

**Serpent River First Nation  
Consolidated Financial Statements  
For the year ended March 31, 2019**

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## Management's Responsibility for Financial Reporting

March 31, 2019

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The accompanying consolidated financial statements 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.

Elaine Johnston

Chief

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Director of Operations

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## Independent Auditor's Report

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To the Chief and Council of Serpent River First Nation

**Opinion**

We have audited the consolidated financial statements of Serpent River First Nation (the First Nation), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statement of operations, the consolidated statement of changes in net debt and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the First Nation as at March 31, 2019, and its consolidated results of operations, its consolidated change in net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the First Nation in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the 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.

In preparing the consolidated financial statements, management is responsible for assessing the First Nation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the First Nation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the First Nation's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 First Nation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the First Nation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the First Nation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the First Nation to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Sault Ste. Marie, Ontario  
August 20, 2019

**Serpent River First Nation**  
**Consolidated Statement of Financial Position**

March 31	2019	2018
<b>Financial assets</b>		
Cash (Note 2)	\$ 4,642,558	\$ 3,886,197
Accounts receivable (Note 3)	2,493,127	2,182,783
Inventory for resale	221,153	189,343
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>213,204</u>	<u>208,365</u>
	<u>7,576,244</u>	<u>6,472,890</u>
<b>Liabilities</b>		
Bank indebtedness (Note 7)	17,179	25,831
Accounts payable and accrued liabilities (Note 8)	1,802,699	2,295,112
Due to funders (Note 9)	791,065	723,272
Deferred revenue (Note 10)	2,668,283	1,325,876
Long term debt (Note 11)	<u>3,023,560</u>	<u>3,414,918</u>
	<u>8,302,786</u>	<u>7,785,009</u>
<b>Net debt</b>	<u>(726,542)</u>	<u>(1,312,119)</u>
<b>Non-financial assets</b>		
Tangible capital assets (Schedule 1)	20,772,983	21,740,468
Prepaid expenses and inventory of supplies	<u>42,129</u>	<u>44,221</u>
	<u>20,815,112</u>	<u>21,784,689</u>
<b>Accumulated surplus, end of year (Note 12)</b>	<u>\$ 20,088,570</u>	<u>\$ 20,472,570</u>

On behalf of Council:

Elaine Johnston Chief

Angie Director of Operations

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

<b>For the year ended March 31</b>	<b>Budget</b>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>			
Indigenous Services Canada	\$ 3,568,689	<b>\$ 4,362,805</b>	\$ 5,094,137
Province of Ontario	1,070,618	<b>1,498,787</b>	1,240,889
Government of Canada	1,173,686	<b>1,487,539</b>	1,415,343
OFNLP	-	<b>1,111,644</b>	874,842
North Shore Tribal Council	369,773	<b>820,474</b>	1,038,042
Interest	-	<b>19,054</b>	12,121
Rental	554,620	<b>643,638</b>	634,964
Residence, parent and user fees	122,514	<b>124,822</b>	109,535
Sales	4,196,000	<b>5,515,816</b>	4,393,184
Other revenue	916,541	<b>976,659</b>	812,206
Government of Canada Trust Funds	-	<b>4,839</b>	4,330
Due to Indigenous Services Canada	-	<b>(23,378)</b>	(507,934)
Due to other funders	-	<b>(130,219)</b>	(122,246)
Recovery of prior years	-	<b>(37,625)</b>	(21,348)
	<hr/>	<hr/>	<hr/>
	11,972,441	<b>16,374,855</b>	14,978,065
<b>Expenses</b>			
Niigaaniin project	190,000	<b>445,125</b>	475,461
Domicile	811,346	<b>904,043</b>	811,905
Community wellness	1,379,227	<b>2,061,806</b>	1,573,867
First Nation support funding	677,401	<b>766,535</b>	753,544
Community infrastructure	513,698	<b>1,239,701</b>	1,177,344
Education	2,310,137	<b>2,549,462</b>	2,521,493
Capital programs	282,310	<b>335,368</b>	485,422
Daycare	445,430	<b>619,046</b>	558,182
Other subsidized programs	348,098	<b>1,279,437</b>	1,184,462
First Nation operated enterprises	419,203	<b>916,970</b>	1,063,077
Economic Development Corporation	4,107,403	<b>5,641,362</b>	4,538,514
	<hr/>	<hr/>	<hr/>
	11,484,253	<b>16,758,855</b>	15,143,271
<b>Annual surplus (deficit)</b>	488,188	<b>(384,000)</b>	(165,206)
<b>Accumulated surplus, beginning of year</b>	<b>20,472,570</b>	<b>20,472,570</b>	20,637,776
<b>Accumulated surplus, end of year</b>	<b>\$ 20,960,758</b>	<b>\$ 20,088,570</b>	<b>\$ 20,472,570</b>

**Serpent River First Nation**  
**Consolidated Statement of Changes in Net Debt**

<b>For the year ended March 31</b>	<b>Budget</b>	<b>2019</b>	<b>2018</b>
<b>Annual surplus (deficit)</b>	\$ 488,188	\$ (384,000)	\$ (165,206)
Acquisition of tangible capital assets	(21,307)	(295,133)	(277,604)
Amortization of tangible capital assets	-	1,252,629	1,182,913
Loss on disposal of tangible capital assets	-	9,989	6,526
Prepaid expenses and inventory of supplies	-	2,092	35,396
<b>Net change in net debt</b>	<b>466,881</b>	<b>585,577</b>	<b>782,025</b>
<b>Net debt, beginning of year</b>	<b>(1,312,119)</b>	<b>(1,312,119)</b>	<b>(2,094,144)</b>
<b>Net debt, end of year</b>	<b>\$ (845,238)</b>	<b>\$ (726,542)</b>	<b>\$ (1,312,119)</b>

**Serpent River First Nation  
Consolidated Statement of Cash Flows**

<b>For the year ended March 31</b>	<b>2019</b>	<b>2018</b>
<b>Operating transactions</b>		
Annual deficit	\$ (384,000)	\$ (165,206)
Items not involving cash		
Amortization	1,252,629	1,182,913
Gain (loss) on disposal of tangible capital assets	9,989	6,526
	<hr/>	<hr/>
	878,618	1,024,233
Changes in non-cash working capital balances		
Accounts receivable	(310,344)	(1,149,186)
Inventory for resale	(31,810)	(39,960)
Funds held in trust with Government of Canada	(4,839)	(4,330)
Accounts payable	(492,413)	210,823
Deferred revenue	1,342,407	150,266
Due to funders	67,793	622,222
Prepaid expenses and inventory of supplies	2,092	35,396
	<hr/>	<hr/>
	1,451,504	849,464
<b>Capital transactions</b>		
Acquisition of tangible capital assets	<hr/>	<hr/>
	(295,133)	(277,604)
<b>Financing transactions</b>		
Advances of long term debt	126,537	-
Repayment of long term debt	(517,895)	(550,081)
Demand loan	(8,652)	(7,601)
	<hr/>	<hr/>
	(400,010)	(557,682)
<b>Net change in cash and equivalents</b>	<b>756,361</b>	<b>14,178</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,886,197</b>	<b>3,872,019</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,642,558</b>	<b>\$ 3,886,197</b>

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# Serpent River First Nation

## Notes to Consolidated Financial Statements

**March 31, 2019**

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### **1. Summary of significant accounting policies**

<b>Accounting Principles</b>	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.																
<b>Basis of Consolidation</b>	<p>These financial statements reflect the assets, liabilities, revenues and expenses of all programs under the control of Chief and Council.</p> <p>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.</p> <p>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.</p> <p>Organizations consolidated include:</p> <ul style="list-style-type: none"><li>- Serpent River First Nation Economic Development Corporation</li><li>- Serpent River First Nation Non-Profit Housing</li></ul> <p>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.</p>																
<b>Portfolio Investments</b>	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.																
<b>Tangible Capital Assets</b>	<p>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:</p> <table><tbody><tr><td>Land improvements</td><td>10 to 20 years</td></tr><tr><td>Buildings</td><td>25 to 40 years</td></tr><tr><td>Housing</td><td>25 years</td></tr><tr><td>Machinery and equipment</td><td>10 to 20 years</td></tr><tr><td>Vehicles</td><td>5 years</td></tr><tr><td>Furniture and equipment</td><td>4 to 10 years</td></tr><tr><td>Power generating station</td><td>30 to 50 years</td></tr><tr><td>Infrastructure</td><td>10 to 100 years</td></tr></tbody></table>	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
Land improvements	10 to 20 years																
Buildings	25 to 40 years																
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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, 2019**

**1. Summary of significant accounting policies (continued)**

<b>Inventory</b>	Inventory is stated at the lower of cost and net realizable value. Cost is generally determined on the first-in, first-out basis.
<b>Revenue Recognition</b>	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.
<b>Use of Estimates</b>	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, 2019. \$200,000 of this limit has been carved-out to be utilized by Serpent River First Nation Economic Development Corporation, of which \$57,212 was outstanding at March 31, 2019.

The First Nation has a Bank of Montreal demand loan limit of \$1,500,000 at prime plus 1%. On March 31, 2019, nothing was drawn on the loan.

**3. Accounts receivable**

	<b>2019</b>	<b>2018</b>
Indigenous Services Canada	\$ 1,265,915	\$ 924,811
Province of Ontario	255,543	208,750
Health Canada	68,644	1,466
CMHC	56,372	196,794
North Shore Tribal Council / Niigaaniin	295,738	448,290
Due from members	731,722	689,775
Other	560,132	429,423
	<hr/>	<hr/>
	3,234,066	2,899,309
Less: allowance for doubtfuls	(740,939)	(716,526)
	<hr/>	<hr/>
	<b>\$ 2,493,127</b>	<b>\$ 2,182,783</b>

# Serpent River First Nation

## Notes to Consolidated Financial Statements

**March 31, 2019**

### 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, 2019 consists of the following:

	<b>2019</b>	<b>2018</b>
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>
	<b>\$ 6,201</b>	<b>\$ 6,201</b>

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

	<b>2019</b>	<b>2018</b>
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	2019	March 31, 2019
Revenue	\$ 101,994	\$ 4,839	\$ 106,833
Capital	<u>106,371</u>	<u>-</u>	<u>106,371</u>
	<b>\$ 208,365</b>	<b>\$ 4,839</b>	<b>\$ 213,204</b>

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

	<b>2019</b>	<b>2018</b>
Bank loans (BMO Bank prime + 0.5%), due on demand, secured by house	<u>\$ 17,179</u>	<u>\$ 25,831</u>

**Serpent River First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2019**

**8. Accounts payable and accrued liabilities**

	<b>2019</b>	<b>2018</b>
Trade payables	\$ 1,027,255	\$ 1,531,408
Elementary and Secondary tuition payables	<u>775,444</u>	<u>763,704</u>
	<b><u>\$ 1,802,699</u></b>	<b><u>\$ 2,295,112</u></b>

**9. Due to funders**

	<b>2019</b>	<b>2018</b>
Indigenous Services Canada	\$ 588,897	\$ 563,291
Province of Ontario	<u>85,109</u>	<u>67,724</u>
Health Canada	-	54,128
Union of Ontario Indians	<u>117,059</u>	<u>38,129</u>
	<b><u>\$ 791,065</u></b>	<b><u>\$ 723,272</u></b>

**10. Deferred revenue and government transfers**

	Balance March 31, 2018	Funding Received 2019	Revenue Recognized 2019	Balance March 31, 2019
Indigenous Services Canada	\$ 931,121	\$ 5,708,561	\$ 4,362,805	\$ 2,276,877
Health Canada	251,621	1,131,642	1,214,132	169,131
CMHC	-	255,824	255,824	-
ESDC	-	17,583	17,583	-
Province of Ontario	-	1,498,787	1,498,787	-
North Shore Tribal Council	-	820,474	820,474	-
Other	143,134	8,475,613	8,396,472	222,275
Due from (to) funders	-	(153,597)	(153,597)	-
Recovery of prior years	-	(37,625)	(37,625)	-
	<b><u>\$ 1,325,876</u></b>	<b><u>\$ 17,717,262</u></b>	<b><u>\$ 16,374,855</u></b>	<b><u>\$ 2,668,283</u></b>

Deferred revenue is broken down by program as follows:

	<b>2019</b>	<b>2018</b>
Community Wellness - Family Well-Being	\$ -	\$ 58,800
Community Wellness - Family & Preservation	<u>158,027</u>	-
Community Wellness - Health Transfers	<u>179,928</u>	242,521
Community Wellness - Community Support	<u>150,779</u>	143,134
Community Wellness - Diabetes	8,561	-
Capital Programs - Minor Capital	2,319	-
Capital Programs - ISC Renovations	<u>1,244,814</u>	48,705
Capital Programs - Capital Water Project	<u>871,717</u>	823,616
Daycare - Early Childhood Development	4,750	9,100
Other Subsidized - Community Garden	<u>47,388</u>	-
	<b><u>\$ 2,668,283</u></b>	<b><u>\$ 1,325,876</u></b>

**Serpent River First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2019**

**11. Long term debt**

	<b>2019</b>	<b>2018</b>
<b>Bank of Nova Scotia</b>		
4.75% mortgage, due in monthly instalments of \$1,025 including principal and interest, maturing June 1, 2019, secured by Government of Canada guarantee	\$ 15,866	\$ 27,131
3.09% mortgage due in monthly instalments of \$1,296 including principal and interest, maturing March 1, 2020, secured by Government of Canada guarantee	22,768	37,376
Prime plus 1.50% mortgage due in monthly payments of \$6,600 principal plus interest, maturing Aug 1, 2020 secured by general security agreement	501,600	580,800
Prime plus 1.00% loan due in monthly instalments of \$6,083 principal plus interest, secured by general security agreement	559,667	620,500
<b>Canada Mortgage and Housing Corporation</b>		
1.92% mortgage due in monthly instalments of \$3,613 including principal and interest, maturing July 1, 2019, secured by Government of Canada guarantee	14,405	57,044
0.99% mortgage due in monthly instalments of \$2,934 including principal and interest, maturing March 1, 2020	35,022	69,701
1.46% mortgage due in monthly instalments of \$1,981 including principal and interest, maturing March 1, 2022	69,728	92,301
1.39% mortgage due in monthly instalments of \$2,016 including principal and interest, maturing June 1, 2020, secured by Government of Canada guarantee	139,223	161,321
1.01% mortgage due in monthly instalments of \$2,596 including principal and interest, maturing February 1, 2021, secured by Government of Canada guarantee	203,208	232,157
1.03% mortgage due in monthly instalments of \$2,642 including principal and interest, maturing November 1, 2021, secured by Government of Canada guarantee	223,880	253,124
2.35% mortgage due in monthly instalments of \$2,869 including principal and interest, maturing February 1, 2028, secured by Government of Canada guarantee	276,840	304,786
1.44% mortgage due in monthly instalments of \$4,174 including principal and interest, maturing January 1, 2022, secured by Government of Canada guarantee	138,959	186,674

**Serpent River First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2019**

**11. Long term debt (continued)**

	<b>2019</b>	<b>2018</b>
1.85% mortgage due in monthly instalments of \$1,259 including principal and interest, maturing August 1, 2019, secured by Government of Canada guarantee	\$ 200,652	\$ 211,944
1.11% mortgage due in monthly instalments of \$2,294 including principal and interest, maturing April 1, 2021, secured by Government of Canada guarantee	428,352	451,005
<b>Royal Bank of Canada</b>		
3.52% mortgage due in monthly instalments of \$1,815 including principal and interest, maturing August 18, 2023, secured by Government of Canada guarantee	82,896	101,530
<b>Other</b>		
Waubetek Business Development Corporation mortgage, repayable \$3,522 monthly including principal and interest at prime + 3%, maturing November 2018	-	27,524
Capital lease payable, \$1,695 monthly payments, secured by machinery and equipment, payments including principal and interest at 7.96%, maturing August 2023	74,318	-
Ford Credit loan payable, \$642 monthly including principal and interest at 2.49%, maturing March 2024	36,176	-
	<b><u>\$ 3,023,560</u></b>	<b><u>\$ 3,414,918</u></b>

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

<b>Year</b>	<b>Amount</b>
2020	\$ 482,411
2021	423,954
2022	409,633
2023	352,399
2024	423,227
Thereafter	<u>931,936</u>
	<b><u>\$ 3,023,560</u></b>

**Serpent River First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2019**

**12. Accumulated surplus**

	<b>2019</b>	<b>2018</b>
Reserves set aside for specific purposes by the First Nation		
Non-Profit Housing replacement reserve	\$ 412,951	\$ 449,723
Casino & gaming	3,551,080	3,132,413
Health transfers replacement reserve (MAR)	26,008	26,008
Health transfers	13,044	13,044
Quality of life	2,095	2,095
School bus	3,139	8,637
Band support funding	243,465	125,682
Niigaaniin	102,470	67,423
Education	29,364	150,814
Road maintenance	77,222	61,747
Water	24,453	17,871
Fire protection	61,033	66,375
Capital plan	35,520	35,520
Office complex	113,043	96,334
Food bank	26,492	26,492
Library	38,761	27,143
Lands research	11,660	11,660
Capital housing	6,703	-
Daycare	86,781	63,123
Domicile	23,737	-
Band housing	3,026	-
Reserves	<b>4,892,047</b>	4,382,104
Equity in tangible capital assets	<b>17,749,424</b>	18,325,550
Equity in government business partnerships	<b>6,201</b>	6,201
Funds held in trust	<b>213,204</b>	208,365
Members' equity (deficit)	<b>(2,772,306)</b>	(2,449,650)
	<b>\$ 20,088,570</b>	<b>\$ 20,472,570</b>
Allocation of annual surplus (deficit):		
Reserves	\$ 509,943	\$ 334,865
Equity in tangible capital assets	(576,126)	(361,755)
Members' equity (deficit)	(322,656)	(142,646)
Funds held in trust	4,839	4,330
	<b>\$ (384,000)</b>	<b>\$ (165,206)</b>

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## Serpent River First Nation Notes to Consolidated Financial Statements

**March 31, 2019**

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### **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 \$91,983 (2018 - \$83,698) during the current period and were fully expensed.

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### **14. Contingencies**

- (a) The First Nation has an agreement with the Bank of Montreal providing for an aggregate credit facility in the amount of \$2,400,000 under the First Nation on Reserve Loan Program for qualified members of Serpent River First Nation. As of March 31, 2019 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 \$20,186 was outstanding at March 31, 2019, 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.

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### **15. Funding reconciliation**

Indigenous Services Canada funding per the financial statements	\$ 4,362,805
Less: Band Representative Services 2019 cost reimbursement	(43,551)
Less: Deferred revenue, beginning of year	(931,121)
Add: Deferred revenue, end of year	<u>2,276,877</u>
	<u><u>\$ 5,665,010</u></u>
Indigenous Services Canada funding per funding confirmation	<u><u>\$ 5,665,010</u></u>

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### **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 department. 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.

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## Serpent River First Nation Notes to Consolidated Financial Statements

**March 31, 2019**

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### **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).

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**Serpent River First Nation**  
**Notes to Consolidated Financial Statements**

**March 31, 2019**

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**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:

<b>Budget deficit for the year</b>	\$ 38,905
<b>Add:</b>	
Capital expenditures	21,307
Principal portion of loan payments	<u>427,976</u>
<b>Budget deficit per statement of operations</b>	<b><u>\$ 488,188</u></b>

**Serpent River First Nation**  
**Schedule 1 - Consolidated Tangible Capital Assets**

**For the year ended March 31, 2019**

		Land	Improvements	Building	Housing	Machinery and Equipment	Vehicles	Furniture and Equipment	Power Generating Station	Infrastructure in Progress	Construction	Total
<b>Cost, beginning of year</b>	\$ 1 \$	636,123	\$ 10,275,578	\$ 11,685,736	\$ 878,592	\$ 470,198	\$ 743,833	\$ 352,986	\$ 16,061,434	\$ -	\$ 41,104,481	
Additions	-	-	-	-	-	159,233	67,457	-	68,443	-	295,133	
Disposals	-	-	-	-	(68,661)	-	(7,098)	-	(80,015)	-	(155,774)	
<b>Cost, end of year</b>	<b>1</b>	<b>636,123</b>	<b>10,275,578</b>	<b>11,685,736</b>	<b>809,931</b>	<b>629,431</b>	<b>804,192</b>	<b>352,986</b>	<b>16,049,862</b>	<b>-</b>	<b>41,243,840</b>	
 <b>Accumulated amortization, beginning of year</b>	 - 367,357	 4,254,478	 9,511,738	 491,181	 444,077	 544,415	 223,557	 3,527,210	 - 19,364,013	 -	 19,364,013	
Amortization	- 43,204	250,200	347,033	60,890	47,833	51,942	11,766	439,761	- 1,252,629	-	1,252,629	
Disposals	-	-	-	(67,661)	-	(710)	-	(77,414)	-	-	(145,785)	
 <b>Accumulated amortization, end of year</b>	 - 410,561	 4,504,678	 9,858,771	 484,410	 491,910	 595,647	 235,323	 3,889,557	 - 20,470,857	 -	 20,470,857	
 <b>Net carrying amount, end of year</b>	 \$ 1 \$	 225,562	 \$ 5,770,900	 \$ 1,826,965	 \$ 325,521	 \$ 137,521	 \$ 208,545	 \$ 117,663	 \$ 12,160,305	 \$ -	 \$ 20,772,983	

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

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

**For the year ended March 31, 2018 (comparative figures)**

		<b>Land</b>	<b>Land Improvements</b>	<b>Buildings</b>	<b>Housing</b>	<b>Machinery and Equipment</b>	<b>Vehicles</b>	<b>Equipment</b>	<b>Furniture and Equipment</b>	<b>Power Generating Station</b>	<b>Infrastructure in Progress</b>	<b>Construction</b>	<b>Total</b>
<b>Cost, beginning of year</b>	\$	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	-	277,604	
Disposals	-	-	-	-	-	-	(58,968)	(5,459)	-	(627,878)	-	(692,305)	
<b>Cost, end of year</b>	1	636,123	10,275,578	11,685,736	878,592	470,198	743,833	352,986	16,061,434		-	41,104,481	
 <b>Accumulated amortization, beginning of year</b>													
-	324,153	4,004,278	9,142,108	429,291	487,059	494,014	211,791	3,774,185				18,866,879	
-	43,204	250,200	369,630	61,890	15,986	53,131	11,766	377,106				1,182,913	
Amortization	-	-	-	-	-	(58,968)	(2,730)	-	(624,081)	-		(685,779)	
Disposals	-	-	-	-	-	-	-	-	-	-	-		
 <b>Accumulated amortization, end of year</b>													
-	367,357	4,254,478	9,511,738	491,181	444,077	544,415	223,557	3,527,210				19,364,013	
 <b>Net carrying amount, end of year</b>	\$	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, 2019**

	Niigaanii	Administration	Community Infrastructure	Education	Capital	Medical	Enterprises	Other	Consolidated Total
<b>Revenue</b>									
Indigenous Services Canada	\$ -	\$ 662,728	\$ 388,963	\$ 2,443,638	\$ 426,775	\$ 288,543	\$ 42,000	\$ 110,158	\$ 4,362,805
Province of Ontario		86,365	57,600	-	-	835,944	-	518,878	1,498,787
Government of Canada		-	9,240	-	26,842	1,067,080	228,982	155,395	1,487,539
Rental and user fees		-	26,887	-	-	87,845	643,638	20,945	779,315
Interest and other		132,830	19,544	1,350	12,548	720,721	5,588,164	1,483,191	8,437,631
Due (to) from funders		-	-	(23,378)	-	(130,219)	-	-	(153,597)
Recovery of prior years		-	-	311	-	(1,375)	-	(36,561)	(37,625)
	<b>479,283</b>	<b>881,923</b>	<b>502,234</b>	<b>2,421,921</b>	<b>466,165</b>	<b>2,868,539</b>	<b>6,502,784</b>	<b>2,252,006</b>	<b>16,374,855</b>
<b>Expenses</b>									
Salaries, wages and benefits	89,296	697,083	197,067	229,233	246,417	1,750,689	583,873	858,853	4,652,511
Materials, supplies and capital	81,420	110,056	131,841	27,790	12,512	480,512	5,068,713	233,418	6,146,262
Contracted services	3,542	166,547	355,602	205,725	90,379	147,164	206,816	172,641	1,348,416
Rents and financial expenses	-	32,363	3,138	-	24,353	17,786	126,737	829	205,206
External transfers and other	253,281	-	-	2,058,793	-	-	-	552,726	2,865,800
Travel and training	9,947	41,519	12,870	4,331	1,803	150,421	52,553	14,587	288,031
Amortization	889	2,395	507,718	6,091	5,814	179,799	525,217	24,706	1,252,629
Transfers between segments	6,750	(283,431)	31,466	17,500	(45,911)	239,478	(5,575)	39,723	-
	<b>445,125</b>	<b>766,532</b>	<b>1,239,702</b>	<b>2,549,463</b>	<b>335,367</b>	<b>2,965,849</b>	<b>6,558,334</b>	<b>1,898,483</b>	<b>16,758,855</b>
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ 34,158</b>	<b>\$ 115,391</b>	<b>\$ (737,468)</b>	<b>\$ (127,542)</b>	<b>\$ 130,798</b>	<b>\$ (97,310)</b>	<b>\$ (55,550)</b>	<b>\$ 353,523</b>	<b>\$ (384,000)</b>

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 (comparative figures)**

	Niigaaniin	Administration	Community Infrastructure	Education	Capital	Medical	Enterprises	Other	Consolidated Total
<b>Revenue</b>									
Indigenous Services Canada	\$ -	\$ 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	1,240,889
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		523,685	109,594	7,523	9,365	581,968	4,493,925	1,405,973	7,134,725
Due (to) from funders		-	(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	5,563,888	2,150,499	14,978,065
<b>Expenses</b>									
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	5,101,235
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
<b>Excess (deficiency) of revenue over expenses</b>	\$ 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.