

FORT SEVERN FIRST NATION

Consolidated Financial Statements

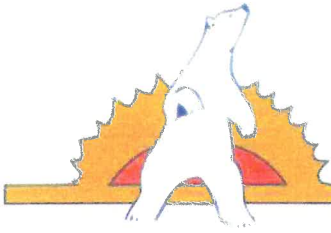
March 31, 2017

FORT SEVERN FIRST NATION

Financial Statements

March 31, 2017

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Fort Severn First Nation

P.O. BOX 149
FORT SEVERN, ONTARIO P0V 1W0
TEL: (807) 478-2572 FAX: (807) 478-1103

Management's Responsibility for Financial Reporting

Year Ended March 31, 2017

February 22, 2018

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 fulfils 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

February 22, 2018

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, 2017, 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.

Auditor's 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, 2017, and the changes in its consolidated financial position for the year then ended, in accordance with PSAB Standards.



Licensed Public Accountant


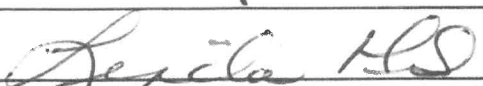

FORT SEVERN FIRST NATION

Consolidated Statement of Financial Position

March 31, 2017

	2017	2016
FINANCIAL ASSETS		
CURRENT		
Cash (Note 1)	\$ 948,397	\$ 401,329
Accounts receivable (Note 2)	3,505,690	3,306,377
Investments (Note 1 & 3)	155,271	370,094
Fund held in trust (Note 9)	11,103	10,901
TOTAL FINANCIAL ASSETS	\$ 4,620,461	\$ 4,088,701
LIABILITIES		
CURRENT		
Bank indebtedness (Note 1)	\$ -	\$ 13,554
Accounts payable and accrued liabilities (Note 5)	3,603,385	3,427,778
Deferred revenue (Note 6)	844,893	464,150
Incomplete projects (Note 1)	728,064	1,091,892
Replacement reserve (Note 7)	158,458	136,478
Long-term debt (Note 8)	2,479,617	2,644,186
TOTAL LIABILITIES	7,814,417	7,778,038
NET DEBT	(3,193,956)	(3,689,337)
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 1 & 4)	18,672,422	17,555,183
Inventory (Note 1)	875,475	678,919
Prepaid expenses	16,067	16,000
TOTAL NON-FINANCIAL ASSETS	19,563,964	18,250,102
ACCUMULATED SURPLUS	\$ 16,370,008	\$ 14,560,765

APPROVED ON BEHALF OF THE FORT SEVERN FIRST NATION

Chief

Councillor

Councillor

FORT SEVERN FIRST NATION

Consolidated Statement of Operations

March 31, 2017

	2017	2016
REVENUE		
INAC (Note 11)	\$ 6,561,617	\$ 5,080,719
Health Canada (Note 12)	1,628,825	1,564,051
CMHC - rental subsidies	197,650	197,876
Other federal government departments	181,220	1,946
Province of Ontario	918,471	940,556
Hydro One	1,617,590	1,282,897
Casino Rama	1,119,007	992,267
Other	2,748,224	2,115,020
	<u>\$ 14,972,604</u>	<u>\$ 12,175,332</u>
EXPENSES		
Band governance	\$ 1,315,729	\$ 1,120,568
Community infrastructure	5,724,672	2,157,721
Community services	309,830	322,528
Economic development	-	67,460
Education	1,544,364	1,311,960
Health	1,707,446	1,621,210
Social services	676,433	755,490
Other	2,248,715	2,176,829
Transfer from incomplete	(1,091,892)	(1,220,301)
Transfer to incomplete	728,064	1,091,892
	<u>13,163,361</u>	<u>9,405,357</u>
TOTAL LIABILITIES	<u>13,163,361</u>	<u>9,405,357</u>
ANNUAL SURPLUS	<u>1,809,243</u>	<u>2,769,975</u>
ACCUMULATED SURPLUS - BEGINNING OF YEAR (Note 1)	<u>14,560,765</u>	<u>11,790,790</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 16,370,008</u>	<u>\$ 14,560,765</u>

FORT SEVERN FIRST NATION

Consolidated Statement of Change in Net Debt

March 31, 2017

	2017	2016
ANNUAL SURPLUS	\$ 1,809,243	\$ 2,769,975
Acquisition of tangible capital assets	(2,339,975)	(3,281,053)
Amortization of tangible capital assets	1,222,736	1,078,060
	(1,117,239)	(2,202,993)
Net change in inventories	(196,556)	250,727
Net change in prepaid expenses	(67)	27,500
	(196,623)	278,227
DECREASE IN NET DEBT	495,381	845,209
NET DEBT - BEGINNING OF YEAR	(3,689,337)	(4,534,546)
NET DEBT - END OF YEAR	\$ (3,193,956)	\$ (3,689,337)

FORT SEVERN FIRST NATION

Consolidated Statement of Cash Flows

Year Ended March 31, 2017

	2017	2016
OPERATING TRANSACTIONS		
Annual surplus	\$ 1,809,243	\$ 2,769,975
Items not affecting cash:		
Amortization	1,222,736	1,078,060
Appropriation to replacement reserve	21,980	21,980
Net changes in non-cash working capital balances		
Accounts receivable	(199,313)	(109,741)
Inventories	(196,556)	250,727
Prepaid expense	(67)	27,500
Accounts payable and accrued liabilities	175,607	(951,832)
Deferred revenue	380,743	(30,400)
Incomplete projects	(363,828)	(128,410)
Cash provided by operating transactions	<u>2,850,545</u>	<u>2,927,859</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	<u>(2,339,975)</u>	<u>(3,281,053)</u>
Cash applied to capital transactions	<u>(2,339,975)</u>	<u>(3,281,053)</u>
INVESTING TRANSACTIONS		
Increase in funds held in trust	(202)	(226)
Increase in investments	-	-
Decrease in investment in Washaho Socio-Economic Development Corporation	<u>214,823</u>	<u>95,237</u>
Cash provided by investing transactions	<u>214,621</u>	<u>95,011</u>
FINANCING TRANSACTIONS		
Decrease in bank loans	(13,554)	(52,980)
Repayment of long-term debt	<u>(164,569)</u>	<u>(161,592)</u>
Cash applied to financing transactions	<u>(178,123)</u>	<u>(214,572)</u>
INCREASE (DECREASE) IN CASH	<u>547,068</u>	<u>(472,755)</u>
CASH - BEGINNING OF YEAR	<u>401,329</u>	<u>874,084</u>
CASH - END OF YEAR	<u>\$ 948,397</u>	<u>\$ 401,329</u>

FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

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, 2017

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.

FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

2. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
Trade receivables	\$ 1,464,206	\$ 1,340,182
Federal Government - INAC	1,417,950	965,082
Federal Government - Health Canada	41,805	507,009
Federal Government - CMHC	41,789	16,490
Federal Government - GST receivable	223,615	202,938
Band members	<u>1,222,169</u>	<u>1,109,333</u>
	4,411,534	4,141,034
Less allowance for doubtful accounts	<u>(905,844)</u>	<u>(834,657)</u>
	<u>\$ 3,505,690</u>	<u>\$ 3,306,377</u>

3. INVESTMENTS

	<u>2017</u>	<u>2016</u>
Crescent Point Energy Corp. - 58.50 shares	\$ 500	\$ 500
Wasaya Group Incorporated	219,000	219,000
Washaho Socio-Economic Development Corporation	<u>(64,229)</u>	<u>150,594</u>
	<u>\$ 155,271</u>	<u>\$ 370,094</u>

4. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>Net Book Value</u>	
			<u>2017</u>	<u>2016</u>
Community buildings	\$ 15,026,002	\$ 7,121,059	\$ 7,904,943	\$ 8,320,993
Housing	10,776,189	3,839,016	6,937,173	5,437,101
Water / Sewage system	10,177,942	7,110,181	3,067,761	3,229,222
Equipment	3,288,042	2,841,895	446,147	311,262
Vehicles	<u>2,389,920</u>	<u>2,073,522</u>	<u>316,398</u>	<u>256,605</u>
	<u>\$ 41,658,095</u>	<u>\$ 22,985,673</u>	<u>\$ 18,672,422</u>	<u>\$ 17,555,183</u>

FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2017</u>	<u>2016</u>
Trade payables	\$ 3,297,582	\$ 3,199,270
Federal Government - INAC	94,331	48,838
Federal Government - Health Canada	85,946	53,142
Federal Government - Payroll source deductions	30,231	44,220
Province of Ontario - Ministry / Ontario Works	25,825	29,000
Province of Ontario - WSIB	30,602	29,607
Wages payable	38,868	23,701
	<u>\$ 3,603,385</u>	<u>\$ 3,427,778</u>

6. DEFERRED REVENUE

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

	<u>2017</u>	<u>2016</u>
INAC - Innovation funding for new Housing Authority	\$ 71,500	\$ -
INAC - Guidance & Counselling funding	127,800	-
Health Canada - Funding Arrangement 1516-ON-000020	103,800	59,000
Government of Canada - Treaty Land Entitlement funding	47,026	-
Service Canada - Pre-construction program funding	6,415	-
Hydro One - Fuel contract	322,500	273,000
Bell Canada - prepayment of cell tower lease agreement	20,000	20,000
Nishanawbe Aski Nation - Immediate Relief funding	48,702	-
Kwayaciiwin Education Resource Centre	20,000	20,000
Northern Chiefs	77,150	92,150
	<u>\$ 844,893</u>	<u>\$ 464,150</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, 2017

8. LONG TERM DEBT

	<u>2017</u>	<u>2016</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	446,204	484,453
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	435,716	470,662
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	397,878	425,569
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
Canada Mortgage and Housing Corporation mortgage for \$479,198 amortized over 19 years 10 months at a rate of 1.48% and is for a term of five years, due December 1, 2022, repayable \$2,324 monthly including interest	475,692	-
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	123,534	144,238
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	600,593	623,478
	<u>2,479,617</u>	<u>2,644,186</u>

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

2018	\$ 575,150
2019	576,024
2020	916,693
2021	21,969
2022	389,781
	<u>\$ 2,479,617</u>

FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2017

9. FUNDS HELD IN TRUST

	2017			2016	
	Capital	Revenue	Total	Total	
BALANCE - BEGINNING OF YEAR	\$ 334	\$ 10,567	\$ 10,901	\$ 10,675	
INTEREST INCOME	-	202	202	226	
BALANCE - END OF YEAR	\$ 334	\$ 10,769	\$ 11,103	\$ 10,901	

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	\$ 6,806,410
Fuel Assistance funding to be clawed back as no fuel was flown in during 2017 winter season	(45,493)
Innovation funding for Housing Authority deferred to 2017/18 as per instructions received	(71,500)
Guidance & Counselling funding deferred to 2017/18 as per INAC letter dated Aug 18/17	(127,800)
	<u>\$ 6,561,617</u>

12 RECONCILIATION OF HEALTH CANADA FUNDING

Funding per Health Canada Funding Report	\$ 1,707,201
Add: Funding carried forward from prior year	
- Aboriginal Diabetes Initiative	\$ 11,000
- Community Health Promotion	44,000
- Nutrition North Canada program	<u>4,000</u>
	59,000
Less: Carry forward funding to 2017/18 as approved by Health Canada	
- Community Health Promotion	\$ 81,000
- Nutrition North Canada program	5,800
- Maternal Child Health program	<u>17,000</u>
	(103,800)
Recovery of funding by Health Canada	
- Health Planning & Management	\$ 880
- Capital Investment funding	1,180
- Security Services recovery	<u>31,516</u>
	(33,576)
	<u>\$ 1,628,825</u>