for each objective.

STRATEGIC OBJECTIVES	PERFORMANCE MEASURE
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Corporate Services

Develop Corporate Plan, Financial Plan and Work Plan	Completed
Hold 4 Commission meetings and 6 law review Commission meetings	Completed
Provide support to the Commission and Committees	Ongoing*
Provide administrative and facilities management support and review HR policy	Ongoing*
Coordinate staff training and professional development	Completed
Meet Access to Information Act and Privacy Act requirements	Ongoing*
Develop Information Management Manual	Ongoing*
Manage the publication of the <i>First Nations Gazette</i> and coordinate development of a notification component for the <i>First Nations Gazette</i>	Ongoing*
Manage Special Projects including: Expanding FMA participation, Infrastructure, FMA Seven Year Review implementation, Assessment Services Project with 5 provinces, FNGST, FNPOA	Ongoing*

Policy Development

Develop, seek public input on, and approve at least 5 standards	Completed
Continue research, initiate or complete 6 policy development projects	Completed
Review two s.83 policies – Property Tax and Assessment Policy	Completed
Initiate projects with other institutions related to mock intervention, local revenue account management, and local revenue account statistics	Completed

Law, By-law Review and Regulations

Develop or amend 6 sample laws in the following authorities: Business Activity Tax, Taxation for Provisions of Services, Property Taxation, Property Assessment, Borrowing, Expenditure, or Annual Rates	Completed
Review 90 annual FMA laws and 17 non-annual FMA laws	122 Laws Reviewed
Operate the First Nation support program to enable another 10 First Nations to implement FMA property taxation and assessment laws	Completed
Maintain registry of approved First Nation laws and by-laws	Ongoing*
Review and update of s.83 by-laws to support transition to the FMA	Ongoing*
Review 60 s.83 by-laws	71 By-laws Reviewed
FMA Seven Year Review implementation	Ongoing*

Communications

Prepare and submit Annual Report	Completed
Coordinate and develop materials for FNTC annual meeting	Completed
Develop stories highlighting FMA successes	Completed
Update and maintain website	Ongoing*
Coordinate and develop presentations	Ongoing*
Ensure FNTC meets OLA requirements	Ongoing*
Publish the <i>Clearing the Path</i> (CTP) newsletter quarterly and develop an email distribution database for delivery of CTP and Annual Reports	Completed

Education

Complete the accreditation process for Diploma in First Nation Applied Economics	Application in Process
Work with the Tulo Centre and TRU to accredit proposed Certificate in First Nation Financial Administration	Ongoing*
Enhance, improve, and expand curricula for five courses in the Certificate of First Nation Tax Administration	Completed
Develop the three online courses in the Certificate of First Nation Tax Administration	Completed
Deliver, through the Tulo Centre and TRU, at least seven accredited courses	Completed
Host Conference on teaching Economics and Statistics	Completed
Begin to develop workshops for Facilitating Investment on First Nation Lands, Introduction to First Nation Taxation and Facilitating Agreements	Ongoing*
Develop curriculum for two courses in the Diploma in Applied First Nation Economics	Under Development
Maintain and provide support for Tax Administration Software (TAS)	Ongoing*

Dispute Management

Maintain roster of qualified mediators and provide training	Ongoing*
Respond to requests for dispute resolution and negotiation facilitation	Ongoing*
Update Service Agreement Negotiation Manual	Ongoing*
Develop Guide for s.33 review procedure	Completed
Provide training to FNTC, selected First Nations and the Tulo Centre for Mutual Gains Negotiations and Dispute Resolution	Completed

*FNTC has met deliverable requirement for 2012/2013, program is continued.



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

Key Accomplishments

MOU with National Energy Board – In 2012/2013 the FNTC signed an MOU with the National Energy Board (NEB) to support each other’s work and to share expertise and experience on quasi-judicial hearings.

Coordinate Implementation of the FMA Seven-Year Review – The Report on the Seven Year Review of the First Nations Fiscal and Statistical Management Act was tabled in Parliament in March 2012. Throughout 2012/2013, the FNTC worked with the other institutions and Canada to explore opportunities to implement this report. As a result of the report, the First Nations Statistical Institute was terminated and as of April 2013, the legislation name

was changed to the First Nations Fiscal Management Act (FMA).

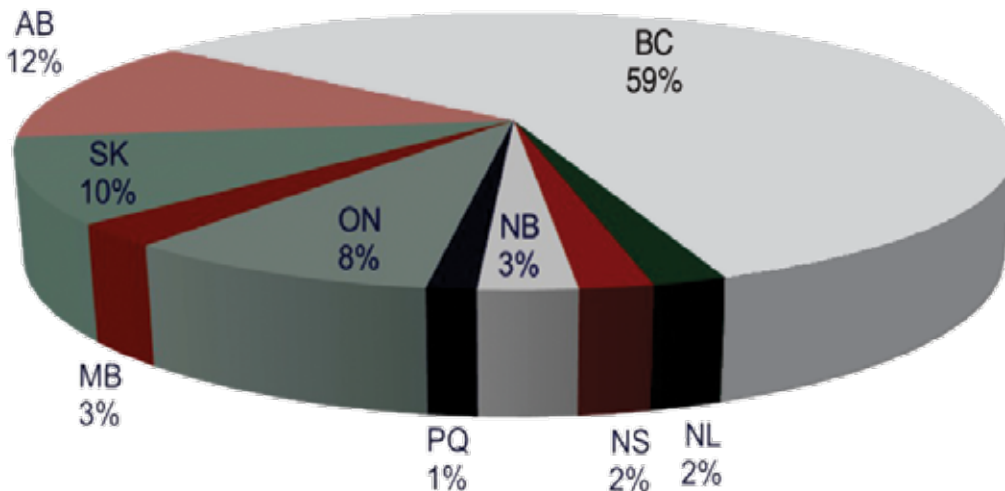
Coordinate FNTC Meetings – Corporate Services organized and coordinated a Commission meeting schedule that included: quarterly meetings, special Commission law review meetings and other various presentations and meetings in 2012/2013.

Special Guests at Commission Meetings in 2012/2013

Premier David Alward of New Brunswick attended a meeting of the First Nations Tax Commission held in June 2012, which coincided with National Aboriginal Day activities, in Fredericton. Premier Alward is also the Minister responsible for Aboriginal Affairs in the New Brunswick Government.

The Premier’s 90 minute meeting symbolized the good working relationship his government has had with New Brunswick First Nations, and the First Nations Tax Commission. In addressing the Commission, the Premier noted his government’s record in extending tax revenue to First Nations through tax revenue sharing agreements

National Profile of First Nation Property Taxation (FSMA & S.83)





as well as FNTC's role in helping First Nations build a property tax system that complements these revenue sharing agreements. He also supported the provision of NB assessment services to New Brunswick First Nations, an initiative the Commission has been leading in the province.

Minister John Duncan, Minister of Aboriginal Affairs and Northern Development Canada, met with the FNTC at its December, 2012 quarterly meeting in Ottawa. The Minister expressed his strong support for the work of the FNTC. He stated that the FNTC was a model for other First Nation institutions on how to deliver quality services to First Nations so that they can implement their tax jurisdiction in a manner that facilitates investment, grows their economies, and improves community services and infrastructure.

Publish the *First Nations Gazette* and Maintain the Online *First Nations Gazette* – FNTC expanded the online *First Nation Gazette* in 2012/2013 and improved its functionality for users. Also in 2012/2013, the FNTC undertook policy and technical work to create a public notification component for First Nations to allow online notice of proposed First Nation annual tax rates on the online FNG. In the past year over 40 First Nation tax authorities used this service and were able to provide notice of their proposed tax rates to members, taxpayers and others. The official launch of an expanded *First Nation Gazette* with a broader range of notification services is scheduled for early 2013/2014.

Although common for other governments to provide property tax rate notices, this is the first national and standardized online notification service for First Nations in Canada. The FNG provides the only national promulgation of First Nation laws in Canada.

Manage Special Projects –

- *Expanding FMA Participation* – The FNTC provided continued support for First Nations interested in the FMA. In 2012/2013 the FNTC assisted two First Nations to convert from s.83 of the *Indian Act* property tax systems to a FMA system. The FNTC also helped an additional 20 First Nations join the FMA.

- *First Nations Property Ownership Initiative* – As a special project, the FNTC worked with proponent First Nations to advance the FNPO initiative in 2012/2013. In March 2012, the federal government announced in its budget its intention to work with interested First Nations to develop FNPO legislative options. Throughout 2012/2013, the FNTC worked closely with the federal government and First Nation proponents to develop a framework for the proposed FNPO legislation. The FNTC also examined the feasibility of, on an interim basis, supporting the development and implementation of the proposed new Torrens based First Nation land title registry
- *FNGST* – FNTC continued to support communities that have requested help to implement their FNGST systems. The FNTC provided support to three communities interested in establishing FNGST systems.



Policy Development



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

Key Accomplishments

The FNTC works with First Nation tax authorities and taxpayers to provide a comprehensive regulatory framework for the First Nation tax system. This consists of policies, standards, procedures, sample laws and regulations. Each year the FNTC identifies emerging First Nation taxation policy issues and reviews the FMA regulatory framework.

Development of Standards and Policies - During 2012/2013, the FNTC made improvements to the rates

and expenditure standards to advance best practices in expenditure management and to improve notification to taxpayers. The FNTC approved new law review standards for the taxation of provision of services and developed an improved taxation for the provision of services sample law. New sample laws and law review standards for First Nation business activity tax laws related to accommodation, business occupancy and well drilling were also developed.

As well, the FNTC introduced several amendments to its expenditure law standards. These amendments provided greater clarity with regard to the First Nation legal authority to expend local revenues throughout the year, and advanced best practices in the use of reserve funds. FNTC also introduced changes to its borrowing law standards to facilitate borrowing for previously financed capital projects and to improve consistency with the borrowing process for other revenue securitization. The FNTC continued to work with First Nations interested in local revenue secured debenture financing.



Policy Development



Institutional Coordination – The FNTC and FMB coordinated their services related to Indian Act financial management by-laws, registration of Financial Administration Laws in the *First Nation Gazette*, applications to borrow from the FNFA using local revenues, and FMB co-management and third party management services for FMA tax collecting First Nations. In 2012/2013 the FNTC and FMB worked closely to improve and coordinate services related to financial administration laws, and to support the development of standards for management of the local revenue account. In 2012/2013, the FNTC also developed protocols and procedures for *Indian Act* financial management by-law review, First Nation registrations and coordinating services to FMA local revenue borrowing First Nations. In consultation with the First Nations Finance Authority, the FNTC updated sample laws and borrowing standards as more First Nations expressed an interest in debenture financing.

Development Cost Charges – The FNTC worked with interested First Nations in 2012/2013 to complete the planning and other requirements, including the development of framework for the long term capital plan, in order to implement a development cost charge (DCC) system in 2013/2014.

Research to Support Objectives – The FNTC undertook a number of research projects in 2012/2013 to support realizing future policy objectives. Research projects include estimating lost tax revenues for interested First Nations, realizing revenue options from resource development opportunities in Canada and the requirements to fill the gap left by the termination of FNSI.

Facilitating Service Agreements Guide – In 2012/2013 the FNTC developed a handbook on how to facilitate a First Nation-local government service agreement. This guide will be published and available for distribution in 2013/2014.

British Columbia Land Title and Survey Authority (BCLTSA) – The FNTC worked with BCLTSA on the development of the FNPO initiative and planning for communications that can increase the awareness of the services that land title registries provide.



Law, By-Law Review, and Regulations



The objective of the Law, By-law Review, and Regulations business line is to support the FNTC's law and by-law review responsibilities under both the FMA and an MOU with the Minister of AANDC. Further, it supports FNTC's advisory function in the development of FMA regulations that includes monitoring regulatory impacts and developing proposals.

Key Accomplishments

FMA Participation - For a second consecutive year, the FMA experienced strong growth in First Nation participation. Four factors can explain the FMA growth phenomena:

Asserting Jurisdiction – The FMA offers expanded and improved tax and local revenue jurisdiction compared to the Indian Act. A number of First Nations want to move away from the Indian Act and assert their tax jurisdiction. Other First Nations want to expand their local revenue jurisdiction to include BATs and taxes for the provision of services.

Natural Resource Development – Resource development has become a significant engine of economic growth in Canada. A number of First Nations throughout Canada are either actively pursuing a greater share of resource development benefits or are already sharing in these benefits. The FMA allows these First Nations to increase and leverage these resource development benefits and revenues.



Other Revenues Securitization – A number of First Nations want to use other revenues to securitize loans to refinance previous obligations or build new infrastructure. The Financing Secured by Other Revenues Regulations passed in 2011/2012 facilitates these loans.

Specific Regional Initiatives by FMA Institutions – Each of the institutions have undertaken specific initiatives to facilitate FMA participation in different regions. The FNTC has focused considerable effort in Ontario, Saskatchewan and Manitoba in the last two fiscal years and, as a result, a number of First Nations from these provinces have recently joined the FMA.

Law Approval – In 2012/2013, FNTC reviewed and approved 122 FMA laws and recommended 71 by-laws for approval by the Minister of AANDC.

Sample Laws – FNTC develops sample laws based on the FMA regulations and Commission standards. In 2012/2013 the FNTC developed or amended six sample laws relating to the taxation of provision of services, business activity taxes, expenditures and borrowing agreements. These sample laws save FMA First Nations time and money in the development of their FMA systems.

Law Development – The FNTC provides support and assists First Nations in the development of their FMA laws. For some First Nations this involves replacing s.83 by-laws and for others this involves developing new FMA laws. In 2012/2013 the FNTC worked with 34 First Nations to develop new or replacement FMA laws.

Regulation Research – In 2012/2013 the FNTC began a regulation research project to investigate the feasibility of an FMA ready-made legal framework. The premise of the research is that FMA law implementation would be quicker and less expensive if there were FMA core laws implemented through regulations that the First Nations had the option to modify at a later date. This research is anticipated to be completed in 2013/2014.

Expanding First Nation Revenue Options – The FNTC continues to work to expand First Nation revenue options. In 2012/2013 FNTC conducted legal research on the scope of First Nations fiscal powers under paragraph 5 (1) (a) of the FMA and in response to First Nations seeking expanded revenue options.

Communications



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

Key Accomplishments

Presentations - In 2012/2013 a number of presentations were made to taxpayers, First Nations, government and the public related to First Nation taxation, growing First Nation economies and the First Nation property ownership initiative. In 2012/2013 presentations were made to:

- First Nations in Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia
- Canadian Property Tax Association
- First Nation Tax Administrators Association
- Aboriginal Financial Officers Association of Canada
- House of Commons Standing Committee on Finance
- House of Commons Standing Committee on Aboriginal Affairs and Northern Development
- Briefings with FNPO proponents, interested First Nations and the media about FNPO

Communication Materials – The FNTC worked to orient its communications in 2012/2013 to emphasize the importance of asserting and protecting First Nation local revenue jurisdiction. Presentations, speaking notes and other materials were adjusted to reflect this communication theme.

Interactive Communications – The FNTC implemented its new communications strategy of providing interactive methods of communication delivery. The new communication strategy incorporates interactive activities, mobile applications for trade shows and other presentations, a technology platform for incorporating videos into electronic documents such as the *Clearing the Path* newsletter and visual presentations at trade shows.

Newsletter – Four editions of *Clearing the Path*, the FNTC's quarterly newsletter were published in 2012/2013. The newsletter contains important bulletins and information for First Nation tax authorities and their taxpayers. It also contains insights, inspiration, and best practices for First Nations implementing tax jurisdiction to do so in a way that balances the interests of First Nation and taxpayers. In 2012/2013, *Clearing the Path* was restyled and an electronic and online publication added.

FNPO Initiative Communications – Communication materials relating to the FNPO initiative were updated in 2012/2013 including the FNPO website, Frequently Asked Questions and descriptive briefings. Communications continued to develop materials for presentations and FNPO media events in 2012/2013. FNPO communication materials appeared in the national media, including Maclean's, the National Post, and the Globe and Mail. FNPO-related stories appeared in many other newspapers across Canada and the Chief Commissioner or FNPO proponents were televised on CBC, CTV and Global TV, as well as broadcast on CBC Radio and Corus Radio.





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

Key Accomplishments

Tulo Centre and Thompson Rivers University – FNTC, in partnership with the Tulo Centre and TRU, improved and delivered the accredited Certificate in First Nation Tax Administration to tax administrators from First Nations communities across the country.

Curriculum Development – In 2012/2013 the FNTC continued to enhance and expand its training and educational programs to support First Nation property tax systems in Canada. Curricula for five courses in the Certificate of First Nation Tax Administration and curricula for two courses in the Certificate of First Nation Applied Economics were updated.

The FNTC now has two fully accredited certificate programs available to support First Nation property tax administrations: the Certificate in First Nation Property Tax Administration and the Certificate in First Nation Applied Economics. The courses in these programs are now available for delivery either online or in a classroom environment. The FNTC will continue to work with Tulo and TRU on the laddering of these certificates into a Diploma in First Nation Applied Economics in 2013/2014.

Course Delivery – Seven courses in the Certificate of First Nation Tax Administration were delivered in 2012/2013. Students who took these courses earned over 200 credits which can be applied to degrees in Commerce, Business Administration, Arts or Public Administration.



Open Text Book – Work continues on the development of an open electronic text book on facilitating investment on First Nation lands. The text book is based on original curriculum developed by the Tulo Centre for the Certificate in First Nation Applied Economics program. As part of the development of this open text book, FNTC, in conjunction with the Tulo Centre hosted a seminar in teaching First Nation economics in March 2013.

Graduation – Thirteen students completed the certificate requirements for the First Nation Tax Administration program in 2012/2013. The students will graduate with a joint certificate from Thompson Rivers University and the Tulo Centre in June 2013. The graduates represent First Nation tax administrators from British Columbia, Saskatchewan and Manitoba. A third cohort of students began the Certificate in First Nation Property Tax Administration program in February 2013 and is anticipated to complete the courses in the program by December 2013. This cohort represents students from British Columbia to Nova Scotia.

Working with FNTAA - Certified First Nations Tax Administrator – The FNTC worked with the First Nation Tax Administrator's Association (FNTAA) and the Tulo Centre in 2012/2013 to support the new FNTAA membership classification - Certified First Nation Tax Administrators (CFNTA). The FNTAA will confer a CFNTA designation on members who have demonstrated advanced knowledge and skills in the field of First Nations Tax Administration through employment experience and have graduated from the First Nations Tax Administration Certificate Program.

Tax Administrative Software Updates and Releases – The FNTC continued to expand and enhance its support for the development of administrative software solutions for First Nation property tax administrations in Canada. Tax Administration Software (TAS) has been expanded beyond British Columbia to support tax administrations in both Alberta and Manitoba. Work on the development of a "TAS Cloud" version to support a cloud server hosting option continues and is available for release in 2013/2014. This version will allow users to access their TAS from any location, make it easier to update and expand the software, and improve data base security and functionality. Functionality to improve ease of use and streamline processing has been added.

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 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 – The FNTC responded to a number of facilitation requests to support negotiations or resolve disputes related to the FMA or s.83 of the Indian Act. The requests included service agreement support in Manitoba and BC and taxpayer issues in Saskatchewan and Manitoba.

Intervention in Litigation – The FNTC applied to the Federal Court in Manitoba and was granted the right to intervene in the case between the Buffalo Point Cottagers Association and the Buffalo Point First Nation.

Improving Assessment Services – The FNTC carried out five strategic initiatives aimed at improving First Nation access to provincial assessment service providers in BC, Alberta, Saskatchewan, Ontario, and New Brunswick. These initiatives will help to provide standardized, professionally certified, and cost effective assessment services to FMA First Nations in these provinces.

British Columbia – The FNTC and British Columbia Assessment Authority (BCAA) senior management created a technical working group to focus on issues of mutual concern. These projects include clarifying service contracts, improving communication materials, enhancing information management, and building on best practices in assessment appeals. Furthermore, the BCAA committed to communicate their unique work with BC First Nations at a national level and to other provincial assessment agencies.

Alberta – The FNTC continued its effort to develop a Memorandum of Understanding with the Province of Alberta to formalize linear assessment data sharing with taxing First Nations in Alberta. This will help to ensure that there is a stable and reliable source of assessment data for tax collecting First Nations and their taxpayers.

Saskatchewan – There has been steady growth in First Nation property taxation in Saskatchewan. Emerging tax administrations are pursuing new taxable interests,

including agricultural leases. The FNTC and the Saskatchewan Assessment Management Agency (SAMA) reviewed existing service contracts, increased First Nations awareness of SAMA functions and services, and facilitated SAMA's services in a presentation to the eight taxing First Nations in Saskatchewan this past year.

Ontario – The FNTC engaged the Municipal Property Assessment Corporation (MPAC) to work with tax collecting First Nations in Ontario. Initial work has begun to estimate the costs to assess First Nations leasehold interests on reserve lands.

New Brunswick – The FNTC is working through the New Brunswick Aboriginal Affairs Secretariat to establish a relationship with Service New Brunswick to provide assessment services for taxing First Nations in New Brunswick. Service New Brunswick has now initiated a feasibility study to determine the optimum approach to assessment service, the project will support First Nations implementing assessment and taxation.


Section 33 Intervention Simulation – The FNTC worked with the First Nations Financial Management Board (FMB) and the Consensus Building Institute Harvard Dispute Resolution Program (CBI) to develop hearing simulation materials and a framework for a mock intervention to support its work with the FMB. The FNTC and FMB will conduct this simulation in 2013/2014. These simulations are critical for evaluating and adjusting current standards, procedures and policies.

MOU with National Energy Board (NEB) – The FNTC met with the NEB to renew their Memorandum of Understanding and discuss opportunities to support each other's work, in particular best practices for supporting dialogue and dispute resolution.

British Columbia Carbon Tax – The FNTC coordinated meetings between taxpayers and the province to resolve the unequal application of the BC carbon tax rebate program between carbon tax taxpayers on First Nation lands and those in the province. The province did not make adjustments to its policy in 2012/2013 but the FNTC will continue to work with taxpayers to advance their interests on this matter in 2013/2014.



Financial Statements



First Nations Tax Commission
Financial Statements
For the year ended March 31, 2013

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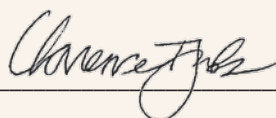
Management's Responsibility for Financial Reporting

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.

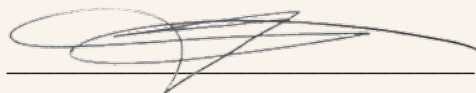
The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for public sector accounting. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, 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

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, 2013, 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, 2013 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 our notice in the course of this examination were carried out in accordance with the *First Nations Fiscal Management Act*.

"BDO Canada LLP"

Chartered Accountants

June 26, 2013

Kamloops, British Columbia


Statement of Financial Position

As at March 31	2013	2012
Financial Assets		
Cash (Note 2)	\$ 2,486,458	\$ 1,834,610
Accounts receivable (Note 3)	57,023	107,450
	<u>2,543,481</u>	<u>1,942,060</u>
Liabilities		
Accounts payable (Note 9)	1,134,350	1,071,385
Contracts payable (Note 4)	1,175,882	571,277
	<u>2,310,232</u>	<u>1,642,662</u>
Net financial assets	<u>233,249</u>	<u>299,398</u>
Non-Financial Assets		
Prepaid expenses	37,610	29,413
Tangible capital assets (Note 5)	221,898	163,946
	<u>259,508</u>	<u>193,359</u>
Accumulated surplus (Note 9)	<u>\$ 492,757</u>	<u>\$ 492,757</u>

Approved on behalf of the Commission:



Chief Commissioner



Commissioner

Statement of Change in Net Financial Assets

For the year ended March 31	Financial plan	2013	2012
Annual surplus (deficit)	\$ -	\$ -	\$ (106,505)
Acquisition of tangible capital assets	-	(268,146)	(108,247)
Amortization of tangible capital assets	-	210,194	278,056
Gain on disposal of tangible capital assets	-	5,950	-
Proceeds on sale of tangible capital assets	-	(5,950)	-
	<u>-</u>	<u>(57,952)</u>	<u>63,304</u>
Consumption (acquisition) of prepaid expenses	-	(8,197)	(14,128)
Net change in net financial assets	-	(66,149)	49,176
Net financial assets, beginning of year	<u>299,398</u>	<u>299,398</u>	<u>250,222</u>
Net financial assets, end of year	<u>\$ 299,398</u>	<u>\$ 233,249</u>	<u>\$ 299,398</u>

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	2013	2012
Revenue			
Corporate Plan	\$ 5,868,338	\$ 5,904,340	\$ 5,899,550
FNPOA* Legislative Development & Proponent Community Communication Amendment #1	900,018	900,018	298,728
FNPOA* Legislative Development & Proponent Community Communication Amendment #2	999,054	999,054	549,720
	<u>7,767,410</u>	<u>7,803,412</u>	<u>6,747,998</u>
Expenses			
Corporate Plan	5,868,338	5,904,340	6,006,055
FNPOA* Legislative Development & Proponent Community Communication Amendment #1	900,018	900,018	298,728
FNPOA* Legislative Development & Proponent Community Communication Amendment #2	999,054	999,054	549,720
	<u>7,767,410</u>	<u>7,803,412</u>	<u>6,854,503</u>
Annual surplus (deficit)	-	-	(106,505)
Accumulated surplus, beginning of year	-	492,757	599,262
Accumulated surplus, end of year	\$ -	\$ 492,757	\$ 492,757

*FNPOA - First Nations Property Ownership Act

Statement of Cash Flows

For the year ended March 31	2013	2012
Operating activities		
Annual surplus (deficit)	\$ -	\$ (106,505)
Items not involving cash		
Amortization	210,194	278,056
Gain on disposal of tangible capital assets	(5,950)	-
Changes in non-cash operating balances		
Accounts receivable	50,427	738,455
Prepaid expenses	(8,197)	(14,128)
Accounts payable and contracts payable	667,570	415,697
Cash flows from operating activities	<u>914,044</u>	<u>1,311,575</u>
Capital activity		
Purchase of tangible capital assets	(268,146)	(108,247)
Proceeds on sale of tangible capital assets	5,950	-
	<u>(262,196)</u>	<u>(108,247)</u>
Net increase in cash	651,848	1,203,328
Cash, beginning of year	1,834,610	631,282
Cash, end of year	\$ 2,486,458	\$ 1,834,610

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 with no half year rule 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.

Segmented Information

The FNTC has a head office in Kamloops, BC and an office in the National Capital Region. 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 has 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.

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

The 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, Privacy and official language requirements, corporate policy development and implementation, and providing management and support to meeting s.83 of the Indian Act and First Nation Fiscal Management Act ("FMA") 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 FMA 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 FMA and s.83.

Law Review, By-law Review and Regulations

The Law Review, By-law Review, and Regulations business line reviews laws to ensure that they comply with the FMA and the associated regulatory framework and also provides support to First Nations in the law development process. The Law Review, By-law Review, and Regulations business line also develops sample laws both under the FMA 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 FMA 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 2012-2013 to interested First Nation leaders, Certificate of Possession holders, and other stakeholders.

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 Management Act*.

2. Cash

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

3. Accounts Receivable

	2013	2012
Harmonized Sales Tax rebates receivable	56,832	107,450
Other	191	-
	\$ 57,023	\$ 107,450

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

	2013			2012		
	Leasehold Improvements	Equipment	Total	Leasehold Improvements	Equipment	Total
Cost, beginning of year	\$ 355,203	\$ 1,317,135	\$ 1,672,338	\$ 355,203	\$ 1,208,888	\$ 1,564,091
Additions	52,885	215,261	268,146	-	108,247	108,247
Disposals	(168,299)	(7,236)	(175,535)	-	-	-
Cost, end of year	239,789	1,525,160	1,764,949	355,203	1,317,135	1,672,338
Accumulated amortization, beginning of year	334,318	1,174,074	1,508,392	263,277	967,059	1,230,336
Accumulated amortization of assets disposed of	(168,299)	(7,236)	(175,535)	-	-	-
Amortization	31,463	178,731	210,194	71,041	207,015	278,056
Accumulated amortization, end of year	197,482	1,345,569	1,543,051	334,318	1,174,074	1,508,392
Net carrying amount, end of year	\$ 42,307	\$ 179,591	\$ 221,898	\$ 20,885	\$ 143,061	\$ 163,946

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 \$5,865,338 (2012 - \$5,879,309), contributions by the Government and others are necessary for FNTC to undertake specific research and policy development initiatives.

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 \$6,466 per month plus applicable taxes under a lease expiring in March 2018.

FNTC entered into an operating lease for its premises in Kamloops, BC. The office is leased at \$4,482 per month plus applicable taxes under a lease expiring in March 2015.

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 five years are as follows:

2014	\$	146,756
2015		133,951
2016		78,262
2017		77,588
2018		77,588
	\$	<u>514,145</u>

9. Accumulated Surplus

The Commission segregates its accumulated surplus in the following categories:

	<u>2013</u>	<u>2012</u>
Investment in tangible capital assets	\$ 221,898	\$ 163,946
Current funds	270,859	328,811
	<u>\$ 492,757</u>	<u>\$ 492,757</u>

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

FNTC developed an employee future benefits policy similar to the policies of the federal government. The employee future benefit policy was finalized in 2011 - 2012 and \$446,115 (2011 - \$429,619) 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

	<u>2013</u>	<u>2012</u>
Amortization	\$ 210,194	\$ 278,056
Operating Goods and Services	5,304,750	4,067,950
Salaries and Honorarium	2,288,468	2,508,497
	<u>\$ 7,803,412</u>	<u>\$ 6,854,503</u>

11. Segmented Information

For the year ended March 31, 2013	Commission Services	Communications	Corporate Services	Dispute Management	Education	Gazette	Law Review, By-Law Review and Regulations	Policy Development	FNPOA Initiative	2013 Total
Government of Canada	\$ 862,331	\$ 743,471	\$ 1,233,535	\$ 111,557	\$ 511,321	\$ 187,795	\$ 1,389,850	\$ 825,478	\$ 1,899,072	\$ 7,764,410
Interest	-	-	22,685	-	-	-	-	-	-	22,685
Other Income	-	-	6,141	-	-	10,176	-	-	-	16,317
Expenses	862,331	743,471	1,262,361	111,557	511,321	197,971	1,389,850	825,478	1,899,072	7,803,412
Salaries and honoraria	557,382	245,043	436,889	55,403	104,932	-	591,322	297,497	-	2,288,468
Goods and services	244,808	505,540	570,598	153,629	381,699	198,161	803,724	547,519	1,899,072	5,304,750
Amortization	20,420	10,714	140,109	-	24,795	-	8,511	5,645	-	210,194
	822,610	761,297	1,147,596	209,032	511,426	198,161	1,403,557	850,661	1,899,072	7,803,412
Net surplus (deficit)	\$ 39,721	\$ (17,826)	\$ 114,765	\$ (97,475)	\$ (105)	\$ (190)	\$ (13,707)	\$ (25,183)	\$ -	\$ -

For the year ended March 31, 2012	Commission Services	Communications	Corporate Services	Dispute Management	Education	Gazette	Law Review, By-Law Review and Regulations	Policy Development	FNPOA and Special Initiative	2012 Total
Government of Canada	\$ 853,454	\$ 691,714	\$ 1,226,875	\$ 157,095	\$ 540,671	\$ 202,210	\$ 1,295,484	\$ 836,806	\$ 923,448	\$ 6,727,757
Interest	-	-	7,779	-	-	241	-	-	-	8,020
Other Income	-	5	-	-	-	12,216	-	-	-	12,221
Expenses	853,454	691,719	1,234,654	157,095	540,671	214,667	1,295,484	836,806	923,448	6,747,998
Salaries and honoraria	632,104	222,489	487,387	64,970	99,063	-	656,135	346,349	-	2,508,497
Goods and services	218,208	524,991	579,296	91,181	396,660	189,773	681,731	462,662	923,448	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	1,352,924	815,482	923,448	6,854,503
Net surplus (deficit)	\$ (17,246)	\$ (69,653)	\$ 3,536	\$ 944	\$ (5,970)	\$ 18,000	\$ (57,440)	\$ 21,234	\$ -	\$ (106,505)

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, 2013, 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 dated June 26, 2013. 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 26, 2013
Kamloops, British Columbia

Schedule 1 - Corporate Plan

For the year ended March 31	Financial plan	2013	2012
Revenue			
Government of Canada	\$ 5,865,338	\$ 5,865,338	\$ 5,879,309
Interest and other income	3,000	39,002	20,241
	5,868,338	5,904,340	5,899,550
Expenses			
Commission services	862,331	822,611	870,700
Communications	743,471	761,297	761,372
Corporate services	1,236,535	1,147,596	1,231,118
Dispute management	111,557	209,032	156,151
Education	511,321	511,426	546,641
Gazette	187,795	198,161	196,667
Law review, by-law review and regulations	1,389,850	1,403,557	1,352,924
Policy development	825,478	850,660	815,482
Special Initiatives - Legislative Review	-	-	75,000
	5,868,338	5,904,340	6,006,055
Excess (deficiency) of revenue over expenditures	-	-	(106,505)
Transfer to Employee Future Benefits reserve	-	-	106,505
	\$ -	\$ -	\$ -

Schedule 2 - FNPOA Legislative Development & Proponent Community Communication Amendment #1

For the year ended March 31	Financial plan	2013	2012
Revenue			
Government of Canada	\$ 900,018	\$ 900,018	\$ -
Expenses			
Legislative development	900,018	900,018	-
Excess of revenue over expenditures	\$ -	\$ -	\$ -

Schedule 3 - FNPOA Legislative Development & Proponent Community Communication Amendment #2

For the year ended March 31	Financial plan	2013	2012
Revenue			
Government of Canada	\$ 999,054	\$ 999,054	\$ -
Expenses			
Legislative development	999,054	999,054	-
Excess of revenue over expenditures	\$ -	\$ -	\$ -

Schedule 4 - Towards a Policy Framework for the Proposed First Nations Property Ownership Initiative Legislation

For the year ended March 31	Budget	2013	2012
Revenue			
Government of Canada	\$ -	\$ -	\$ 298,728
Expenses			
Policy framework	-	-	298,728
Excess of revenue over expenditures	\$ -	\$ -	\$ -

**Schedule 5 - First Nations Property Ownership Initiative
Legislative Outline Development & Proponent Community Preparation Implementation**

For the year ended March 31	Financial plan	2013	2012
Revenue			
Government of Canada	\$ -	\$ -	\$ 549,720
Expenses			
Legislative outline	-	-	549,720
Excess of revenue over expenditures	\$ -	\$ -	\$ -

Contact Us



Head Office

321 - 345 Chief Alex Thomas Way
Kamloops, BC
V2H 1H1

Phone 250-828-9857

Fax 250-828-9858

National Capital Region Office

202 - 190 O'Connor Street
Ottawa, ON
K2P 2R3

Phone 613-789-5000

Fax 613-789-5008

www.fntc.ca

mail@fntc.ca

Toll Free 1-855-682-3682

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