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**Serpent River First Nation
Consolidated Financial Statements
For the year ended March 31, 2018**

**Serpent River First Nation
Consolidated Financial Statements
For the year ended March 31, 2018**

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Management's Responsibility for Financial Reporting

March 31, 2018

The accompanying consolidated financial statements and supplementary financial information schedules of the Serpent River First Nation are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible 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.

The First Nation Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The external auditors, BDO Canada LLP, conduct an audit in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of Serpent River First Nation and meet when required.

Clarie Johnston Chief

Debbie Director of Operations



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Independent Auditor's Report

To the Chief and Council of Serpent River First Nation

We have audited the accompanying consolidated financial statements of the Serpent River First Nation, which comprise the consolidated statement of financial position as at March 31, 2018 and the consolidated statements of operations, change in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Serpent River First Nation as at March 31, 2018 and the consolidated results of its operations, change in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario
July 30, 2018

Serpent River First Nation
Consolidated Statement of Financial Position

<u>March 31</u>	<u>2018</u>	<u>2017</u>
Financial assets		
Cash (Note 2)	\$ 3,886,197	\$ 3,872,019
Accounts receivable (Note 3)	2,182,783	1,033,597
Inventory for resale	189,343	149,383
Investment in government business partnership (Note 4)	6,201	6,201
Portfolio investments (Note 5)	1	1
Trust Funds held by Federal Government (Note 6)	<u>208,365</u>	<u>204,035</u>
	<u>6,472,890</u>	<u>5,265,236</u>
Liabilities		
Bank indebtedness (Note 7)	25,831	33,432
Accounts payable and accrued liabilities (Note 8)	2,295,112	2,084,289
Due to funders (Note 9)	723,272	101,050
Deferred revenue (Note 10)	1,325,876	1,175,610
Long term debt (Note 11)	<u>3,414,918</u>	<u>3,964,999</u>
	<u>7,785,009</u>	<u>7,359,380</u>
Net debt	<u>(1,312,119)</u>	<u>(2,094,144)</u>
Non-financial assets		
Tangible capital assets (Schedule 1)	21,740,468	22,652,303
Prepaid expenses and inventory of supplies	<u>44,221</u>	<u>79,617</u>
	<u>21,784,689</u>	<u>22,731,920</u>
Accumulated surplus, end of year (Note 12)	\$ 20,472,570	\$ 20,637,776

On behalf of Council:

Elaine Johnston Chief

Stuart S Director of Operations

**Serpent River First Nation
Consolidated Statement of Operations**

For the year ended March 31	Budget	2018	2017
Revenue			
Indigenous Affairs	\$ 3,429,817	\$ 5,094,137	\$ 2,866,164
Province of Ontario	995,653	1,240,889	1,575,929
Government of Canada	1,147,344	1,415,343	1,198,592
OFNLP	878,616	874,842	866,294
North Shore Tribal Council	342,553	1,038,042	829,193
Interest	-	12,121	9,123
Rental	555,808	634,964	623,194
Residence, parent and user fees	122,514	109,535	124,505
Sales	2,200,000	4,393,184	1,893,239
Other revenue	714,469	812,206	738,869
Government of Canada Trust Funds	-	4,330	3,715
Due to Indigenous Affairs	-	(507,934)	-
Due to other funders	-	(122,246)	(21,821)
Recovery of prior years	-	(21,348)	(15,382)
	<hr/>	<hr/>	<hr/>
	10,386,774	14,978,065	10,691,614
Expenses			
Niigaaniin project	190,000	475,461	588,210
Domicile	800,554	811,905	784,078
Community wellness	1,082,620	1,573,867	1,380,679
First Nation support funding	699,511	753,544	769,880
Community infrastructure	507,558	1,177,344	1,431,812
Education	2,173,760	2,521,493	2,254,076
Capital programs	282,310	485,422	511,698
Daycare	427,283	558,182	491,387
Other subsidized programs	604,269	1,184,462	848,119
First Nation operated enterprises	429,184	1,063,077	1,047,652
Economic Development Corporation	2,162,959	4,538,514	2,580,594
	<hr/>	<hr/>	<hr/>
	9,360,008	15,143,271	12,688,185
Annual surplus (deficit)	<hr/>	<hr/>	<hr/>
Accumulated surplus, beginning of year	1,026,766	(165,206)	(1,996,571)
	<hr/>	<hr/>	<hr/>
Accumulated surplus, end of year	\$ 21,664,542	\$ 20,472,570	\$ 20,637,776

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

Serpent River First Nation
Consolidated Statement of Change in Net Debt

<u>For the year ended March 31</u>	<u>Budget</u>	<u>2018</u>	<u>2017</u>
Annual surplus (deficit)	\$ 1,026,766	\$ (165,206)	\$ (1,996,571)
Acquisition of tangible capital assets	(20,931)	(277,604)	(307,894)
Amortization of tangible capital assets	-	1,182,913	1,234,656
Loss on disposal of tangible capital assets	-	6,526	-
Prepaid expenses and inventory of supplies	-	35,396	(49,456)
Net change in net debt	1,005,835	782,025	(1,119,265)
Net debt, beginning of year	<u>(2,094,144)</u>	<u>(2,094,144)</u>	<u>(974,879)</u>
Net debt, end of year	<u>\$ (1,088,309)</u>	<u>\$ (1,312,119)</u>	<u>\$ (2,094,144)</u>

Serpent River First Nation
Consolidated Statement of Cash Flows

For the year ended March 31

2018

2017

Operating transactions

Annual deficit	\$ (165,206)	\$ (1,996,571)
Items not involving cash		
Amortization	1,182,913	1,234,656
Gain (loss) on disposal of tangible capital assets	6,526	-
	<hr/>	<hr/>
	1,024,233	(761,915)

Changes in non-cash working capital balances

Accounts receivable	(1,149,186)	581,570
Inventory for resale	(39,960)	12,097
Funds held in trust with Government of Canada	(4,330)	(3,715)
Accounts payable	210,823	90,314
Deferred revenue	150,266	773,487
Due to funders	622,222	88,083
Prepaid expenses and inventory of supplies	35,396	(49,456)
	<hr/>	<hr/>
	849,464	730,465

Capital transactions

Acquisition of tangible capital assets	(277,604)	(307,894)
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Financing transactions

Advances of long term debt	-	730,000
Repayment of long term debt	(550,081)	(668,018)
Demand loan	(7,601)	(8,419)
	<hr/>	<hr/>
	(557,682)	53,563

Net change in cash and equivalents

14,178

476,134

Cash and cash equivalents, beginning of year

3,872,019

3,395,885

Cash and cash equivalents, end of year

\$ 3,886,197

\$ 3,872,019

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of significant accounting policies

Accounting Principles

These consolidated financial statements of the Serpent River First Nation have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as recommended by the Public Sector Accounting Board.

Basis of Consolidation

These financial statements reflect the assets, liabilities, revenues and expenses of all programs under the control of Chief and Council.

All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Serpent River First Nation's portion of the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of the First Nation, and inter-organizational balances and transactions are not eliminated.

Organizations consolidated include:

- Serpent River First Nation Economic Development Corporation
- Serpent River First Nation Non-Profit Housing

Serpent River First Nation has invested for a 50% investment in M'ANISHNABEK Industries Limited Partnership. The First Nation accounts for its investment in this government business partnership using the modified equity method.

Portfolio Investments

Portfolio investments are recorded at cost. They are written down where there has been a loss in value that is other than a temporary decline.

Tangible Capital Assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	10 to 20 years
Buildings	25 to 40 years
Housing	25 years
Machinery and equipment	10 to 20 years
Vehicles	5 years
Furniture and equipment	4 to 10 years
Power generating station	30 to 50 years
Infrastructure	10 to 100 years

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2018

1. Summary of significant accounting policies (continued)

Inventory	Inventory is stated at the lower of cost and net realizable value. Cost is generally determined on the first-in, first-out basis.
Revenue Recognition	Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis. Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled. Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized as revenue when used for the specific purpose. Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.
Use of Estimates	The preparation of financial statements in conformity 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.

2. Cash

The First Nation has a Bank of Nova Scotia line of credit limit of \$750,000 at prime plus 1% of which nil was outstanding at March 31, 2018. \$200,000 of this limit has been carved-out to be utilized by Serpent River First Nation Economic Development Corporation, of which \$140,438 was outstanding at March 31, 2018.

The First Nation has a Bank of Montreal demand loan limit of \$1,500,000 at prime plus 1%. On March 31, 2018, nothing was drawn on the loan.

3. Accounts receivable

	2018	2017
Indigenous and Northern Affairs Canada	\$ 924,811	\$ 28,250
Province of Ontario	208,750	302,518
Health Canada	1,466	1,838
CMHC	196,794	34,779
North Shore Tribal Council / Niigaaniin	448,290	329,251
Due from members	689,775	899,263
Other	429,423	315,045
 Less: allowance for doubtfuls	 2,899,309	 1,910,944
	(716,526)	(877,347)
	 \$ 2,182,783	 \$ 1,033,597

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2018

4. Investment - Government Business Partnership

The First Nation has invested for a 50% partnership interest in M'Anishnabek Industries Limited Partnership for the purpose of exploring business opportunities related to a quarry and rail spur.

The investment at March 31, 2018 consists of the following:

	2018	2017
M'Anishnabek Industries Limited Partnership		
Limited partner unit (1 of 2 units issued)	\$ 1	1
First Nation's share of earnings	<u>6,200</u>	<u>6,200</u>
	\$ 6,201	\$ 6,201

Financial information for M'Anishnabek Industries Limited Partnership for its March 31 fiscal year-end is not available as the partnership has been inactive since 2014.

5. Portfolio investments

	2018	2017
M'Anishnabek Industries General Partner Limited		
Common share (51 of 100 shares issued)	<u>\$ 1</u>	<u>\$ 1</u>

6. Trust Funds held by Federal Government

	Additions	Withdrawals	March 31, 2018
	March 31, 2017		
Revenue	\$ 97,664	\$ 4,330	\$ 101,994
Capital	<u>106,371</u>	-	<u>106,371</u>
	\$ 204,035	\$ 4,330	\$ 208,365

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Section 63 to 69 of the Indian Act.

7. Bank indebtedness

	2018	2017
Bank loans (BMO Bank prime + 0.5%), due on demand, secured by house	\$ 25,831	\$ 33,432

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2018

8. Accounts payable and accrued liabilities

	2018	2017
Trade payables	\$ 1,531,408	\$ 1,325,385
Elementary and Secondary tuition payables	<u>763,704</u>	<u>758,904</u>
	\$ 2,295,112	\$ 2,084,289

9. Due to funders

	2018	2017
Indigenous Affairs	\$ 563,291	\$ 55,357
Province of Ontario	67,724	45,693
Health Canada	54,128	-
Union of Ontario Indians	<u>38,129</u>	<u>-</u>
	\$ 723,272	\$ 101,050

10. Deferred revenue and government transfers

	Balance March 31, 2017	Funding Received 2018	Revenue Recognized 2018	Balance March 31, 2018
Indigenous Affairs	\$ 987,029	\$ 5,038,229	\$ 5,094,137	\$ 931,121
Health Canada	180,709	1,047,969	977,057	251,621
CMHC	-	408,497	408,497	-
ESDC	-	29,789	29,789	-
Province of Ontario	-	1,240,889	1,240,889	-
North Shore Tribal Council	7,872	1,030,170	1,038,042	-
Other	-	6,984,316	6,841,182	143,134
Due from (to) funders	-	(630,180)	(630,180)	-
Recovery of prior years	-	(21,348)	(21,348)	-
	\$ 1,175,610	\$ 15,128,331	\$ 14,978,065	\$ 1,325,876

Deferred revenue is broken down by program as follows:

	2018	2017
Community Wellness - Family Well-Being	\$ 58,800	-
Community Wellness - Health Transfers	242,521	180,709
Community Wellness - Community Support	143,134	-
Capital Programs - INAC Renovations	48,705	-
Capital Programs - Capital Water Project	823,616	987,029
Daycare - Early Childhood Development	9,100	-
Other Subsidized - Training	-	7,872
	\$ 1,325,876	\$ 1,175,610

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2018

11. Long term debt

	2018	2017
Bank of Nova Scotia		
3.99% mortgage due in monthly instalments of \$2,671 including principal and interest, secured by Government of Canada guarantee, repaid during the year	\$ -	\$ 28,812
4.75% mortgage, due in monthly instalments of \$1,025 including principal and interest, maturing June 1, 2018, secured by Government of Canada guarantee	27,131	38,009
3.09% mortgage due in monthly instalments of \$1,296 including principal and interest, maturing March 1, 2020, secured by Government of Canada guarantee	37,376	51,542
Prime plus 1.50% mortgage due in monthly payments of \$6,600 principal plus interest, maturing Aug 1, 2020 secured by general security agreement	580,800	660,000
Prime plus 1.00% loan due in monthly instalments of \$6,083 principal plus interest, secured by general security agreement	620,500	693,500
Canada Mortgage and Housing Corporation		
1.92% mortgage due in monthly instalments of \$3,613 including principal and interest, maturing July 1, 2019, secured by Government of Canada guarantee	57,044	98,877
0.99% mortgage due in monthly instalments of \$2,934 including principal and interest, maturing March 1, 2020	69,701	104,038
1.46% mortgage due in monthly instalments of \$1,981 including principal and interest, maturing March 1, 2022	92,301	114,549
1.39% mortgage due in monthly instalments of \$2,016 including principal and interest, maturing June 1, 2020, secured by Government of Canada guarantee	161,321	183,116
1.01% mortgage due in monthly instalments of \$2,596 including principal and interest, maturing February 1, 2021, secured by Government of Canada guarantee	232,157	260,816

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2018

11. Long term debt (continued)

	2018	2017
1.03% mortgage due in monthly instalments of \$2,642 including principal and interest, maturing October 1, 2020, secured by Government of Canada guarantee	\$ 253,124	\$ 282,070
1.62% mortgage due in monthly instalments of \$2,773 including principal and interest, maturing May 1, 2018, secured by Government of Canada guarantee	304,786	332,897
1.44% mortgage due in monthly instalments of \$4,174 including principal and interest, maturing January 1, 2022, secured by Government of Canada guarantee	186,674	233,710
1.85% mortgage due in monthly instalments of \$1,259 including principal and interest, maturing August 1, 2019, secured by Government of Canada guarantee	211,944	223,030
1.11% mortgage due in monthly instalments of \$2,294 including principal and interest, maturing April 1, 2021, secured by Government of Canada guarantee	451,005	473,409
Royal Bank of Canada		
3.02% mortgage due in monthly instalments of \$1,798 including principal and interest, maturing August 18, 2018, secured by Government of Canada guarantee	101,530	119,746
Other		
Waubetek Business Development Corporation mortgage, repayable \$3,522 monthly including principal and interest at prime + 3%, maturing November 2018	27,524	66,878
	<u>\$ 3,414,918</u>	<u>\$ 3,964,999</u>

Assuming refinancing of mortgages under similar terms, principal payments due within the next five years are approximately as follows:

Year	Amount
2019	\$ 512,159
2020	462,157
2021	401,984
2022	385,705
2023	507,799
Thereafter	<u>1,145,114</u>
	<u>\$ 3,414,918</u>

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2018

12. Accumulated surplus

	2018	2017
Reserves set aside for specific purposes by the First Nation		
Non-Profit Housing replacement reserve	\$ 449,723	\$ 489,046
Casino & gaming	3,132,413	2,749,083
Health transfers replacement reserve (MAR)	26,008	26,008
Health transfers	13,044	13,044
Quality of life	2,095	2,095
School bus	8,637	6,837
Band support funding	125,682	156,538
Niigaaniin	67,423	11,976
Education	150,814	213,976
Road maintenance	61,747	78,529
Water	17,871	17,871
Fire protection	66,375	64,300
Capital plan	35,520	33,494
Office complex	96,334	31,387
Food bank	26,492	32,826
Library	27,143	20,824
Lands research	11,660	30,727
Daycare	63,123	68,678
Reserves	<u>4,382,104</u>	<u>4,047,239</u>
Equity in tangible capital assets	<u>18,325,550</u>	<u>18,687,305</u>
Equity in government business partnerships	<u>6,201</u>	<u>6,201</u>
Funds held in trust	<u>208,365</u>	<u>204,035</u>
Members' equity (deficit)	<u>(2,449,650)</u>	<u>(2,307,004)</u>
	<u>\$ 20,472,570</u>	<u>\$ 20,637,776</u>
Allocation of annual surplus (deficit):		
Reserves	\$ 334,865	\$ 467,768
Equity in tangible capital assets	(361,755)	(988,744)
Members' equity (deficit)	(142,646)	(1,479,311)
Funds held in trust	4,330	3,716
	<u>\$ (165,206)</u>	<u>\$ (1,996,571)</u>

Serpent River First Nation Notes to Consolidated Financial Statements

March 31, 2018

13. Pension plan costs

Employees are eligible to participate in a Registered Pension Plan, administered by London Life, with contribution levels determined by formula. Employer contributions totalled \$83,698 (2017 - \$80,626) during the current period and were fully expensed.

14. Contingencies

- (a) The First Nation has an agreement with the Bank of Montreal providing for an aggregate credit facility in the amount of \$1,500,000 under the First Nation on Reserve Loan Program for qualified members of Serpent River First Nation. As of March 31, 2018 the First Nation has not guaranteed any loans under this agreement.
- (b) Serpent River First Nation has guaranteed a Bank of Montreal loan for \$113,932 of which \$28,438 was outstanding at March 31, 2018, on behalf of a First Nation member.
- (c) The First Nation has provided a guarantee in the amount of \$311,750 in favour of the Bank of Montreal on behalf of Robinson Huron Treaty Ojibewa (Anishinabe). This represents 4.3% of the total loan of \$7,250,000 being guaranteed by 21 participating First Nation Communities that are settlors and beneficiaries of the Robinson Huron Treaty Trust.

15. Funding reconciliation

INAC funding per the financial statements	\$ 5,094,137
Less: Deferred revenue, beginning of year	(987,029)
Add: Deferred revenue, end of year	<u>931,121</u>
	<u><u>\$ 5,038,229</u></u>
INAC funding per funding confirmation	<u><u>\$ 5,038,229</u></u>

16. Segmented information

The Serpent River First Nation is a diversified government institution that provides a wide range of services to its members, including education, infrastructure maintenance, medical and other health services, administration, capital, enterprises and other services. For management reporting purposes the First Nation's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Niigaaniin

The Niigaaniin (social assistance) department is responsible for administering assistance payments as well as providing services directed towards members.

Serpent River First Nation Notes to Consolidated Financial Statements

March 31, 2018

16. Segmented information (continued)

Administration

The administration department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of chief and council.

Community infrastructure

The infrastructure department provides public services that contribute to community development and sustainability through the provision of operating services such as roads, water and sanitation, fire protection and community buildings.

Education

The education department provides services to elementary and secondary students primarily by entering into service contracts with provincially funded area school boards, as well as native language study. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

Capital

This department is responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations.

Medical and other health services

The community wellness department provides a diverse bundle of services directed towards the well-being of members including such activities as long term care (Domicile), medical transportation, pre-natal and early childhood care, nursing, health representation, traditional healing, family violence prevention and many other smaller programs designed to enhance the health of members.

Enterprises

Band operated enterprises are activities conducted by the First Nation with the objective of promoting economic self-sufficiency. These activities could include income generated from renting out band-owned equipment, lease income, economic development and other projects from time to time.

Other services

The First Nation provides a wide array of other services, including youth employment projects, library, daycare, housing activities, lands research and others.

For each reported segment, revenues and expenses include amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information, including transfers that have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies. For additional information see the Consolidated Schedule of Segment Disclosure - Service (Schedule 2).

Serpent River First Nation
Notes to Consolidated Financial Statements

March 31, 2018

17. Budget

The budget adopted by the First Nation was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of reserves to reduce current year expenditures. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense, and expensed principal payments of debt. As a result, the budget figures presented in the statements of operations and change in net debt represent the budget adopted by the First Nation with adjustments as follows:

Budget deficit for the year	\$ 519,520
Add:	
Capital expenditures	20,931
Principal portion of loan payments	<u>486,315</u>
Budget deficit per statement of operations	
	<u>\$ 1,026,766</u>

18. Comparative figures

Comparative figures have been reclassified to conform with current year presentation.

Serpent River First Nation
Schedule 1 - Consolidated Tangible Capital Assets (Continued)

For the year ended March 31, 2017 (comparative figures)

		Land	Improvements	Buildings	Housing	Equipment	Machinery and Equipment	Vehicles	Power Generating Station	Construction Infrastructure in Progress	Total
Cost, beginning of year		\$ 1 \$ 636,123	\$ 10,275,578	\$ 11,685,736	\$ 789,642	\$ 529,166	\$ 693,733	\$ 352,986	\$ 16,248,323	\$ -	\$ 41,211,288
Additions		-	-	-	-	-	-	13,811	-	294,083	- 307,894
Cost, end of year		1 636,123	10,275,578	11,685,736	789,642	529,166	707,544	352,986	16,542,406	-	41,519,182
Accumulated amortization,											
beginning of year		280,949	3,736,800	8,742,984	385,191	463,987	439,908	200,025	3,382,379	-	17,632,223
Amortization		- 43,204	267,478	399,124	44,100	23,072	54,106	11,766	391,806	-	1,234,656
Accumulated amortization,											
end of year		- 324,153	4,004,278	9,142,108	429,291	487,059	494,014	211,791	3,774,185	-	18,866,879
Net carrying amount, end of year		\$ 1 \$ 311,970	\$ 6,271,300	\$ 2,543,628	\$ 360,351	\$ 42,107	\$ 213,530	\$ 141,195	\$ 12,768,221	\$ -	\$ 22,652,303

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

Serpent River First Nation
Schedule 2 - Consolidated Segment Disclosure

For the year ended March 31, 2018

	Niigaanii	Administration	Community Infrastructure	Education	Capital	Medical	Enterprises	Other	Consolidated Total
Revenue									
Indigenous Affairs	\$ -	\$ 526,613	\$ 1,017,861	\$ 2,500,809	\$ 588,154	\$ 221,415	\$ 42,000	\$ 197,285	\$ 5,094,137
Province of Ontario	-	86,365	35,088	-	-	620,940	-	498,496	1,240,899
Government of Canada	-	-	10,000	-	5,755	865,240	402,742	131,606	1,415,343
Rental and user fees	-	-	1,100	-	-	96,148	625,221	22,030	744,499
Interest and other	-	-	7,523	9,365	2,692	581,968	4,493,925	1,405,973	7,134,725
Due (to) from funders	523,685	109,594	(450,000)	(57,934)	-	(38,703)	-	(83,543)	(630,180)
Recovery of prior years	-	-	-	-	-	-	-	(21,348)	(21,348)
	523,685	722,572	621,572	2,452,240	596,601	2,347,008	5,562,888	2,150,499	14,978,065
Expenses									
Salaries, wages and benefits	97,424	698,161	175,750	239,964	260,178	1,499,315	489,879	783,561	4,244,232
Materials, supplies and capital	75,827	93,387	166,497	28,693	26,306	347,129	4,175,651	193,745	5,107,235
Contracted services	3,927	168,663	305,489	204,380	153,006	138,555	213,112	274,880	1,462,012
Rents and financial expenses	31	27,971	48,310	-	27,999	17,594	136,745	740	259,390
External transfers and other	287,393	-	-	2,008,953	-	(1)	-	361,990	2,658,335
Travel and training	3,220	47,358	8,453	3,412	725	91,472	31,831	42,683	229,154
Amortization	889	3,126	447,806	6,091	5,814	150,655	544,033	24,499	1,182,913
Transfers between segments	6,750	(285,122)	25,039	30,000	11,394	141,054	10,340	60,545	-
	475,461	753,544	1,177,344	2,521,493	485,422	2,385,773	5,601,591	1,742,643	15,143,271
Excess (deficiency) of revenue over expenses									
	\$ 48,224	\$ (30,972)	\$ (555,772)	\$ (69,253)	\$ 111,179	\$ (38,765)	\$ (37,703)	\$ 407,856	\$ (165,206)

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

Serpent River First Nation
Schedule 1 - Consolidated Tangible Capital Assets

For the year ended March 31, 2018

		Land	Land Improvements	Building	Housing	Machinery and Equipment	Vehicles	Furniture and Equipment	Power Generating Station	Construction Infrastructure in Progress	Total
Cost, beginning of year	\$ 1 \$	636,123	\$ 10,275,578	\$ 11,685,736	\$ 789,642	\$ 529,166	\$ 707,544	\$ 352,986	\$ 16,542,406	\$ -	\$ 41,519,182
Additions	-	-	-	-	88,950	-	41,748	-	146,906	-	277,694
Disposals	-	-	-	-	-	(58,968)	(5,459)	-	(627,878)	-	(692,305)
Cost, end of year	1	636,123	10,275,578	11,685,736	878,592	470,198	743,833	352,986	16,061,434	-	41,104,481
Accumulated amortization, beginning of year	-	324,153	4,004,278	9,142,108	429,291	487,059	494,014	211,791	3,774,185	-	18,866,879
Amortization	-	43,204	250,200	369,630	61,890	15,936	53,131	11,766	377,106	-	1,182,913
Disposals	-	-	-	-	-	(58,968)	(2,730)	-	(624,081)	-	(685,779)
Accumulated amortization, end of year	-	367,357	4,254,478	9,511,738	491,181	444,077	544,415	223,557	3,527,210	-	19,364,013
Net carrying amount, end of year	\$ 1 \$	268,766	\$ 6,021,100	\$ 2,173,998	\$ 387,411	\$ 26,121	\$ 199,418	\$ 129,429	\$ 12,534,224	\$ -	\$ 21,740,468

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

Serpent River First Nation
Schedule 2 - Consolidated Segment Disclosure

For the year ended March 31, 2017 (comparative figures)

	Community Infrastructure						Capital	Medical	Enterprises	Other	Consolidated Total
	Niigaaniin	Administration	Education								
Revenue											
Indigenous Affairs	\$ -	\$ 436,424	\$ 339,673	\$ 2,337,486	\$ (438,259)	\$ 82,800	\$ 42,000	\$ 66,040	\$ 2,866,164		
Province of Ontario			35,088	-	355,078	548,907	122,112	514,744	1,575,929		
Government of Canada			10,000	-	24,494	760,298	384,783	19,017	1,198,592		
Rental and user fees			22,495	-	-	92,767	611,322	21,115	747,669		
Interest and other			15,858	-	3,658	457,806	1,935,930	1,144,924	4,340,433		
Due (to) from funders				(7,581)	-	-	-	(14,240)	(21,821)		
Recovery of prior years				-	-	-	-	-	(15,382)		(15,382)
	594,621	624,060	423,114	2,329,905	(55,029)	1,927,196	3,096,147	1,751,600	10,691,614		
Expenses											
Salaries, wages and benefits	116,088	595,141	203,230	249,577	330,690	1,363,020	455,321	671,505	3,984,572		
Materials, supplies and capital	125,994	95,052	416,793	28,070	92,692	268,285	2,266,071	71,347	3,364,304		
Contracted services	4,873	291,097	341,566	205,919	23,589	167,910	99,813	126,564	1,261,331		
Rents and financial expenses	400	29,827	14,636	-	14,276	14,526	186,165	925	260,755		
External transfers and other	319,157	-		1,731,906	-	-	-	354,928	2,405,991		
Travel and training	14,059	35,567	8,350	1,954	4,912	68,706	13,768	29,260	176,576		
Amortization	889	13,260	444,102	6,650	5,814	155,324	577,074	31,543	1,234,656		
Transfers between segments	6,750	(290,064)	3,135	30,000	39,725	126,986	30,034	53,434	-		
	588,210	769,880	1,431,812	2,254,076	511,698	2,164,757	3,628,246	1,339,506	12,688,185		
Excess (deficiency) of revenue over expenses	\$ 6,411	\$ (145,820)	\$ (1,008,698)	\$ 75,829	\$ (566,727)	\$ (237,561)	\$ (532,099)	\$ 412,094	\$ (1,996,571)		

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