

FORT SEVERN FIRST NATION

Consolidated Financial Statements

March 31, 2016

FORT SEVERN FIRST NATION

**Financial Statements
March 31, 2016**

Index	Page
MANAGEMENT'S RESPONSIBILITY	1
INDEPENDENT AUDITORS' REPORT	2
CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....	3
CONSOLIDATED STATEMENT OPERATIONS	4
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT	5
CONSOLIDATED STATEMENT OF CASH FLOWS.....	6
NOTES TO FINANCIAL STATEMENTS	7-12
SCHEDULE OF REVENUE, EXPENDITURES AND UNEXPENDED FUNDING (DEFICIT)	13
SCHEDULES OF REVENUE AND EXPENDITURES	
Band Administration	14
Band Employee Benefits.....	15
Capital Projects – Incomplete.....	16
Community Services.....	17-23
Community Economic Development.....	24
Education Programs.....	25-32
Employment Programs	33-35
Health Programs.....	36-49
Housing and Renovations	50
Social Services.....	51
Public Works.....	52-59
Other Programs.....	60-65
SUPPLEMENTARY SCHEDULES	
Schedules of Salaries, Honoraria, and Travel Expenses	66-68
Schedule of Federal Government Funding	69-70

FORT SEVERN FIRST NATION
Management's Responsibility for Financial Reporting
Year Ended March 31, 2016

March 2, 2017

To the Members of Fort Severn First Nation

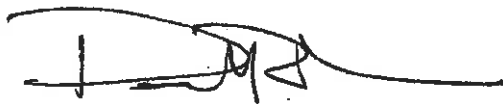
The accompanying consolidated financial statements of Fort Severn First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

These consolidated 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.

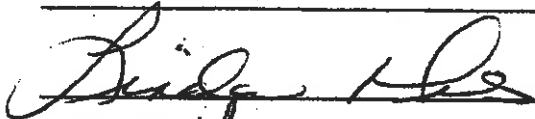
The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately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

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

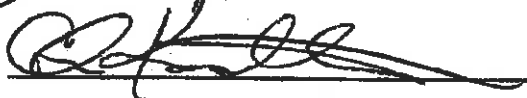
The Council reviews the First Nation's financial statements and meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Council reports its findings for consideration when approving the financial statements for issuance to the Members. The Council also considers, for approval by the Members, the engagement of the external auditors.



CHIEF



COUNCILLOR



COUNCILLOR

March 1, 2017

INDEPENDENT AUDITOR'S REPORT

**To the Chief and Council
Fort Severn First Nation**

I have audited the consolidated financial statements of Fort Severn First Nation, which comprise of the consolidated statement of financial position as at March 31, 2016, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with PSAB 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.

Auditors' Responsibility

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 auditors' 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 auditors consider 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Fort Severn First Nation, as at March 31, 2016, and the changes in its consolidated financial position for the year then ended, in accordance with PSAB Standards.

Tony Gauthier CPA

Licensed Public Accountant

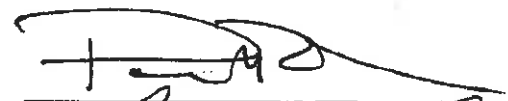
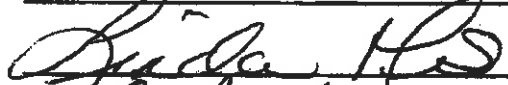

FORT SEVERN FIRST NATION

Consolidated Statement of Financial Position

March 31, 2016

	2016	2015
FINANCIAL ASSETS		
CURRENT		
Cash (Note 1)	\$ 401,329	\$ 874,084
Accounts receivable (Note 2)	3,306,377	3,196,636
Investments (Note 1 & 3)	370,094	465,331
Fund held in trust (Note 9)	10,901	10,675
TOTAL FINANCIAL ASSETS	\$ 4,088,701	\$ 4,546,726
LIABILITIES		
CURRENT		
Bank indebtedness (Note 1)	\$ 13,554	\$ 66,534
Accounts payable and accrued liabilities (Note 5)	3,427,778	4,379,610
Deferred revenue (Note 6)	464,150	494,550
Incomplete projects (Note 1)	1,091,892	1,220,302
Replacement reserve (Note 7)	136,478	114,498
Long-term debt (Note 8)	2,644,186	2,805,778
TOTAL LIABILITIES	7,778,038	9,081,272
NET DEBT	(3,689,337)	(4,534,546)
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 1 & 4)	17,555,183	15,352,191
Inventory (Note 1)	678,919	929,645
Prepaid expenses	18,000	43,500
TOTAL NON-FINANCIAL ASSETS	18,250,102	16,325,336
ACCUMULATED SURPLUS	\$ 14,560,765	\$ 11,790,790

APPROVED ON BEHALF OF THE FORT SEVERN FIRST NATION

Chief

Councillor

Councillor

FORT SEVERN FIRST NATION

Consolidated Statement of Operations

March 31, 2016

	2016	2015
REVENUE		
INAC (Note 11)	\$ 5,080,719	\$ 12,586,549
Health Canada (Note 12)	1,564,051	1,479,819
CMHC - rental subsidies	197,876	171,685
Other federal government departments	1,946	8,278
Province of Ontario	940,556	966,632
Hydro One	1,282,897	1,579,320
Casino Rama	992,267	981,953
Other	2,115,020	2,762,065
	<u>\$ 12,175,332</u>	<u>\$ 20,536,301</u>
EXPENSES		
Band governance	\$ 1,120,568	\$ 1,095,854
Community infrastructure	2,157,721	12,594,256
Community services	322,528	252,994
Economic development	67,460	-
Education	1,311,960	1,285,910
Health	1,621,210	1,527,331
Social services	755,490	534,758
Other	2,176,829	2,060,532
Transfer from incomplete	(1,220,301)	(272,653)
Transfer to incomplete	1,091,892	1,220,301
	<u>9,405,357</u>	<u>20,299,283</u>
TOTAL LIABILITIES	<u>9,405,357</u>	<u>20,299,283</u>
ANNUAL SURPLUS (DEFICIT)	<u>2,769,975</u>	<u>237,018</u>
ACCUMULATED SURPLUS - BEGINNING OF YEAR (Note 1)	<u>11,790,790</u>	<u>11,553,772</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 14,560,765</u>	<u>\$ 11,790,790</u>

FORT SEVERN FIRST NATION
Consolidated Statement of Change in Net Debt

March 31, 2016

	2016	2015
ANNUAL SURPLUS (DEFICIT)	\$ 2,768,975	\$ 237,018
Acquisition of tangible capital assets	(3,281,053)	(1,489,651)
Amortization of tangible capital assets	1,078,060	990,605
	(2,202,993)	(499,046)
Net change in inventories	250,727	545,183
Net change in prepaid expenses	27,500	(43,500)
	278,227	501,683
DECREASE IN NET DEBT	845,209	239,655
NET DEBT - BEGINNING OF YEAR	(4,534,546)	(4,774,201)
NET DEBT - END OF YEAR	\$ (3,689,337)	\$ (4,534,546)

FORT SEVERN FIRST NATION

Consolidated Statement of Cash Flows

Year Ended March 31, 2016

	2016	2015
OPERATING TRANSACTIONS		
Annual surplus (deficit)	\$ 2,769,975	\$ 237,018
Items not affecting cash:		
Amortization	1,078,060	990,605
Appropriation to replacement reserve	21,980	18,240
Net changes in non-cash working capital balances		
Accounts receivable	(109,741)	(1,934,750)
Inventories	250,727	545,183
Prepaid expense	27,500	(43,500)
Accounts payable and accrued liabilities	(951,832)	408,382
Deferred revenue	(30,400)	(52,050)
Incomplete projects	(128,410)	947,649
Cash provided by operating transactions	2,927,859	1,116,777
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	(3,281,053)	(1,489,651)
Cash applied to capital transactions	(3,281,053)	(1,489,651)
INVESTING TRANSACTIONS		
Increase in funds held in trust	(226)	(294)
Increase in investments	-	-
Decrease in investment in Washaho Socio-Economic Development Corporation	95,237	9,010
Cash provided by investing transactions	95,011	8,716
FINANCING TRANSACTIONS		
Increase (decrease) in bank loans	(52,980)	66,534
Increase in long-term debt	-	648,000
Repayment of long-term debt	(161,592)	(171,325)
Cash applied to financing transactions	(214,572)	543,209
INCREASE IN CASH	(472,756)	179,051
CASH (BANK INDEBTEDNESS) - BEGINNING OF YEAR	874,084	695,033
CASH - END OF YEAR	\$ 401,329	\$ 874,084

FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated financial statements include financial information for the entity known as the Fort Severn First Nation and consolidate the assets, liabilities and results of operations. As a result, the Capital and Trust Funds are no longer reported as separate Funds in the Member's Equity area on the Consolidated Statement of Financial Position. Changes to do with the reporting of the Capital Fund are explained in Note 1 (b).

b) Tangible capital assets

The First Nation adopted Tangible Capital Asset Reporting in accordance with the Public Sector Accounting Board standard PS 3150. Capital assets are valued at their acquisition cost. Tangible capital assets are no longer treated as expenditures in the year of acquisition. Instead, accrual accounting requires that tangible capital assets be expensed over their useful lives by a charge to amortization expense.

c) Reporting model

The First Nation adopted the reporting model for governments in accordance with the Public Sector Account Board standards PS1100, PS 1200, and PS 1300. This has resulted in assets being reclassified into financial and non-financial assets. Members' equity is no longer shown on the Statement of Financial Position. The Statement of Cash Flow has been reformatted to include a category for capital transaction. The Statement of Changes in Net Debt shows the impact of applying the expenditure basis of accounting. Under the expenditure basis of accounting, tangible capital assets, prepaid program costs and other assets are recorded when calculating the current year surplus or deficit. Under the expense basis of accounting, these items are recorded on the Consolidated Statement of Financial Position as assets and amortized over an applicable period of time.

d) Amortization

Amortization is calculated using the diminishing balance method at the following annual rates:

Community buildings	5%
Housing	5%
Water / Sewage systems	5%
Equipment	20%
Vehicles	30%

e) Related party projects

Transactions between the Band and its related parties are not separately disclosed in the consolidated financial statements.

f) Incomplete projects

Construction and other major projects that have a definite completion time but are not completed by the fiscal year end are deferred to future reporting periods in order to match total funding with the total cost of each project.

continues

FORT SEVERN FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with bank net of bank overdrafts.

h) Inventory

Inventory of heating fuel is recorded at the lower of cost and net realizable value.

i) Investments

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

j) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on the accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that the 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 from other sources are deferred when restrictions are placed on their use by the contributor and / or internal restrictions are set by Council, 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.

k) Measurement uncertainty

In preparing the consolidated financial statements for Fort Severn First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include allowance for doubtful accounts and amortization, of tangible capital assets.

l) Financial instruments policy

The First Nation initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities at amortized cost. The financial assets measured at amortized cost include cash, accounts receivable, investments and funds held in trust. The financial liabilities measured at amortized cost include bank indebtedness, accounts payable and accrued liabilities, deferred revenue, incomplete projects, replacement reserve and long-term debt.

FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

2. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Trade receivables	\$ 1,340,182	\$ 1,429,046
Federal Government - INAC	965,082	1,335,801
Federal Government - Health Canada	507,009	-
Federal Government - CMHC	16,490	59,170
Federal Government - GST receivable	202,938	170,593
Band members	<u>1,109,333</u>	<u>1,042,679</u>
	4,141,034	4,037,289
Less allowance for doubtful accounts	<u>(834,657)</u>	<u>(840,653)</u>
	\$ <u>3,306,377</u>	\$ <u>3,196,636</u>

3. INVESTMENTS

	<u>2016</u>	<u>2015</u>
Crescent Point Energy Corp. - 58.50 shares	\$ 500	\$ 500
Wasaya Group Incorporated	219,000	219,000
Washaho Socio-Economic Development Corporation	<u>150,594</u>	<u>245,831</u>
	\$ <u>370,094</u>	\$ <u>465,331</u>

4. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>Net Book Value</u>	
			<u>2016</u>	<u>2015</u>
Community buildings	\$ 15,026,002	\$ 6,705,009	\$ 8,320,993	\$ 5,552,526
Housing	8,955,107	3,518,006	5,437,101	5,667,522
Water / Sewage system	10,177,942	6,948,720	3,229,222	3,399,181
Equipment	2,964,542	2,653,280	311,262	386,022
Vehicles	<u>2,194,527</u>	<u>1,937,922</u>	<u>256,605</u>	<u>346,940</u>
	\$ <u>39,318,120</u>	\$ <u>21,762,937</u>	\$ <u>17,555,183</u>	\$ <u>15,352,191</u>

FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2016</u>	<u>2015</u>
Trade payables	\$ 3,199,270	\$ 4,183,442
Federal Government - INAC	48,838	37,500
Federal Government - Health Canada	53,142	5,515
Federal Government - Payroll source deductions	44,220	13,728
Province of Ontario - Ministry / Ontario Works	29,000	6,000
Province of Ontario - WSIB	29,607	29,091
Wages payable	23,701	104,334
	<u>\$ 3,427,778</u>	<u>\$ 4,379,610</u>

6. DEFERRED REVENUE

Deferred revenue consists of funding received but not yet expended and consists of the following:

	<u>2016</u>	<u>2015</u>
Bell Canada - prepayment of cell tower lease agreement	\$ 20,000	\$ 20,000
Health Canada - Funding Arrangement 1516-ON-000020	59,000	-
Hydro One - Fuel contract	273,000	330,000
Keewatinook Internet High School	-	3,073
Kwayaciiwin Education Resource Centre	20,000	36,185
Northern Chiefs	92,150	102,892
Service Ontario at Libraries project	-	2,400
	<u>\$ 464,150</u>	<u>\$ 494,550</u>

7. REPLACEMENT RESERVE

Under an agreement with Canada Mortgage and Housing Corporation a predetermined amount is to be transferred annually to a separate replacement reserve bank account and recorded as a current year expenditure in the financial statements. These monies together with any interest earned there in are used to finance the cost of major replacements to existing CMHC sponsored properties.

FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

8. LONG TERM DEBT

	<u>2016</u>	<u>2015</u>
Canada Mortgage and Housing Corporation mortgage for \$604,772 amortized over 14 years, 11 months at a rate of 1.53% and is for a term of five years, due December 1, 2017, repayable \$3,780 monthly including interest	484,453	522,089
Canada Mortgage and Housing Corporation mortgage for \$563,772 amortized over 15 years at a rate of 1.67% and is for a term of five years, due June 1, 2018, repayable \$3,541 monthly including interest	470,662	504,996
Canada Mortgage and Housing Corporation mortgage for \$459,471 amortized over 14 years, 11 months at a rate of 1.83% and is for a term of five years, due December 1, 2019, repayable \$2,934 monthly including interest	425,569	452,726
Canada Mortgage and Housing Corporation mortgage for \$578,340 amortized over 25 years at a rate of 1.82% and is for a term of five years, due December 1, 2016, repayable \$2,399 monthly including interest	495,786	515,371
Canada Mortgage and Housing Corporation mortgage for \$195,825 amortized over 9 years, 2 months at a rate of 2.02% and is for a term of five years, due August 1, 2018, repayable \$1,951 monthly including interest	144,238	164,518
Canada Mortgage and Housing Corporation mortgage for \$648,000 amortized over 25 years at a rate of 1.12% and is for a term of five years, due February 1, 2020, repayable \$2,477 monthly including interest	623,478	646,078
	<u>2,644,186</u>	<u>2,805,778</u>

Anticipated annual principal repayments over the next five years are as follows:

2017	\$ 640,263
2018	554,145
2019	554,705
2020	895,073
2021	-
	<u>\$ 2,644,186</u>

FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

9. FUNDS HELD IN TRUST

	2016			2015
	Capital	Revenue	Total	Total
BALANCE - BEGINNING OF YEAR	\$ 334	\$ 10,341	\$ 10,675	\$ 10,381
INTEREST INCOME	-	226	226	294
BALANCE - END OF YEAR	\$ 334	\$ 10,567	\$ 10,901	\$ 10,675

10. ECONOMIC DEPENDENCE

The Fort Severn First Nation receives a major portion of its revenues from Indigenous & Northern Affairs Canada (INAC).

11. RECONCILIATION OF INAC FUNDING

Funding per INAC Funding Confirmation Report	\$ 5,092,057
Overpayment by INAC on Diesel Generating Station Upgrade Project (Project #ARJUF)	(11,338)
	\$ 5,080,719

12. RECONCILIATION OF HEALTH CANADA FUNDING

Funding per Health Canada Funding Report	\$ 1,670,678
Carry forward of funding approved by Health Canada	
- Aboriginal Diabetes Initiative	\$ 11,000
- Community Health Promotion	44,000
- Nutrition North Canada program	4,000
	59,000
	1,611,678
Recovery of funding by Health Canada	
- Primary care recovery	\$ 29,585
- Security services recovery	18,042
	47,627
	\$ 1,564,051

FORT SEVERN FIRST NATION

Schedule of Revenue, Expenditures and Unexpended Funding (Deficit)

Year Ended March 31, 2016

Unexpended Funding (Deficit)									
Page	Incomplete Programs - Beginning of Year	INAC	Revenue Other	Total	Expenditures	Incomplete Programs - End of Year	Excess (Deficiency) of Revenue over Expenditures	Balance - Beginning of Year	Balance - End of year
14	\$ -	\$ 720,245	\$ 282,208	\$ 1,002,453	\$ 1,004,838	\$ -	\$ (2,383)	\$ (4,729,509)	\$ (4,731,892)
15	-	115,600	-	115,600	115,732	-	(132)	(1,463)	(1,595)
16	1,220,301	143,000	880	1,363,981	272,089	1,091,892	-	-	-
17	-	80,900	198,616	277,516	322,528	-	(45,012)	11,070	(33,942)
24	-	-	67,161	67,161	67,460	-	(299)	77,304	77,005
25	-	994,380	295,194	1,289,554	1,270,201	-	19,353	1,571,908	1,591,261
33	-	205,707	28,959	234,666	235,286	-	(600)	26,347	25,747
36	-	-	1,614,154	1,614,154	1,621,210	-	(7,056)	(459,133)	(466,189)
50	-	306,252	621,708	927,960	975,103	-	(47,143)	(922,006)	(969,149)
51	-	66,800	476,808	543,608	561,983	-	(18,377)	326,479	308,102
52	-	2,447,855	812,106	3,259,961	3,275,113	-	(15,152)	(866,344)	(881,496)
60	-	-	2,698,795	2,698,795	2,176,830	-	521,965	3,924,056	4,446,021
\$	1,220,301	\$ 5,080,719	\$ 7,094,387	\$ 13,395,407	\$ 11,898,351	\$ 1,091,892	\$ 405,164	\$ (741,291)	\$ (336,127)