



First Nations Tax Commission

Commission de la fiscalité des premières nations

Annual Report 2009/2010





Contact Us



First Nations Tax Commission

Commission de la fiscalité des premières nations

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*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

Message from the Chief Commissioner



C.T. (Manny) Jules
Chief Commissioner and CEO



As the Chief Commissioner of the First Nations Tax Commission (FNTC), it is my honour and privilege to present our third annual report to the Minister of Indian Affairs, and to First Nations and their taxpayers.

The FNTC is the national authority on First Nations' taxation. We promote First Nation property taxation and we respond to inquiries about all forms of First Nation taxation. This is in keeping with our mandate of promoting a strong and efficient First Nations' property tax system and providing support to First Nations as they improve their economies and develop greater fiscal autonomy. The FNTC carries out this mandate by providing First Nation governments with expertise, support and advocacy by enhancing the ability of First Nations to act collectively. Our goal is to create a level playing field for investment so that First Nation communities can be at least as successful as other Canadian communities.

We have accomplished much together in 2009/2010. There are now 55 First Nations on the Schedule to the *First Nations Fiscal and Statistical Management Act* (FSMA), while another 67 continue to collect property taxes under s.83 of the *Indian Act*. In 2009/2010, the Commission reviewed and approved 90 First Nation laws under the FSMA, and 64 First Nation By-laws under s.83.

Interest in the FSMA continues to spread across the country. This year, we responded to demand by developing sample tax and assessment laws for use under the FSMA in Nova Scotia and Saskatchewan.

We have continued the work that began twenty years ago, as the Indian Taxation Advisory Board (ITAB), of establishing and implementing First Nations' fiscal jurisdictions. We have continued to work with First Nations in developing First Nations' jurisdictions over property tax, local services, development cost charges, business activity taxes and sales taxes.

The FNTC is committed to increasing the revenue potential of First Nation lands and all fiscal jurisdictions. Assessed values on the lands of tax collecting First Nations have increased by about \$2 billion over the last fifteen years. First Nation property tax revenues are now over \$70 million per year and the FSMA portion of these revenues is over \$26 million.

The key to increased wealth is to encourage private investment. The FNTC recognizes that investors bring wealth to communities and First Nations can attract investors by providing quality services and reasonable assurances of certainty.

Part of the job in attracting investment is ensuring taxpayer interests are respected and represented. This has always been a priority for the FNTC. This year, after an extensive consultation process, we developed sample Taxpayer Representation to Council Law and the associated Standards. These laws will allow First Nations to provide an additional level of assurance to all prospective taxpayers.

Protecting taxpayer interests is only part of the job of building our economies. Strong economies also require clearly defined and protected property rights, along with the legal, administrative, and institutional systems which support the use and exchange of these rights. First Nations have historically been very limited in their ability to provide these fundamentals because they have never had the same property rights that other jurisdictions take for granted. As far back as 1968, my father, as Chief of the Kamloops Indian Band, and other First Nation leaders spoke about this problem and the need for First Nations to own their own lands so that we could work at the "speed of business".

Over the past three years, I have been leading an initiative to create a permanent solution to this old problem. I am advocating for a legislative option that would enable First Nations to assume underlying title to their lands in place of the existing trust relationship. This title will allow participating First Nations to assume real ownership and real decision making authority over their lands so that they can finally move at the "speed of business".

Our research to support this work has received international attention and support from recognized experts such as Hernando de Soto, President of the Institute of Liberty and Democracy, who was named by Time magazine as one of the 100 most influential people in the world.

The FNTC has supported several regional initiatives over the last year. For example, we have been working with First Nations with reserves along the CN Rail corridor to implement property taxation and support economic opportunities associated with the Gateway expansion of the Port of Prince Rupert. The FNTC has been assisting the Treaty Land Entitlement process in Manitoba through support for service agreement negotiations and implementing property tax jurisdiction.

Tax Administration Certificate and Diploma courses continue to be developed and delivered through our partnerships with the Tulo Centre for Indigenous Economics and Thompson Rivers University. Online courses use leading edge technology to provide more students with access. Demand for courses and interest in the program has exceeded our expectations.

Tax Administration Software was released in 2009. It is specialized software to assist First Nation tax administrators with processing assessment information, issuing tax notices, collecting tax revenues, and developing rates and expenditure laws or by-laws. Reviews from users have been very positive.

At the 2010 Vancouver Olympics, the Four Host Nations demonstrated to the world the spirit and capacity of First Nations people to reach out and to succeed. Working together I know we can share a vision and accomplish our goals.



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



Highlights 2009/2010



FNTC 2009/2010 Activities Supporting the Federal Framework for Aboriginal Economic Development

The First Nations Tax Commission believes that private investment is the best way to develop First Nation economies and reduce disparities. Much of this investment will have to come from outside First Nation communities. The FNTC recognizes that taxpayers are investors and that respecting taxpayer interests will help First Nation taxing authorities attract commercial and residential development, raise property values and ultimately increase their local revenues.

In 2009, the Federal Framework for Aboriginal Economic Development (FFAED) was released. It presents a new vision for supporting economic development on reserve and increasing First Nation participation in the Canadian economy. It recognizes the importance of removing impediments to private investment and is entirely consistent with the FNTC philosophy. The FFAED states the principal barriers to private investment on First Nation lands include:

- Aspects of the *Indian Act* and regulations that impede investment;
- Government processes that do not move at the “speed of business”;
- Deficits in infrastructure;
- Limited access to commercial capital and financing;
- Deficits in administrative capacity and systems to facilitate investment; and
- Insufficient Aboriginal institutional support, including access to expert advice and support for long-term planning.

FNTC activities in support of the Federal Framework for Aboriginal Economic Development

Selected Principal Barriers to Aboriginal Economic Development	Supportive FNTC Activity In 2009/2010
1. Aspects of the <i>Indian Act</i> and regulations that impede investment	<ul style="list-style-type: none"> The FNTC helped 12 First Nations move from the <i>Indian Act</i> and enact FSMA local revenue systems in 2009/2010
2. Government processes that do not move at the speed of business	<ul style="list-style-type: none"> FNTC law approval up to 10 times faster than ministerial by-law approval time 90 FSMA laws approved in 2009/2010 The FNTC is exploring how the Property Ownership initiative could be used to provide information more promptly, to improve service delivery, and to expedite property transactions.
3. Deficits in infrastructure	<ul style="list-style-type: none"> Development cost charge sample law and law review standard completed as new infrastructure financing option Local improvement tax sample law and law review standard completed as new infrastructure financing option The FNTC identified \$22 million in "shovel ready" economic infrastructure projects for FSMA First Nations in 2009/2010.
4. Limited access to commercial capital and financing	<ul style="list-style-type: none"> The FNTC promoted First Nation Property Ownership initiative throughout 2009/2010 so that participating First Nations individuals could build home equity to support business start ups.
5. Deficits in administrative capacity and systems to facilitate investment	<ul style="list-style-type: none"> First Nation Tax Administration Certificate accredited (17 credits) 6 Courses for First Nation Tax Administration Certificate and First Nation Applied Economic Certificate delivered in 2009/2010 Tax Administration Software (TAS) released In 2009/2010
6. Insufficient aboriginal institutional support, including access to expert advice and support for long-term planning	<ul style="list-style-type: none"> 7 Sample laws developed and law development support to 110 First Nations 8 Law review standards published in <i>First Nation Gazette</i> Training provided to 80 tax administrators through the Tulo Centre

Taxpayer Representation

The FNTC recognizes that the power and success of the First Nations tax system depends on meeting the needs of taxpayers. The FNTC has been designed to address this need by having commissioners representing residential, commercial, and utility taxpayers, and the FNTC mandate includes reconciling the interests of taxpayers with the responsibilities of First Nation governments.

In order to advance this mandate, the FNTC undertook a consultation process with the intent of developing sample Taxpayer Representation to Council laws. In October 2009, a focus group was held to review proposed FNTC policies and a draft Taxpayer Representation to Council Law.

There were 29 participants including First Nation tax administrators and councillors, residential and commercial taxpayers, First Nation legal and policy advisors, FNTC staff, and Dr. David Fairman from the Consensus Building Institute (Harvard-M.I.T), who facilitated the group. Commissioner Leslie Brochu opened the meeting by highlighting the importance of good taxpayer relations in building investment on First Nation lands.

Participants revealed a wide range of experiences and identified many issues and nuances with respect to taxpayer interests. The FNTC learned from the dialogue and incorporated comments received into the final drafts of the Taxpayer Representation to Council sample law as well as the associated standards. Following the focus group and Commission review, the standards were published for further public input. The sample law and standards were approved by the FNTC in February.

In early 2010, Songhees First Nation used this sample law as a basis for developing the first Taxpayer Representation to Council Law, which marked a continuation of their ongoing work to make good taxpayer relations a priority.

The Songhees Ratepayers Association was formed in 1995 and has met with the Chief and Council on a regular basis ever since. The taxpayers were therefore pleased with the decision to formalize and expand their consultative role with the passage of a formal FSMA Taxpayer Representation to Council Law. The importance of their role was recognized when taxpayers were also invited to formally participate in the development of the law. As a result of the new law, the Songhees Taxpayer Advisory Committee will work closely with the property tax administrator and Chief and Council to ensure the voice of the Songhees taxpayer is heard. An annual general tax meeting and quarterly newsletters will also facilitate communication.



“My favourite accomplishment is facilitating the ongoing dialogue between taxpayers, Band members and the leadership as we consider how to maximize the benefits of property taxation for the Songhees Nation and its ‘investing’ taxpayer residents.”

***Christina Clark, Tax Administrator,
Songhees Nation***



Facilitating Private Investment for Tax Collecting First Nations

The FNTC is working with all First Nation property tax administrations to bring investment to their lands in order to increase both their value and the revenues they generate. The FNTC and tax collecting First Nations have worked together to create an environment where investors are willing and able to invest. The success of these efforts can be measured by increases in the assessed value of the property. Each year, the values of taxable interests on the lands of tax collecting First Nations are assessed. While there are many factors that can affect assessed values, the principal driver is investment. If assessed values have risen it is because the lands have become attractive to investors.

First Nation Property Ownership

For the last three years, the FNTC has been advocating optional legislation that would enable property ownership. This was a top priority in 2009. The proposed legislation would create First Nation title and authority and would also create a Torrens land registry system to support First Nation title. Resources for research and associated work have been provided by the Minister of Indian and Northern Affairs to the FNTC.

This initiative will allow First Nations to gain inalienable title and real jurisdiction over their lands. This title will then allow participating First Nations to provide a full range of property ownership options to their members and to prospective investors. This could even include, if they choose, fee simple title. It will enhance the ability of First Nation governments and individuals to access capital. It will simplify land transactions and many other business transactions. Ultimately, these new powers, when fully developed, will put First Nations on an equal footing with the rest of Canada when it comes to attracting investment and developing land.



What We're Working On

Proposing optional legislation that would allow First Nations people to own property and real title in their community, which will enhance the ability of First Nations governments and individuals to access capital. This will put First Nations on an equal footing with the rest of Canada when it comes to attracting investment and developing land.

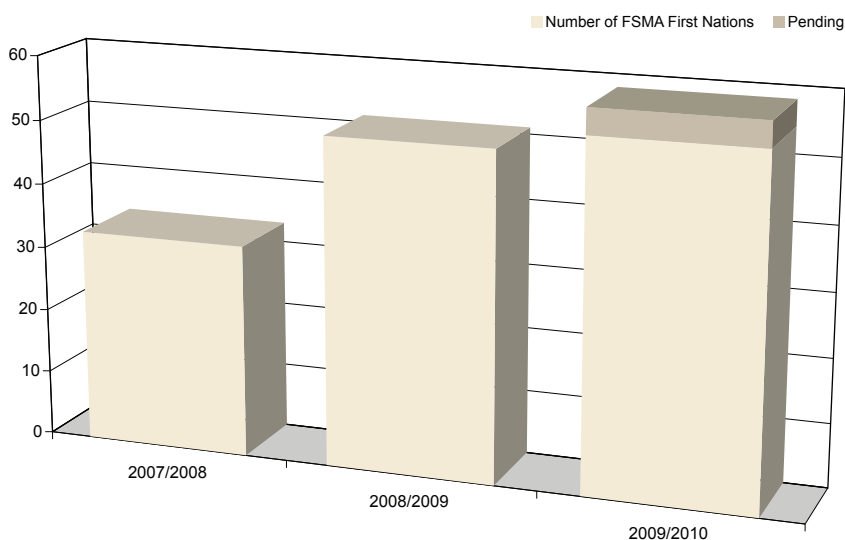
The Chief Commissioner sought input on this initiative throughout 2009/2010 from interested First Nation leaders, Certificate of Possession holders, and stakeholders in other governments and business. The highlight was the release of the discussion paper, "The First Nations Property Ownership Initiative – A First Nation Led Legislative Proposal" on March 17 at the International Property Tax Institute conference in Victoria. The proposal has been well received by the public and several supportive articles in national media have been written about this initiative.

The Chief Commissioner will continue to meet with interested First Nations and others throughout 2010/2011. A conference on this proposal is planned for October 2010 with Hernando de Soto as a keynote speaker.

FSMA Development

In its first corporate plan in 2007/2008, the FNTC estimated that 10 First Nations per year would join the FSMA. In fact, there are now 55 First Nations on the FSMA schedule. The FNTC will work with these communities to help them realize the full range of FSMA benefits including expanded revenue options, regulations that provide greater certainty for investors, and access to more economic infrastructure financing options.

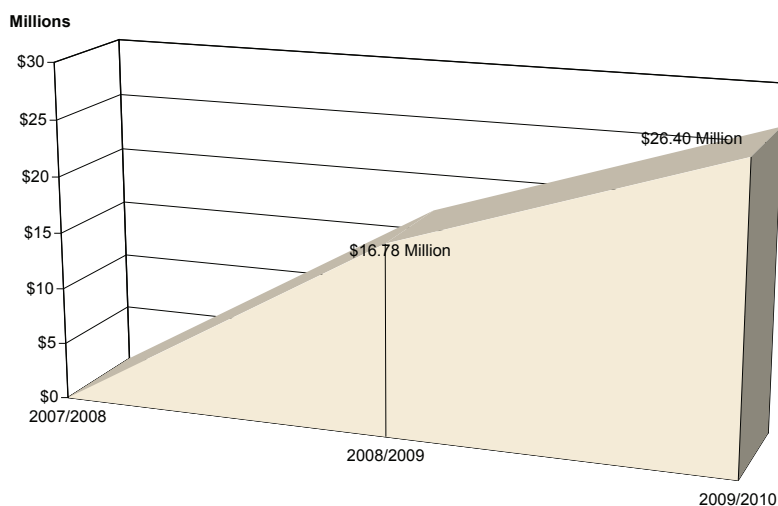
Number FSMA First Nations



FSMA Tax Revenues

The First Nations participating in the FSMA could now support annual debt servicing costs of \$5.8 million per year based on FNTC Standards for Establishing Criteria for Approval of Borrowing Laws (essentially this determines debt servicing capacity). This translates into \$75 million in borrowing based on a 25-year term and an annual interest rate of 6 per cent.

Growth in FSMA Tax Revenues



Tax Administration Software

The FNTC was proud to release the new version of the Tax Administration Software (TAS) in April 2009. It was developed by the FNTC in consultation with the First Nations Tax Administrators Association. Software programming and support was provided by Smart Consulting Group, a software consulting company, and guidance to the project was provided by Commissioner Terry Nicholas.

TAS ensures that First Nations have access to an affordable system for processing assessment information, issuing tax notices, and collecting tax revenues. It has been designed to help facilitate FSMA rates and expenditure laws and s.83 rates and expenditure by-laws.

TAS was immediately adopted by 20 tax collecting First Nations in April 2009. Since then, another 20 tax collecting First Nations have implemented the program. A version of TAS to be used by tax collecting First Nations in Alberta will be released in the next fiscal year.



What We're Working On

Developing a new version of our Tax Administration Software (TAS) to ensure that First Nations always have access to an affordable software system to manage tax issues. To-date, 40 First Nations have implemented the software.

Tulo Centre of Indigenous Economics

The Tulo Centre of Indigenous Economics works with the FNTC and Thompson Rivers University (TRU) to deliver the only accredited certificate in First Nation Tax Administration in Canada. The certificate has 8 courses and this year was approved for 17 credits.

The Tulo Centre is also working with TRU to deliver the only Certificate in Applied First Nation Economics in Canada. This is an accredited 6 course 18 credit program.

The Tulo Centre worked with the FNTC and TRU to develop curriculum for online and executive in class delivery for 4 courses this year. Six courses were also delivered this year – three for the classroom executive format and three in the online format. Student response was positive, especially with the in class executive format.

In 2010-11, the Tulo Centre will complete the curriculum for all courses in both certificates and deliver 9 courses in the executive in class and online formats. The Tulo Centre will continue to work with TRU and FNTC to expand these certificate programs so that diplomas and eventually a degree will be available in First Nations Applied Economics.



What We're Working On

Working with the Tulo Centre of Indigenous Economics and Thompson Rivers University to create accredited certificate programs in First Nation Tax Administration and Applied First Nation Economics in Canada.



First Nations along the CN Rail Corridor

In February, the FNTC hosted a meeting with 25 First Nations and representatives of the Prince Rupert Port Authority to discuss economic and property tax opportunities associated with increased trade through Prince Rupert. This port connects the North American rail network with the shortest trade route to Asia. Of particular interest to First Nations along rail lines was sharing in the trade opportunities created by Canadian National Railway lines running through their lands. The one day workshop featured a presentation by the FNTC about CNR interests adjacent to First Nations lands and the challenges to realizing the taxation potential.

The Prince Rupert Port Authority and Ridley Terminals provided presentations on their developments and economic opportunities available in working with the shipping industry. Chief Commissioner Jules stressed the importance and benefits of working together to achieve mutual gains. The First Nation representatives also passed a resolution to form a working relationship with the FNTC to explore and develop Prince Rupert port expansion economic opportunities and to work to collect property tax from CNR.

Special Recognition

In September, Chief Commissioner Jules received the Order of BC in recognition of his work to create and implement First Nation property tax jurisdiction and develop First Nation economies. The Order of BC was presented by the Lieutenant Governor of BC, Honourable Steven L. Point, the former Chief of Skowkale and Provincial Court judge.



Tax Dollars at Work - Tsawout's Gathering Strength Facilities

The Tsawout First Nation has used a combination of property tax and First Nation Sales Tax revenue to construct a new community centre. This centre features:

- Administration offices
- Full scale gymnasium
- Commercial kitchen
- Classrooms and educational space
- Media and audio visual room
- Meeting spaces



"Revenues from the Tsawout FNGST will benefit our community and the local economy. It's very positive to implement our own Tsawout tax."

Chief Allan Claxton, Tsawout First Nation.

A Cooperative Regional Approach - Shuswap First Nation

One of the goals of the FNTC with the FSMA has been to change the whole dynamic of the relationship between First Nations and other governments by helping them integrate more completely into their regional economies. There is a growing recognition that the success of a First Nation enhances the success of its region and that no First Nation can be truly successful if the region is not also successful. Simply put, when investment is made into a region, regardless of whether it occurs on the First Nation's land or not, the region benefits as a whole. This simple insight should provide the foundation for a resolution of many existing conflicts and lead to greater prosperity for all.

The Shuswap First Nation, located in the Columbia River Valley of BC, is fulfilling this vision of regional integration. It is now fully integrated with regional governments in the delivery of services and in capitalizing on the economic potential of the regional economy. The Shuswap First Nation, which began collecting property tax in 1992, and joined the FSMA in 2007, has approached the issues of services and infrastructure from a "whole region" perspective. By way of example, the Band operates the regional airport while the Regional District provides fire protection for the whole region. Kinbasket Water and Sewer located on the reserve provides the infrastructure necessary to attract investment throughout the entire region which, as a result, boasts some of the highest assessed values in British Columbia. The result for Kinbasket is now \$1 million in new construction every year, assessed values over \$100 million and the potential for substantial new developments.

INAC contributed to the water and sewer project as did the provincial government. The end result has been beneficial for all levels of government because the increased tax revenues have far outweighed their respective contributions.

The FNTC applauds this initiative and stands ready to support other communities seeking to implement a regional approach to economic development. The FNTC can assist in developing cost sharing arrangements for infrastructure, the negotiation of service agreements and assistance in negotiations for capital contributions with other governments. Additionally, the FSMA framework can help First Nations create an environment that will allow them to capture a significant portion of the investment coming into their region.

"A lot of bands don't have relationships with the surrounding municipalities.

There's always a line in the sand. This is reserve, this is non-reserve. Ours is a seamless community.

That's the way we like to see it. We live in a regional concept. Because of the fiscal responsibilities that are taken on by Indian Affairs and by the municipalities, collectively working together we can get a bigger bang for our dollar."

***Dean Martin,
Chief Executive Officer,
Kinbasket Development
Corporation.***



A photograph of a landscape featuring tall, green and yellow grass in the foreground. A large, weathered log lies horizontally across the middle ground. In the background, several bare, dark trees stand against a pale, overcast sky.

New Initiatives

In 2010/2011, the FNTC will focus on four priorities:

Financing Infrastructure

The FNTC will work with First Nations to ensure they have a full range of infrastructure financing options. This includes property tax, reserve funds, development cost charges, special improvement charges, public private partnerships and debentures. The FNTC will support interested First Nations with sample laws, advice to support capital planning, and bursaries to relevant Tulo Centre accredited courses. The FNTC will also continue to build on its working relationship with the Department of Finance to help promote and implement FNGST systems to interested First Nations.



Business Activity Tax Laws

FSMA First Nations have the power to collect taxes on business activities. This year, the FNTC will develop a policy framework to support the implementation of business activity laws for interested FSMA First Nations. Sample laws, law review standards and law development support will also be provided to FSMA First Nations.

Supporting FSMA development in Manitoba and Ontario

The FNTC will continue to respond to FSMA inquiries throughout Canada. This year the focus for development will continue to be Manitoba and Ontario. Last year, the FNTC worked on FSMA pilot projects with the Brokenhead Ojibway Nation in Manitoba and the Kettle and Stony Point in Ontario. The FNTC hopes these initial projects will provide useful information to other interested First Nations in these provinces.

First Nation Property Ownership

The FNTC will continue to seek input on the First Nation Property Ownership initiative. It will develop communication materials to explain how this initiative will protect underlying First Nation jurisdiction, give participating First Nations the ability to provide individual fee simple title without fear of alienating First Nation land, enrich people and access credit for public works, simplify business, build on the Nisga'a model, address concerns related to matrimonial property and additions to reserve, and create a Torrens title system. These materials, and other papers supporting this initiative, will be presented at a conference in October where Hernando de Soto will be a keynote speaker.



Corporate Profile



Mission

Part 2 of the FSMA contains the mandate, structure, and powers of the FNTC. Part 6 of the FSMA provides its governance requirements.

The mission of the FNTC is to assist First Nation governments in building and maintaining fair and efficient property tax regimes, and to ensure those First Nation communities, and their taxpayers, receive the maximum benefit from those systems.

This mission is achieved by working with First Nations and stakeholders to:

- develop, implement, and maintain an appropriate regulatory framework;
- develop and deliver training and education programs;
- prevent and resolve disputes;
- build the institutional framework to support markets on First Nation lands;
- coordinate services as necessary with the three other institutions created by the FSMA; and
- increase the number of First Nation tax administrations and develop the revenue potential of First Nations taxation, expand First Nation revenue-raising options, and address emerging issues through special initiatives.

Through an agreement with the Minister of Indian and Northern Affairs Canada (INAC), the FNTC provides advice regarding the approval of s.83 By-laws and delivery of 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 the Native Law Centre of Canada, University of Saskatchewan, appoints one Commissioner.

The FNTC maintains a head office on the reserve lands of the Kamloops Indian Band (s.26(1) FSMA) and an office in the National Capital Region (s.26(2) FSMA). The FNTC is supported by an allocation of 22 full-time equivalents and other external professional support.

FNTC Commissioners

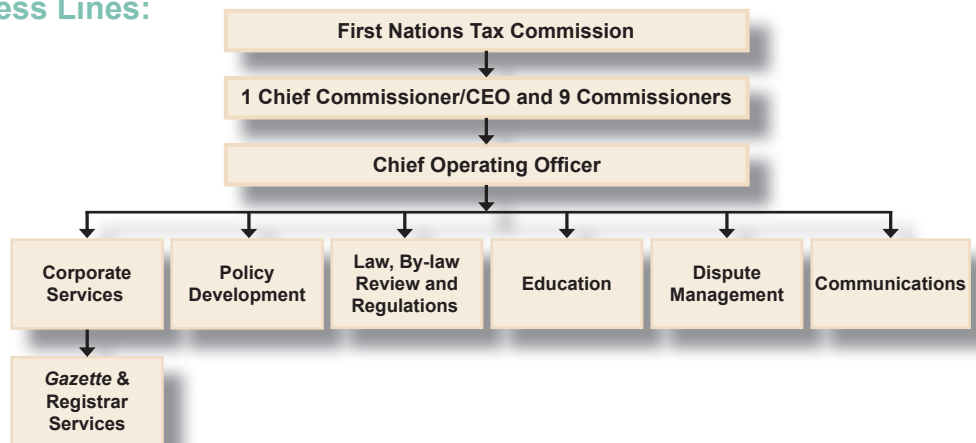
The Commissioners are:

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



Standing: Randy Price, Ken Marsh, William McCue, Deputy Chief Commissioner David Paul, Lester Lafond.
Sitting: Terry Nicholas, Ann Shaw, Chief Commissioner C.T. (Manny) Jules, Leslie Brochu and Dr. Céline Auclair.

The FNTC Operates Six Business Lines:



Governance

The FNTC maintains good governance practices in keeping with the FSMA and the FNTC management policy. The Chief Commissioner has established the following committees to support its work:

- 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 required.



Tax Authorities

?Akisq'nuk First Nation Adams Lake Indian Band Alexander First Nation Alexis First Nation
Ashcroft Indian Band Beausoleil First Nation Bigstone Cree First Nation Blueberry Indian Band
Bonaparte Indian Band Boothroyd Indian Band Boston Bar First Nation Burns Lake Indian Band
Campbell River First Nation Cape Mudge (We Wai Kai) First Nation Carry The Kettle First Nation
Chawathil First Nation Cheam Indian Band Chehalis Indian Band Chemainus First Nation
Chippewas of Georgina Island First Nation Chippewas of Kettle and Stony Point First Nation
Chippewas of Mnjikaning First Nation Coldwater Indian Band Cook's Ferry Indian Band
Cowichan Indian Band Dene Tha' First Nation Doig River First Nation Dokis First Nation
Duncan's First Nation Enoch Cree Nation Eskasoni Band Flying Dust First Nation
Fort McKay First Nation Fort McMurray First Nation Fort Nelson Indian Band
Fort Severn Indian Band Haisla (Kitamaat) Nation Hupacasath First Nation
Indian Island First Nation Innu Takuikan Uashat Mak Mani Utenam K'atlodeeche First Nation
Kamloops (Tk'emlúps) Indian Band Kanaka Bar Indian Band Kasabonika Lake First Nation
Keeseekoose First Nation Kingsclear First Nation Kitselas First Nation Kitsumkalum First Nation
Kwantlen First Nation Kwaw-Kwaw-Apilt First Nation Lac La Croix First Nation
Lake Babine First Nation Leq'a:mel First Nation Lheidli T'enneh Nation Band
Little Red River Cree First Nation Little Shuswap Band Loon River Cree Nation
Lower Kootenay Indian Band Lower Nicola Indian Band Lower Similkameen Indian Band
M'Échigeng First Nation Matsqui First Nation McLeod Lake Indian Band
Metepenagiag Mi'kmaq Nation Metlakatla First Nation Miawpukek First Nation
Michipicoten First Nation Mikisew Cree First Nation Millbrook First Nation
Mississaugas of Scugog Island First Nation Montagnais de Lac-Saint-Jean
Morisetown Indian Band Mosquito, Grizzly Bear's Head, Lean Man First Nation
Mushuau Innu First Nation Muskeg Lake Cree Nation Muskowekwan First Nation
Musqueam Indian Band Nadleh Whut'en Indian Band Nak'azdli Indian Band
Nanoose (Snaw Naw As) First Nation Nation Huronne-wendat Neskonlith Indian Band
Nicomen Indian Band Nipissing First Nation Ocean Man First Nation O'Chiese First Nation
Old Massett Village Council Opaskwayak First Nation Osoyoos Indian Band
Paul Indian Band Pictou Landing First Nation Piikani Nation Pinaymootang First Nation
Popkum First Nation Salt River First Nation Scowlitz First Nation Seabird Island Band
Serpent River First Nation Sheshatshiu Innu First Nation Shuswap First Nation
Shxwhá:y Village First Nation Shxw'ow'hamel First Nation Siksika Nation Simpcw First Nation
Siska Indian Band Skawahlook First Nation Skeetchestn Indian Band Skidegate First Nation
Skowkale First Nation Skuppah Indian Band Sliammon First Nation Snuneymuxw First Nation
Soda Creek Indian Band Songhees First Nation Spuzzum Indian Band Squamish Nation
Squiala First Nation St. Mary's First Nation Stellat'en First Nation Stoney Tribal Council
Sturgeon Lake Indian Band Sumas First Nation T'it'qet Nation Tla-o-qui-aht First Nation
Tl'azt'en Nation Tobacco Plains Indian Band Tobique First Nation Tsawout First Nation
Tsawwassen First Nation Ts'Kw'aylaxw First Nation Tsleil-Waututh-Nation Tsuu T'ina Nation
Tzeachten First Nation Union Bar First Nation Upper Similkameen Indian Band
West Moberly First Nation Westbank First Nation Whispering Pines Band White Bear First Nation
Whitecap Dakota/Sioux First Nation Whitefish Lake First Nation Whitefish Lake First Nation
Williams Lake Indian Band Yakweakwoose First Nation Yale First Nation Yekooche First Nation

A scenic landscape photograph showing a wide river valley. In the background, there are large, hazy mountains under a blue sky with light clouds. In the foreground, a steep, rocky hillside slopes down towards the river. The hillside is covered with sparse vegetation and some evergreen trees. The river flows through the valley, reflecting the sky. The overall scene is peaceful and natural.

Strategic Objectives and Performance Measures 2009/2010

For the 3rd consecutive year, the FNTC has met all of the performance measures set out in its Annual Corporate Plan. The following is a summary of the activity by business line.

Activity by Business Line

Corporate Services	
Corporate Plan & Work Plan	Completed
3 General FNTC meetings and 6 law review meetings	Completed
Capital Plan Implementation	Ongoing
Evaluation system report	Completed
Annual General Meeting	Completed
Manage and Produce <i>First Nations Gazette</i>	Ongoing
Record Management and Registry	Ongoing
First Nation Support Program	Complete
Human Resources, Management & Finance	Ongoing
Manage Special Projects	Ongoing
Policy Development	
7 law standards	Completed
6 policies in process	Completed
Review 3 s.83 policies	Completed
2 Projects with other institutions completed	Completed
2 projects with other institutions initiated	Completed
By-Law/ Law Review and Regulations	
Develop 7 sample laws	Completed
10 First Nation by-law conversions	Completed
Review 70 FSMA laws	Completed
Review 50 by-laws	Completed
FSMA legislative amendments	Ongoing
Regulation development	Ongoing
Monitor legal developments	Ongoing
Communications	
CNR Meeting	Completed
Annual Report	Completed
Annual Meeting Materials and Support	Completed
Update and Maintain Website	Ongoing
Video	Completed
Presentations	Ongoing
<i>Official Languages Act</i> requirements	Ongoing
Newsletter	Ongoing
Education	
Complete Curriculum for all Tax Administration Certificate Courses	Completed
Tax Administration Certificate Accredited	Completed
Develop 2 Online Courses	Exceeded
Deliver 9 Certificate Courses	Ongoing
TAS Software released and support provided	Completed
Dispute Management	
Maintain Roster of Mediators	Ongoing
Respond to Requests for Facilitation	Ongoing
Section 33 operational	Ongoing

Corporate Services

The objective of Corporate Services is to create an effective work environment for the other service areas through the management of human resources, facilities, and information technology. As part of this work, Corporate Services provides overall strategic planning, executive management, support for Commissioner activities, management of the *First Nations Gazette* and other special projects and initiatives.



Key Accomplishments

In 2009/2010, the Commission held general meetings in Calgary, Kamloops, and Montreal. Six law review meetings were also held.

The print editions of the *First Nations Gazette* were published. Upgrading of the online *First Nations Gazette* continues and awareness and traffic on the online *Gazette* website is increasing. The *Gazette* is developing a new search engine to support website access to online gazetted First Nation laws. This improvement will enable First Nations researchers and others to study aspects of the laws and utilize the precedents for their adaptations.

Law development support was provided to 8 First Nations to assist them with their property tax law development.

The interim performance measures evaluation report was completed. Work will continue towards the completion of a performance measurement strategy and the seven-year comprehensive evaluation of the FSMA.

In addition to the other plans already in place, Corporate Services established the *Information Management Working Group* to develop an information management and security policy for care of Commission records and registries. A business continuity plan and response to the H1N1 flu pandemic were also developed.

The Human Resources Policy and Health Benefit Plan continue to be implemented with an organizational review underway. The Head Office Capital Plan continues to be implemented.

Financial management objectives were met including the completion of funding arrangements and the annual audit.

The FNTC signed an MOU with the Institute of Liberty and Democracy headed by Hernando de Soto.

The First Nation Property Ownership initiative was introduced. Briefings and meetings were held with senior government officials as well as with First Nations and First Nations organizations.



Other special initiatives that are ongoing include:

- Assisting First Nations interested in implementing the First Nations GST
- Supporting First Nations infrastructure development
- Assisting the Treaty Land Entitlement process in Manitoba through support for service agreement negotiations
- Working with First Nations along the CN Rail corridor to implement property taxation and support economic opportunities associated with the expansion of the Port of Prince Rupert
- Local revenue framework research

Policy Development

The objective of Policy Development is to develop and implement, through a transparent process, options for 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

In 2009/2010, Policy Development developed amendments to the FNTC standards for tax rates, expenditure, and taxation laws; standards and policies for the sample service tax law; and, supported the development of a sample tax and assessment law for use in Quebec. Policy directives were also developed regarding the publication and registration of laws.

Research and policy development was carried out to support the development of draft standards and a sample Taxpayer Representation to Council Law. As part of this work, a taxpayer representation to council focus group discussion was held to obtain policy input and comments on the draft standards and laws. Policies under development include: the development of a business activities tax policy framework; a policy for the guidance of FNTC initiated reviews; a policy to guide the removal of First Nations from the FSMA Schedule; policies to support the development of FSMA infrastructure; dispute prevention policies; policies pertaining to the “provincial portion” of property taxes; and policies with respect to the proposed federal Own-Source Revenue policy.

Research is also being conducted into emerging issues, including sample delegation of authority laws, legislative and regulatory policy options, improving access to the FSMA, and improving the communication of policies.

Policy Development worked towards completing institutional policy coordination initiatives with the Financial Management Board on matters related to the local revenue account. These included registration, publication, intervention, certification, and management.

Policy Development provided research and policy support for FNTC participation in a collaborative process with the FNFA and FMB regarding the development of the Other Revenues Regulations. The FNTC worked to expand borrowing opportunities for scheduled First Nations utilizing the established FSMA regulatory framework. Specific First Nations who have signed “modern” Treaties in British Columbia have also approached the FNTC and other institutions to determine if it is possible for them to participate in the FSMA. Treaty First Nations are seeing the benefit of working with the FSMA and the Commission is working to see that this option can be made available to BC Treaty First Nations.



Law, By-law Review and Regulations

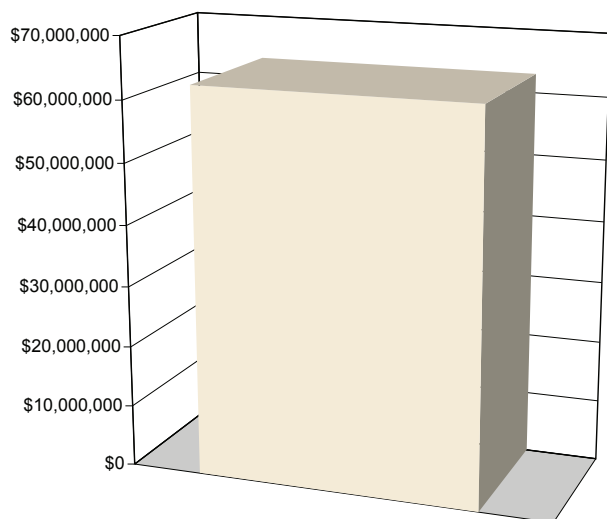
The objective of Law, By-law Review, and Regulations is to carry out the FNTC's law review responsibilities under both the FSMA and an MOU with the Minister of INAC and assists in the development of FSMA regulations which involves monitoring regulatory impacts and developing proposals.

In doing so, this business line ensures the consistency of the First Nations property taxation system nationwide and also compliance with national standards. This is a particular challenge because of the variations in provincial property taxation systems and the need for First Nations to offer commensurate treatment.



Goals are accomplished by reviewing laws and by-laws to ensure they comply with the FSMA, *Indian Act*, and relevant regulations and standards. The achievement of goals is also met by supporting First Nations by providing sample laws and By-laws.

**Estimated First Nation Property Tax Related Revenue
2009 FSMA & s.83**



Key Accomplishments

In 2009/2010, Law/By-law Review continued to work with First Nations in developing laws and by-laws that were able to meet the requirements for FNTC approval.

The Commission approved:

- 20 property taxation and assessment laws
- 70 annual rates and expenditure laws
- 4 property taxation and assessment by-laws
- 59 annual rates and expenditure by-laws
- 1 revenue account by-laws

Law/By-law Review continued to provide support to First Nations interested in First Nation property taxation and the FSMA. This support gives First Nations the information they need to make an informed decision about implementing local revenue jurisdiction through the FSMA. In 2009/2010, Law/By-law Review provided presentations to First Nations in British Columbia, Alberta, Ontario, and the Atlantic.

Eight additional First Nations enacted FSMA laws in 2009/2010, bringing the total number of First Nations with laws approved under the FSMA to 18.

Four First Nations (Brokenhead Ojibway Nation, K'omoks First Nation, Tseycum First Nation, T'sou-ke First Nation) have requested to be added to the FSMA Schedule.

Over the course of the last year, the Law, By-law Review and Regulations sector coordinated FNTC's participation in the development of several regulations.

Education

The objective of the Education program 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.

FNTC education activities are undertaken through a working agreement and contract with the Tulo Centre of Indigenous Economics and in partnership with Thompson Rivers University (TRU). The partnership between the Tulo Centre, TRU and the FNTC is intended to provide students with an accredited education program that results in an understanding of how to provide administrative and legal certainty as well as quality infrastructure to facilitate investment on First Nation lands.



The Certificate in Applied First Nation Economics was accredited in 2007/2008. The Certificate in First Nation Tax Administration was accredited in November 2009. The later accreditation of the Certificate in First Nation Tax Administration caused considerable delay in the delivery of the eight associated courses, but all are now scheduled for the 2010/2011 fiscal year. The Tulo Centre is now working with TRU on a Diploma in First Nations Applied Economics. Each of these accreditations will be a “first” in Canada.

Key Accomplishments

Online curriculum was completed for four First Nation Tax Administration Certificate courses:

- APEC 161 Introduction to Taxation
- APEC 162 Establishing First Nation Tax Rates and Expenditures
- APEC 163 Assessments and Assessment Appeals
- APEC 164 Administration – Tax Notices, Collection and Enforcement

In 2009/2010, the following courses were delivered at TRU:

- APEC 161 Introduction to First Nation Taxation (3 sessions)
- APEC 162 Establishing First Nation Tax Rates and Expenditures
- APEC 163 Assessments and Assessment Appeals
- APEC 164 Administration – Tax Notices, Collections and Enforcement
- ECON 263 Issues in Aboriginal Economics
- ECON 264 Commercial and Residential Development on First Nation Lands

Total registrations for 2009 was 81 and consisted of 67 students from British Columbia, 1 from Alberta, 2 from Saskatchewan, 7 from Manitoba, 4 from Ontario.



A tutorial series in tax administration was also delivered:

- Submitting Tax Rates and Expenditures: spreadsheet developed and 8 tutorial sessions delivered.
- Tax Administration Software: 10 tutorial sessions delivered.

A tax administration software program (TAS) was developed by the FNTC to support the unique needs of First Nations tax administrators. This program was released in pilot version in May 2009, and in software version in January 2010. The TAS support program assisted tax administrators to become familiar with and implement the new software program.

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 their economic development.



Key Accomplishments

In 2009/2010, Communications continued to support Commissioners and staff in presenting information directly to First Nations, taxpayers and other stakeholders. Over 30 presentations were made regarding the FNTC, the First Nation local revenue system, and increasing the value of the First Nation property tax base. This included:

- The focus group regarding Taxpayer Representation to Council laws
- Briefings and meetings with senior government officials on the First Nations Property Ownership initiative
- Meetings with INAC officials on the list of proposed amendments to the FSMA and FSMA regulations and the proposed other revenues regulation
- Meetings to provide proposals for the Province of BC and Canada to consider with respect to creating First Nation options for post-Treaty property taxation under the FSMA
- In February 2010, a CN Rail meeting was held in Prince George BC with interested First Nations to discuss property taxation and other economic opportunities arising from the expansion of the Port of Prince Rupert

Communications led the development of a video about the history and vision of the FNTC.

Four editions of *Clearing the Path* newsletter were published.

All websites are operational and continue to be updated on a regular basis:

- **fntc.ca:** Site has been redesigned and re-engineered. Test site has been completed for review and final launch is expected in May 2010.
- **fng.ca:** The online *First Nations Gazette* website and database are currently being updated to improve functionality and search capabilities. The revised site is expected to be online in Fall 2010.
- **fnpo.ca:** The First Nation Property Ownership website was launched in February 2010.
- **tulo.ca:** The Tulo Centre for Indigenous Economics website completed a major redesign. Work continues to add more resources and information for students enrolled in Tulo classes to the site.

Communications continues to ensure compliance with the *Official Languages Act* in all communications materials, and to translate documents as necessary.

The 2008/2009 Annual Report was published in July 2009, and the Annual Meeting was held in Kamloops in October 2009.



Dispute Management

The objective of Dispute Management 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

The FNTC has developed a comprehensive dispute resolution service to support First Nations taxation. Facilitation services are provided by members of the FNTC Secretariat. A roster of mediators, available to First Nations and taxpayers, continues to be operational. Two mediators have completed their First Nation property tax training and are currently listed.

FNTC Dispute Management continues to respond to requests for facilitation. In 2009/2010, three disputes were successfully facilitated and work continues on the negotiation for the expansion of First Nations taxation of railway interests.

FNTC continues to develop its dispute management policy framework and worked to update training materials to support the implementation of the s.33 complaints review process. The s.33 review process continues to be operational. No complaints were received.





Financial Statements



First Nations Tax Commission

Financial Statements

For the year ended March 31, 2010

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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.

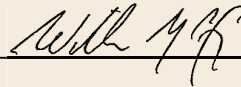
The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those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

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 statement of financial position of First Nations Tax Commission ("FNTC") as at March 31, 2010 and the statements of change in net debt, financial activities and cash flows for the year ended March 31, 2010. These financial statements are the responsibility of FNTC's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of FNTC as at March 31, 2010 and the results of its operations and its cash flows for the year ended March 31, 2010 are in accordance with Canadian generally accepted accounting principles.

"BDO Canada LLP"


Chartered Accountants

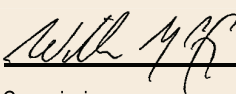
Kamloops, British Columbia, May 20, 2010

Statement of Financial Position

As at March 31	2010	2009
		(Restated)
Financial Assets		
Cash (Note 3)	\$ 193,616	\$ 856,832
Accounts receivable (Note 4)	847,113	708,127
	<u>1,040,729</u>	<u>1,564,959</u>
Liabilities		
Accounts payable	470,470	\$ 698,445
Contracts payable (Note 5)	605,188	875,890
	<u>1,075,658</u>	<u>1,574,335</u>
Net debt	<u>(34,929)</u>	<u>(9,376)</u>
Non-Financial Assets		
Prepaid expenses	35,346	9,537
Tangible capital assets (Note 6)	492,590	596,759
	<u>527,936</u>	<u>606,296</u>
Accumulated surplus (Note 11)	<u>\$ 493,007</u>	<u>\$ 596,920</u>

Approved on behalf of the Commission:


Chief Commissioner


Commissioner

Statement of Change in Net Debt

For the year ended March 31	Financial plan	2010	2009
	(Note 8)		(Restated)
Annual surplus (deficit)	\$ -	\$ (103,913)	\$ (270)
Acquisition of tangible capital assets	-	(300,113)	(302,653)
Amortization of tangible capital assets	-	403,108	302,923
Loss on disposal of tangible capital assets	-	1,174	-
	-	<u>256</u>	<u>-</u>
Acquisition of prepaid expenses	-	(25,809)	2,965
Net change in net debt	-	<u>(25,553)</u>	<u>2,965</u>
Net debt, beginning of year	(9,376)	(9,376)	(12,341)
Net debt, end of year	<u>\$ (9,376)</u>	<u>\$ (34,929)</u>	<u>\$ (9,376)</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	2010	2009
	(Note 8)		(Restated)
Revenue			
Corporate Plan	\$ 5,503,335	\$ 5,492,512	\$ 5,775,376
First Nations Land Title	-	-	487,100
<i>First Nations Property Ownership Act</i>	248,000	248,000	-
First Nations Securitization of Other Revenue Sources	50,000	50,000	-
	5,801,335	5,790,512	6,262,476
Expenses			
Corporate Plan	5,503,335	5,596,425	5,775,646
First Nations Land Title	-	-	487,100
<i>First Nations Property Ownership Act</i>	248,000	248,000	-
First Nations Securitization of Other Revenue Sources	50,000	50,000	-
	5,801,335	5,894,425	6,262,746
Annual surplus (deficit)	-	(103,913)	(270)
Accumulated surplus, beginning of year	-	596,920	597,190
Accumulated surplus, end of year	\$ -	\$ 493,007	\$ 596,920

Statement of Cash Flows

For the year ended March 31	2010	2009
Operating activities		
Annual surplus (deficit)	\$ (103,913)	\$ (270)
Items not involving cash		
Amortization	403,108	302,923
Loss on disposal of tangible capital assets	1,174	-
Changes in non-cash operating balances		
Accounts receivable	(138,986)	(151,357)
Prepaid expenses	(25,809)	2,965
Accounts payable and contracts payable	(498,677)	(242,067)
Cash flows from operating activities	(363,103)	(87,806)
Capital activity		
Purchase of tangible capital assets	(300,113)	(302,653)
Net decrease in cash	(663,216)	(390,459)
Cash, beginning of year	856,832	1,247,291
Cash, end of year	\$ 193,616	\$ 856,832

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

Summary of Significant Accounting Policies

As at March 31

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 incurred. No restricted contributions were received during the year.						
Tangible Capital Assets	<p>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.</p> <p>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:</p> <table> <tr> <th>Asset</th><th>Rate</th></tr> <tr> <td>Equipment</td><td>3 years</td></tr> <tr> <td>Leasehold improvements</td><td>5 years</td></tr> </table>	Asset	Rate	Equipment	3 years	Leasehold improvements	5 years
Asset	Rate						
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	<p>FNTC is a shared governance institution with a head office in Kamloops, BC and an Eastern office in the National Capital Region in Ottawa. Distinguishable functional segments have been separately disclosed in the segmented information. The nature of the segments and the activities they encompass are as follows:</p> <p><u>Commission Services</u></p> <p>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 nine commissioners.</p> <p><u>Communications</u></p> <p>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.</p> <p><u>Corporate Services</u></p> <p>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 <i>First Nation Fiscal and Statistical Management Act</i> ("FSMA") administrative requirements.</p> <p><u>Dispute Management</u></p> <p>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 also supports and manages the s.33 review of complaints process.</p>						

As at March 31

Segmented Information (Cont.)

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.

Land Title Initiative

The Land Title Initiative involves the undertaking of a special research project to examine expanding First Nation revenues through the creation of land title certainty.

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 Indian and Northern Affairs Canada ("INAC") 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.

Special Costs

The special costs business line provides advocacy, consultation, research and the preparation of communication materials on special initiatives undertaken by FNTC. In 2008/09 the special costs business line focused on research for the development of regulations under s.141 of the FSMA.

First Nation Property Ownership Act

This initiative is intended to allow First Nations to gain inalienable title and real jurisdiction over their lands. The Commission consulted on this initiative throughout 2009-2010 to interested First Nation leaders, Certificate of Possession holders, and stakeholders in other governments and businesses.

Securitization of Other Revenue Sources

This initiative was to provide research and policy support in a collaborative process with the First Nations Finance Authority (FNFA) and the First Nations Financial Management Board (FNFMB) regarding the development of the Other Revenues Regulations that will expand First Nations access to capital.

As at March 31

Note 1. Change in Accounting Policy

In order to comply with changes in accounting policies, on April 1, 2009, the Commission implemented revised Public Sector Accounting Standards ("PSAB"): Section 1000 - Financial Statement Concepts, Section 1100 - Financial Statement Objectives, Section 1200 - Financial Statement Presentation. These changes were required to be implemented by all organizations following PSAB for years ending on or after December 31, 2009. The application of these sections resulted in an increase in amortization expense of \$403,108 (2009 - \$302,923), a reduction of tangible capital assets expense of \$300,113 (2009 - \$302,653), a reduction in loss on disposal of tangible capital assets expense of \$1,174 (2009 - \$0) and a reduction in annual surplus of \$104,169 (2009 - \$270) resulting in an annual deficit of \$103,913 (2009 - \$270).

Note 2. Nature of Operations

FNTC is a national shared governance institution with a head office in Kamloops, BC and an eastern office in the National Capital Region in Ottawa. 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*.

Note 3. 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.

Note 4. Accounts Receivable

	2010	2009
Government of Canada	\$ 800,734	\$ 653,923
Goods and Services Tax	38,043	45,566
Other	8,336	8,638
	\$ 847,113	\$ 708,127

Note 5. Contracts Payable

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

Note 6. Tangible Capital Assets

	2010			2009		
	Leasehold Improvements	Equipment	Total	Leasehold Improvements	Equipment	Total
Cost, beginning of year	\$ 355,203	\$ 698,906	\$ 1,054,109	\$ 334,367	\$ 417,089	\$ 751,456
Additions		300,113	300,113	20,836	281,817	302,653
Disposals		(2,817)	(2,817)			
Cost, end of year	355,203	996,202	1,351,405	355,203	698,906	1,054,109
Accumulated amortization, beginning of year	121,196	336,154	457,350	50,155	104,272	154,427
Amortization	71,041	332,067	403,108	71,041	231,882	302,923
Disposals		(1,643)	(1,643)			
Accumulated amortization, end of year	192,237	666,578	858,815	121,196	336,154	457,350
Net carrying amount, end of year	\$ 162,966	\$ 329,624	\$ 492,590	\$ 234,007	\$ 1,035,060	\$ 596,759

As at March 31

Note 7. 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 \$5,477,335 (2009 - \$5,738,000), contributions provided by the Government and others are necessary for FNTC to undertake specific research and policy development initiatives.

Note 8. Financial Plan Reconciliation to New Tangible Capital Assets Reporting

	Financial Plan	Amortization of Tangible Capital Assets	Tangible Capital Assets Purchased and Disposed	Restated Financial Plan
Revenue				
Government of Canada	\$ 5,775,335	\$ -	\$ -	\$ 5,775,335
Interest and other revenue	26,000	-	-	26,000
	5,801,335	-	-	5,801,335
Expenses				
Corporate Plan	5,503,335	403,108	(298,939)	5,607,504
<i>First Nations Property Ownership Act</i>	248,000	-	-	248,000
First Nations Securitization of Other Revenue Sources	50,000	-	-	50,000
	5,801,335	403,108	(298,939)	5,905,504
Annual surplus (deficit)	\$ -	\$ -	\$ -	\$ (104,169)

The commission's financial plan is prepared in accordance with Government of Canada funding agreements which includes the purchase of tangible capital assets and excludes the amortization of tangible capital assets. The above reconciliation adjusts the financial plan to account for capital asset transactions in accordance with Canadian generally accepted accounting principles for public sector entities.

Note 9. Financial Instruments

As part of the FNTC operations, FNTC holds various financial instruments, consisting of cash, accounts receivable, and accounts payable. The nature of these instruments and the FNTC's operations expose FNTC to credit risk. A significant portion of the FNTC accounts receivable are from government institutions and, as such, FNTC is exposed to all the risks of that industry.

As at March 31

Note 10 **Commitments**

FNTC entered into an operating lease for its premises in the National Capital Region. The office is leased at \$ 6,614 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 at \$ 3,755 per month plus applicable taxes under a lease expiring in December 2010.

FNTC entered into two operating leases for its photocopiers. The photocopiers are leased at \$ 1,600 and \$ 1,652 per quarter respectively plus applicable taxes under leases expiring in October 2010.

FNTC entered into an operating lease for its fiber optics. The fiber optics are leased at \$ 2,700 per month plus applicable taxes under a lease expiring in May 2013.

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

2011	\$152,062
2012	111,764
2013	98,536
2014	5,400
	<u>\$ 367,762</u>

Note 11. **Accumulated Surplus**

The Commission segregates its accumulated surplus in the following categories:

	2010	2009 (Restated)
Investment in tangible capital assets	\$ 492,590	\$ 596,759
Current Funds	417	161
	<u>\$ 493,007</u>	<u>\$ 596,920</u>

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

Note 12. **Statements of Expenditures by Object**

	2010	2009 (Restated)
Amortization	\$ 403,108	302,923
Operating Goods and Services	3,363,652	\$ 4,028,287
Salaries and Honorarium	2,127,665	1,931,536
	<u>\$ 5,894,425</u>	<u>\$ 6,262,746</u>

Notes to Financial Statements

As at March 31

Note 13. Segmented Information

For the year ended March 31, 2010	Commission Services	Communications	Corporate Services	Dispute Management	Education	Gazette	First Nations Property Ownership Act	Law Review, By-Law Review and Regulations	Policy Development	First Nations Securitization of Other Revenue Sources	2010 Total
Revenue											
Government of Canada	\$ 817,785	\$ 622,792	\$ 1,006,542	\$ 235,824	\$ 484,320	\$ 304,750	\$ 248,000	\$ 1,193,518	\$ 811,804	\$ 50,000	\$ 5,775,335
Interest	-	-	54	-	-	85	-	-	-	-	139
Other Income	-	-	-	-	-	15,038	-	-	-	-	15,038
	817,785	622,792	1,006,596	235,824	484,320	319,873	248,000	1,193,518	811,804	50,000	5,790,512
Expenses											
Salaries and honoraria	573,396	155,604	377,405	71,517	83,292	-	-	594,698	271,753	-	2,127,665
Goods and services	223,913	538,316	552,998	162,801	301,580	240,881	248,000	531,108	514,055	50,000	3,363,652
Amortization	-	12,972	216,254	-	99,335	6,894	-	31,426	36,227	-	403,108
	797,309	706,892	1,146,657	234,318	484,207	247,775	248,000	1,157,232	822,035	50,000	5,894,425
Net surplus (deficit)	\$ 20,476	\$ (84,100)	\$ (140,061)	\$ 1,506	\$ 113	\$ 72,098	\$ -	\$ 36,286	\$ (10,231)	\$ -	\$ (103,913)
For the year ended March 31, 2009 (Restated)											
Revenue											
Government of Canada	\$ 878,539	\$ 729,929	\$ 1,051,904	\$ 260,246	\$ 386,200	\$ 322,549	\$ 487,100	\$ 1,161,282	\$ 847,351	\$ 100,000	\$ 6,225,100
Interest	-	-	20,336	-	-	449	-	-	-	-	20,785
Other Income	-	-	-	-	-	16,591	-	-	-	-	16,591
Capital Contributions	-	-	-	-	-	-	-	-	-	-	-
	878,539	729,929	1,072,240	260,246	386,200	339,589	487,100	1,161,282	847,351	100,000	6,262,476
Expenses											
Salaries and benefits	600,914	216,109	362,956	39,739	79,865	-	-	368,866	263,087	-	1,931,536
Goods and services	274,456	561,268	705,312	186,145	216,746	311,944	487,100	701,205	484,111	100,000	4,028,287
Amortization	-	5,969	177,059	-	65,355	-	-	21,053	33,487	-	302,923
	875,370	783,346	1,245,327	225,884	361,966	311,944	487,100	1,091,124	780,685	100,000	6,262,746
Net surplus (deficit)	\$ 3,169	\$ (53,417)	\$ (173,087)	\$ 34,362	\$ 24,234	\$ 27,645	\$ -	\$ 70,158	\$ 66,666	\$ -	\$ (270)

(Restated)

Auditors' Report on Supplementary Financial Information

To the Commissioners of First Nations Tax Commission

We have audited and reported separately on the financial statements of First Nations Tax Commission as at and for the year ended March 31, 2010 in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole in accordance with Canadian generally accepted auditing standards. The supplementary information included in the following Schedules as at and for the year ended March 31, 2010 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements.

We do not express a separate audit opinion on the individual schedules of supplemental financial information

"BDO Canada LLP"

Chartered Accountants

Kamloops, British Columbia, May 20, 2010

Schedule 1 - Corporate Plan

For the year ended March 31	Financial plan	2010	2009
			(Restated)
Revenue			
Government of Canada	\$ 5,477,335	\$ 5,477,335	\$ 5,738,000
Interest and other income	26,000	15,177	37,376
	<u>5,503,335</u>	<u>5,492,512</u>	<u>5,775,376</u>
Expenses			
Commission services	817,785	797,309	875,369
Communications	622,792	693,920	777,377
Corporate services	1,032,542	930,403	1,068,269
Dispute management	235,824	234,318	225,884
Education	484,320	384,872	296,611
Gazette	304,750	240,881	311,945
Law review, by-law review and regulations	1,193,518	1,125,806	1,070,071
Policy development	811,804	785,808	747,197
Special costs	-	-	100,000
	<u>5,503,335</u>	<u>5,193,317</u>	<u>5,472,723</u>
Excess of revenue over expenditures	\$ -	\$ 299,195	\$ 302,653
Net tangible capital asset purchases transferred from:			
Commission services	-	21,900	-
Communications	-	21,009	32,376
Corporate services	-	95,246	99,999
Education	-	101,941	90,451
Gazette	-	20,683	31,707
Law review, by-law review and regulations	-	31,117	-
Policy development	-	8,217	48,120
	-	<u>300,113</u>	<u>302,653</u>
Net loss on disposal of tangible capital assets transferred from:			
Corporate services	-	(1,174)	-
Deficiency of revenue over expenditures	\$ -	\$ 256	\$ -

Schedule 2 - First Nations Land Title

For the year ended March 31	Financial plan		2010	2009
Revenue				
Government of Canada	\$	-	\$	-
			\$	487,100
Expenses				
Administration		-	-	20,910
Consultation		-	-	15,375
Legal services		-	-	206,625
Professional services		-	-	233,060
Travel		-	-	11,130
		-	-	487,100
Excess of revenue over expenditures	\$	-	\$	-

Schedule 3 - First Nations Property Ownership Act

For the year ended March 31	Financial plan		2010	2009
Revenue				
Government of Canada	\$	248,000	\$	248,000
			\$	-
Expenses				
Administration		18,500	18,500	-
Discussion paper		75,000	80,694	-
Discussion paper consultations		64,000	64,161	-
Preliminary First Nations consultations		28,500	14,760	-
Policy materials		62,000	69,885	-
		248,000	248,000	-
Excess of revenue over expenditures	\$	-	\$	-

Schedule 4 - Supplementary Funding to Support First Nations Securitization of Other Revenue Sources

For the year ended March 31	Financial plan		2010	2009
Revenue				
Government of Canada	\$	50,000	\$	50,000
			\$	-
Expenses				
Administration		4,500	4,500	-
Analysis of draft regulation		11,000	20,500	-
Communications		11,500	2,551	-
Coordination of drafting instructions		11,500	14,829	-
Risk assessment discussion paper		11,500	7,620	-
		50,000	50,000	-
Excess of revenue over expenditures	\$	-	\$	-



Mandate

Section 29 of the FSMA establishes the purposes of the First Nations Tax Commission:

- 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;
- 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;
- prevent, or provide for the timely resolution of, disputes in relation to the application of local revenue laws;
- 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;
- develop training programs for first nation real property tax administrators;
- assist first nations to achieve sustainable economic development through the generation of stable local revenues;
- promote a transparent first nations real property taxation regime that provides certainty to taxpayers;
- promote understanding of the real property taxation systems of first nations; and
- provide advice to the Minister regarding future development of the framework within which local revenue laws are made.

The FNTC operates in the larger context of First Nation issues which goes beyond property tax. The FNTC is concerned with reducing the barriers to economic development on First Nation lands, increasing investor certainty, and enabling First Nations to be part of their regional economies. The FNTC is working to fill the institutional vacuum that has prevented First Nations from participating in the market economy and creating a national regulatory framework for First Nation tax systems that meets or beats the standards of provinces.