

FORT SEVERN FIRST NATION

Consolidated Financial Statements

March 31, 2018

FORT SEVERN FIRST NATION

**Financial Statements
March 31, 2018**

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FORT SEVERN FIRST NATION
Management's Responsibility for Financial Reporting
Year Ended March 31, 2018

Approval date, 2019

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

December 4, 2019

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, 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 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, 2018, 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, 2018

	2018	2017
FINANCIAL ASSETS		
CURRENT		
Cash (Note 1)	\$ 1,107,169	\$ 948,397
Accounts receivable (Note 2)	4,911,123	3,505,690
Investments (Note 1 & 3)	100,443	155,271
Fund held in trust (Note 9)	11,339	11,103
	<u>\$ 6,130,074</u>	<u>\$ 4,620,461</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 5)	\$ 4,634,981	\$ 3,603,385
Deferred revenue (Note 6)	985,278	844,893
Incomplete projects (Note 1)	1,027,475	728,064
Replacement reserve (Note 7)	180,438	158,458
Long-term debt (Note 8)	2,311,851	2,479,617
	<u>9,140,023</u>	<u>7,814,417</u>
NET DEBT	<u>(3,009,949)</u>	<u>(3,193,956)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Notes 1 & 4)	19,536,073	18,672,422
Inventory (Note 1)	1,179,451	875,475
Prepaid expenses	74,283	16,067
	<u>20,789,807</u>	<u>19,563,964</u>
ACCUMULATED SURPLUS	<u>\$ 17,779,858</u>	<u>\$ 16,370,008</u>

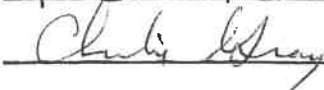
APPROVED-ON BEHALF OF THE FORT SEVERN FIRST NATION



Chief



Councillor



Councillor

FORT SEVERN FIRST NATION

Consolidated Statement of Operations

March 31, 2018

	2018	2017
REVENUE		
INAC (Note 11)	\$ 8,359,223	\$ 6,561,617
Health Canada (Note 12)	2,450,639	1,628,825
Canada Mortgage & Housing Corporation	499,587	250,500
Other federal government departments	219,353	181,220
Province of Ontario	1,116,109	918,471
Hydro One	1,610,902	1,617,590
Casino Rama	1,133,673	1,119,007
Other	2,557,269	2,695,374
	<u>\$ 17,946,755</u>	<u>\$ 14,972,604</u>
EXPENDITURES		
Band governance	\$ 1,440,010	\$ 1,315,729
Community infrastructure	6,399,814	5,724,672
Community services	217,969	309,830
Economic development	99,864	-
Education	2,005,166	1,544,364
Health	2,454,121	1,707,446
Social services	636,654	676,433
Other	2,983,896	2,248,715
Transfer from incomplete	(728,064)	(1,091,892)
Transfer to incomplete	1,027,475	728,064
	<u>16,536,905</u>	<u>13,163,361</u>
ANNUAL SURPLUS	<u>1,409,850</u>	<u>1,809,243</u>
ACCUMULATED SURPLUS - BEGINNING OF YEAR (Note 1)	<u>16,370,008</u>	<u>14,560,765</u>
ACCUMULATED SURPLUS - END OF YEAR	<u>\$ 17,779,858</u>	<u>\$ 16,370,008</u>

FORT SEVERN FIRST NATION

Consolidated Statement of Change in Net Debt

March 31, 2018

	2018	2017
ANNUAL SURPLUS	\$ 1,409,850	\$ 1,809,243
Acquisition of tangible capital assets	(2,134,273)	(2,339,975)
Amortization of tangible capital assets	1,270,622	1,222,736
	(863,651)	(1,117,239)
Net change in inventories	(303,976)	(196,556)
Net change in prepaid expenses	(58,216)	(67)
	(362,192)	(196,623)
DECREASE IN NET DEBT	184,007	495,381
NET DEBT - BEGINNING OF YEAR	(3,193,956)	(3,689,337)
NET DEBT - END OF YEAR	\$ (3,009,949)	\$ (3,193,956)

FORT SEVERN FIRST NATION

Consolidated Statement of Cash Flows

Year Ended March 31, 2018

	2018	2017
OPERATING TRANSACTIONS		
Annual surplus	\$ 1,409,850	\$ 1,809,243
Items not affecting cash:		
Amortization	1,270,622	1,222,736
Appropriation to replacement reserve	21,980	21,980
Net changes in non-cash working capital balances		
Accounts receivable	(1,405,433)	(199,313)
Inventory	(303,976)	(196,556)
Prepaid expense	(58,216)	(67)
Accounts payable and accrued liabilities	1,031,596	175,607
Deferred revenue	140,385	380,743
Incomplete projects	299,411	(363,828)
Cash provided by operating transactions	<u>2,406,219</u>	<u>2,850,545</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	<u>(2,134,273)</u>	<u>(2,339,975)</u>
Cash applied to capital transactions	<u>(2,134,273)</u>	<u>(2,339,975)</u>
INVESTING TRANSACTIONS		
Increase in funds held in trust	(236)	(202)
Decrease in investment in Washaho Socio-Economic Development Corporation	<u>54,828</u>	<u>214,823</u>
Cash provided by investing transactions	<u>54,592</u>	<u>214,621</u>
FINANCING TRANSACTIONS		
Decrease in bank loans	-	(13,554)
Repayment of long-term debt	<u>(167,766)</u>	<u>(164,569)</u>
Cash applied to financing transactions	<u>(167,766)</u>	<u>(178,123)</u>
INCREASE IN CASH	158,772	547,068
CASH - BEGINNING OF YEAR	<u>948,397</u>	<u>401,329</u>
CASH - END OF YEAR	<u>\$ 1,107,169</u>	<u>\$ 948,397</u>

FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

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, 2018

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, 2018

2. ACCOUNTS RECEIVABLE

	<u>2018</u>	<u>2017</u>
Trade receivables	\$ 1,732,907	\$ 1,464,206
Federal Government - INAC	2,546,487	1,417,950
Federal Government - Health Canada	80,366	41,805
Federal Government - CMHC	58,731	41,789
Federal Government - GST receivable	306,250	223,615
Federal Government - Other	93,089	-
Band members	<u>1,348,984</u>	<u>1,222,169</u>
	6,166,814	4,411,534
Less allowance for doubtful accounts	<u>(1,255,691)</u>	<u>(905,844)</u>
	<u>\$ 4,911,123</u>	<u>\$ 3,505,690</u>

3. INVESTMENTS

	<u>2018</u>	<u>2017</u>
Crescent Point Energy Corp. - 47.0 shares	\$ 500	\$ 500
Wasaya Group Incorporated	219,000	219,000
Washaho Socio-Economic Development Corporation	<u>(119,057)</u>	<u>(64,229)</u>
	<u>\$ 100,443</u>	<u>\$ 155,271</u>

4. TANGIBLE CAPITAL ASSETS

	<u>Cost</u>	<u>ACCUMULATED AMORTIZATION</u>	<u>Net Book Value 2018</u>	<u>2017</u>
Community buildings	\$ 15,026,002	\$ 7,516,306	\$ 7,509,696	\$ 7,904,943
Housing	12,442,473	4,238,716	8,203,757	6,937,173
Water / Sewage / Tank farm	10,359,631	7,272,653	3,086,978	3,067,761
Equipment	3,369,042	2,998,588	370,454	446,147
Vehicles	<u>2,595,219</u>	<u>2,230,031</u>	<u>365,188</u>	<u>316,398</u>
	<u>\$ 43,792,367</u>	<u>\$ 24,256,294</u>	<u>\$ 19,536,073</u>	<u>\$ 18,672,422</u>

FORT SEVERN FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2018</u>	<u>2017</u>
Trade payables	\$ 4,121,719	\$ 3,297,582
Federal Government - INAC	108,729	94,331
Federal Government - Health Canada	207,526	85,946
Federal Government - Other	119,647	30,231
Province of Ontario - Ministry / Ontario Works	23,114	25,825
Province of Ontario - WSIB	32,467	30,602
Wages payable	21,779	38,868
	<u>\$ 4,634,981</u>	<u>\$ 3,603,385</u>

6. DEFERRED REVENUE

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

	<u>2018</u>	<u>2017</u>
INAC - Program funding	\$ 238,932	\$ 199,300
Health Canada - Funding Arrangement 1516-ON-000020	123,601	103,800
Government of Canada - Treaty Land Entitlement funding	14,348	47,026
Service Canada - Pre-construction program funding	-	6,415
Hydro One - Fuel contract	384,000	322,500
Trillium Foundation - Local Poverty Reduction funding	86,545	-
Bell Canada - prepayment of cell tower lease agreement	20,000	20,000
Nishanawbe Aski Nation - Immediate Relief funding	48,702	48,702
Kwayaciiwin Education Resource Centre	20,000	20,000
Northern Chiefs	49,150	77,150
	<u>\$ 985,278</u>	<u>\$ 844,893</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, 2018

8. LONG TERM DEBT

	<u>2018</u>	<u>2017</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
Canada Mortgage and Housing Corporation mortgage for \$407,386 amortized over 9 years, 8 months at a rate of 2.39% and is for a term of five years, due March 1, 2023, repayable \$3,935 monthly including interest	407,386	-
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	400,202	435,716
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	369,695	397,878
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	454,687	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	102,415	123,534
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	577,466	600,593
	<u>2,311,851</u>	<u>2,479,617</u>

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

2019	\$ 613,957
2020	955,522
2021	61,767
2022	430,518
2023	41,717

FORT SEVERN FIRST NATION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018

9. FUNDS HELD IN TRUST

	2018			2017
	Capital	Revenue	Total	Total
BALANCE - BEGINNING OF YEAR	\$ 334	\$ 10,769	\$ 11,103	\$ 10,901
INTEREST INCOME	-	236	236	202
BALANCE - END OF YEAR	\$ 334	\$ 11,005	\$ 11,339	\$ 11,103

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	\$ 8,400,459
Innovation funding for Housing Authority deferred in 2016/17 - revenue reported in 2017/18.	71,500
Community Development funding for Polar Bear Feasibility Study deferred to 2018/19.	(68,974)
Community-Based Prevention Services funding deferred to 2018/19 as allowed per INAC letter dated September 25, 2017.	(32,158)
Raw Water Reservior Liner Repairs funding deferred to 2018/19 as project not started till after March 31, 2018.	(10,000)
Assisted Living In-Home Care funding to be clawed back by INAC as per cost-sharing agreement with Ontario Ministry.	(1,604)
	<u><u>\$ 8,359,223</u></u>

FORT SEVERN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2018

12. RECONCILIATION OF HEALTH CANADA FUNDING

Funding per Health Canada Funding Report		\$	2,639,626
Add: Funding carried forward from prior year			
- Community Health Promotion	\$	81,000	
- Maternal Child Health program		17,000	
- Nutrition North Canada program		<u>5,800</u>	
			103,800
Less: Funding carried forward to 2018/19 as approved by Health Canada			
- Jordan's Principle funding	\$	111,518	
- Choose Life program		<u>12,083</u>	
			(123,601)
Recovery of funding by Health Canada			
- Primary Health Care programs	\$	103,827	
- Health Planning & Mgmt support		566	
- Health Facilities O&M support		30,181	
- Children's Oral Health Initiative		33	
- Dental Benefits - Direct funding		326	
- Vision Care - Direct funding		15	
- Security Services funding		<u>34,238</u>	
			(169,186)
		\$	<u><u>2,450,639</u></u>