Swan Lake First Nation - Consolidated

Financial Statements
For the year ended March 31, 2017

Swan Lake First Nation - Consolidated

Financial Statements
For the year ended March 31, 2017

Contents

Tel: 204 727 0671
Fax: 204 726 4580
www.bdo.ca

BDO Canada LLP
148 - 10th Street
Brandon MB R7A 4E6 Canada

Independent Auditor's Report

To the Members of Swan Lake First Nation

We have audited the accompanying financial statements of Swan Lake First Nation, which comprise the consolidated statement of financial position as at March 31, 2017, consolidated statements of changes in net debt, operations 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Swan Lake First Nation as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards. Our report is intended solely for the Directors of Swan Lake First Nation and A.A.N.D.C. and should not be used by parties other than the Members of Swan Lake First Nation or A.A.N.D.C.

Unaudited Information

We have not audited or otherwise attempted to verify the accuracy or completeness of the schedules on pages 18 to 78 of the organization's financial statements.

BDO Canada LLP

Chartered Professional Accountants

Brandon, Manitoba
July 27, 2017

Swan Lake First Nation - Consolidated Statement of Financial Position

March 31	2017	2016
Financial Assets		
Cash and short term investments (Note 2)	$ 5,376,884	$ 5,152,590
Trust funds - A.A.N.D.C. (Note 3)	235	35,906
Accounts receivable (Note 4)	455,807	1,146,699
Replacement reserve assets	104,801	104,801
	5,937,727	6,439,996
Liabilities		
Bank indebtedness (Note 7)	836,722	244,994
Accounts payable (Note 8)	657,470	1,052,441
Deferred revenue (Note 10)	190,569	213,200
Long-term debt (Note 9)	23,259,990	18,232,127
	24,944,751	19,742,762
Net Debt	(19,007,024)	(13,302,766)
Non-Financial Assets		
Tangible capital assets (Note 6)	35,413,372	29,641,113
Inventories	427,807	396,609
	35,841,179	30,037,722
Accumulated Surplus	$ 16,834,155	$ 16,734,956

On behalf of the Chief and Council:

Chief Councilor

Councilor Councilor

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Swan Lake First Nation - Consolidated Statement of Net Debt

For the year ended March 31	2017	2016
Annual Surplus	**$ 99,196**	$ 168,424
Acquisition of tangible capital assets	**(7,367,555)**	(7,178,502)
Amortization of tangible capital assets	**1,618,299**	2,023,510
Disposal of capital assets	**(23,000)**	-
	(5,673,060)	(4,986,568)
Use of inventories	**(31,198)**	1,628
Decrease in net debt	**(5,704,258)**	(4,984,940)
Net debt, beginning of year	**(13,302,766)**	(8,317,826)
Net debt, end of year	**$ (19,007,024)**	$ (13,302,766)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Swan Lake First Nation - Consolidated
Statement of Operations

For the year ended March 31	2017	2016
Revenue		
A.A.N.D.C.	**$ 5,665,367**	$ 5,796,397
Other revenue	**23,182,338**	21,998,045
	28,847,705	27,794,442
Expenditures		
Band support/administration	**1,740,200**	1,313,323
Social	**949,404**	1,103,489
Education	**2,345,046**	2,275,287
Health	**1,206,148**	1,146,800
Housing	**1,487,081**	1,167,549
Operations and maintenance	**3,984,635**	3,739,184
Enterprises	**17,035,995**	16,880,386
	28,748,509	27,626,018
Surplus for year	**$ 99,196**	$ 168,424

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Swan Lake First Nation - Consolidated
Statement of Cash Flows

For the year ended March 31	2017	2016
Cash Flows from Operating Activities		
Surplus for the year	$ **99,196**	$ 168,424
Adjustments for		
Amortization of tangible capital assets	**1,618,299**	2,023,510
Gain on disposal of capital assets	**(23,000)**	-
	1,694,495	2,191,934
Changes in non-cash working capital balances		
Accounts receivable	**690,892**	(409,036)
Inventories	**(31,198)**	1,628
Accounts payable	**(394,971)**	626,413
Deferred revenue	**(22,631)**	(451,707)
Replacement reserve	**2**	258,587
	242,094	25,885
	1,936,589	2,217,819
Cash Flows from Capital Activities		
Purchase of tangible capital assets	**(7,367,555)**	(7,178,502)
Cash Flows from Financing Activities		
Repayment of long-term debt	**(1,334,096)**	(1,026,554)
Proceeds of long-term debt	**6,361,977**	4,925,852
	5,027,881	3,899,298
Decrease in cash and cash equivalents during the year	**(403,085)**	(1,061,385)
Cash and cash equivalents, beginning of year	**4,943,482**	6,004,867
Cash and cash equivalents, end of year	$ **4,540,397**	$ 4,943,482
Represented by		
Cash and short-term investments	$ **5,376,884**	$ 5,152,590
Trust funds - A.A.N.D.C.	**235**	35,906
Bank indebtedness	**(836,722)**	(244,994)
	$ **4,540,397**	$ 4,943,502

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Swan Lake First Nation is a First Nation government that provides a wide range of services to the members of its community. By its nature, the entity is non-taxable. The entity is governed by a board of elected Chief and Council.

Basis of Presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the Canadian Institute of Chartered Accountants Public Sector Accounting and Auditing Handbook, and include all organizations, operations and activities that are:
1) accountable for the administration of their financial affairs and resources directly to the First Nation; and
2) owned or controlled by the First Nation.

Reporting Entity

These financial statements consolidate the operations of all band administered departments plus the following band controlled entities:
- SLFN Enterprises
- Swan Lake First Nation Housing Authority
- Swan Lake First Nation Gaming Commission
- Swan Lake First Nation Farm
- 6226124 Manitoba Ltd.

The TLE First Nation Trust is not consolidated with the Swan Lake First Nation financial statements. This entity has its own separate board of directors and is not under the control of the Chief and Council of Swan Lake First Nation.

Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The First Nation does not capitalize interest charges as part of the cost of its tangible capital assets.

Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles, Crown lands that have not been purchased by the First Nation, forests, water, and other natural resources are not recognized as tangible capital assets.

Amortization

Assets are amortized over their expected useful life at the following rates:

Water Treatment Plant	5%	Declining Balance
Buildings	5%	Declining Balance
Medical Vans	30%	Declining Balance
Vehicles	20%	Declining Balance
CMHC Housing	4%	Straight Line
Roads	3%	Straight Line
Potato Chip Plant	20%	Straight Line
Band Buildings	5%	Declining Balance
VLT Lounge	4%	Declining Balance
Equipment	20%	Declining Balance
Wind Farm	5%	Declining Balance
Water Lines	4%	Straight Line

No amortization is recorded on the irrigation dam - non depreciable.

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

Revenue Recognition

Funding received under the terms of agreements are recognized as revenue when collection has been reasonably assured and the stipulations to earn the funding have been met. Other revenue is recognized when services are provided and collectability is reasonably assured.

The amounts recognized as deferred program revenue have been externally restricted to be used on program delivery as specified by the appropriate funding authority.

Due from/to Related Parties

The Swan Lake First Nation Farm has a year end of November 30. The amount Due from / to Related Parties represents the transactions for the farm that have flowed through the band since November 30. As transactions for the farm are minimal during the period December 1 - March 31, the preceding treatment is deemed appropriate.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principals 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. Estimates by management have been made in the following areas:

- The useful life of capital assets

- The collectability of accounts receivable

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Trust Funds

Trust funds represent the Indian Monies Trust funds held by the Federal Government. These funds are administered by the Federal Government. There were no expenditures in the current fiscal year.

2. Cash and Short Term Investments

	2017	2016
Swan Lake First Nation	$ 31,734	$ 55,760
Swan Lake First Nation - Social	(2,310)	7,017
Swan Lake First Nation Housing Authority	300,371	123,129
Gaming Commission	92	165
Swan Lake First Nation Farm	4,465	737
SLFN Enterprises	1,379,478	2,180,525
SLFN Enterprises - ATM/VLT cash on hand	475,443	388,497
SLFN Enterprises - term deposits	2,318,343	2,114,788
Four Corners Gas Bar	15,579	55,682
SLFN Instaloans	17,202	17,202
Cash and short-term investments	$ 4,540,397	$ 4,943,502
Represented by:		
Cash and short-term investments	$ 5,376,884	$ 5,152,590
Trust funds - A.A.N.D.C.	235	35,906
Bank indebtedness	(836,722)	(244,994)
	$ 4,540,397	$ 4,943,502

3. Trust Funds Held by Federal Government

Trust fund accounts 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 Sections 63 to 69 of the Indian Act.

	Opening Balance	Additions	Withdrawals	2017 Total	2016 Total
Revenue	35,865	$ 4,067	$ 39,738	$ 194	$ 35,865
Capital	41	-	-	41	41
Fund Total	35,906	$ 4,067	$ 39,738	$ 235	$ 35,906

4. Accounts Receivable

	2017	2016
SLFN Enterprises	$ 24,480	$ 362,009
A.A.N.D.C. program funding	272,023	-
F.N.I.H.B. program funding	-	100,807
GST	43,787	39,607
Band member advances	-	14,151
Holdbacks	-	475,698
CMHC retrofit funding	71,340	-
CEDO loans	45,084	45,394
Occupant receivables	12,860	1,352
Other	22,110	123,660
Trust	19,898	19,898
Allowance for doubtful accounts	(55,775)	(35,877)
	$ 455,807	$ 1,146,699

5. Related Party Transactions

Swan Lake First Nation is related to the Swan Lake First Nation Trust - Treaty Land Entitlement as the First Nation is a beneficiary of the trust. The Trust has its own board of directors and is not controlled by the First Nation, therefore it has not been consolidated into the accounts of the First Nation. There were no transactions in the year with the trust.

6. Tangible Capital Assets

	2017			2016		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Water treatment plant	$ 4,137,862	$ 1,426,121	$ 2,711,741	$ 4,137,862	$ 1,281,886	$ 2,855,976
Buildings	24,135,617	2,790,371	21,345,246	18,177,538	2,292,816	15,884,722
Irrigation dam	286,783	-	286,783	286,783	-	286,783
Medical vans	327,871	256,522	71,349	327,871	225,943	101,928
Vehicles	461,916	246,461	215,455	132,850	113,970	18,880
CMHC housing	6,054,955	2,300,594	3,754,361	6,054,955	2,058,416	3,996,539
Roads	853,154	510,578	342,576	853,154	489,249	363,905
Potato chip plant	2,383,634	2,383,634	-	2,383,634	2,383,634	-
Band buildings	8,226,584	2,809,672	5,416,912	7,846,284	2,467,850	5,378,434
VLT lounge	465,408	313,519	151,889	444,233	292,959	151,274
Equipment	5,040,062	4,404,507	635,555	4,583,381	4,278,676	304,705
Wind Farm	134,008	44,741	89,267	134,008	38,041	95,967
Water Lines	800,000	630,000	170,000	800,000	598,000	202,000
Land	222,238	-	222,238	-	-	-
	$ 53,530,092	$ 18,116,720	$ 35,413,372	$ 46,162,553	$ 16,521,440	$ 29,641,113

7. Bank Indebtedness

The SLFN Enterprises Ltd. bank account carries an overdraft limit of $250,000 and has unused credit facility of $250,000. The Swan Lake First Nation regular bank and Social bank accounts do not carry an overdraft limit. Therefore, at March 31, 2017, the Swan Lake First Nation and Social are over their operating limit by $666,731 and $1,668 due to cheques that were sent on March 31, 2017 in anticipation of funding being received by the time the cheques cleared the bank.

8. Accounts Payable

	2017	2016
Trade accounts payable	$ **530,278**	$ 937,631
School division payables	**24,423**	24,423
Accrued liabilities	**102,086**	89,705
A.A.N.D.C. payable	**682**	682
	$ **657,469**	$ 1,052,441

9. Long-term Debt

	2017	2016
Canada Mortgage and Housing Authority mortgage repayable monthly at $2,058 including interest at 2.65% secured by a ministerial guarantee, matures April 1, 2026.	$ **197,993**	$ 218,469
Canada Mortgage and Housing Authority mortgage repayable monthly at $1,475 including interest at 1.71% secured by a ministerial guarantee, matures July 1, 2027.	**167,631**	182,350
Canada Mortgage and Housing Authority mortgage repayable monthly at $2,176 including interest at 1.62% secured by a ministerial guarantee, matures March 1, 2028.	**263,017**	284,702
Canada Mortgage and Housing Authority mortgage repayable monthly at $1,696 including interest at 1.92% secured by a ministerial guarantee, matures January 1, 2029.	**215,382**	231,458
Canada Mortgage and Housing Authority mortgage repayable monthly at $1,206 including interest at 1.92% secured by a ministerial guarantee, matures April 1, 2029.	**156,062**	167,442
Canada Mortgage and Housing Authority mortgage repayable monthly at $1,540 including interest at 1.05% secured by a ministerial guarantee, matures March 1, 2030.	**224,546**	240,591
Canada Mortgage and Housing Authority mortgage repayable monthly at $3,675 including interest at 1.71% secured by a ministerial guarantee, matures July 1, 2032.	**594,657**	628,335

9. **Long-term Debt (continued)**

Canada Mortgage and Housing Authority mortgage repayable monthly at $1,316 including interest at 2.56% secured by a ministerial guarantee, matures December 1, 2030.	**181,849**	193,859
Canada Mortgage and Housing Authority mortgage repayable at $1,269 including interest at 1.62%, secured by ministerial guarantee, matures February 1, 2033.	**213,557**	225,238
Canada Mortgage and Housing Authority mortgage repayable at $1,381 including interest at 2.75%, secured by ministerial guarantee, matures May 1, 2036	**245,465**	256,422
Canada Mortgage and Housing Authority mortgage repayable monthly at $1,222 including interest at 1.64% secured by a ministerial guarantee, matures December 1, 2036.	**247,197**	257,819
Canada Mortgage and Housing Authority mortgage repayable monthly at $2,338 including interest at 1.44%, secured by ministerial guarantee, matured July 1, 2037	**494,464**	515,274
Canada Mortgage and Housing Authority mortgage, repayable monthly at $589 including interest of 1.77%, secured by ministerial guarantee, matures November 1, 2039.	**131,864**	136,561
Canada Mortgage and Housing Authority mortgage, repayable monthly at $543 including interest of 1,77%, secured by ministerial guarantee.	**129,535**	134,228
Canada Mortgage and Housing Authority mortgage, repayable monthly at $1,721 including interest of 1.11% secured by ministerial guarantee, matures April 1, 2036.	**355,164**	360,649
TD Canada Trust mortgage (DOCFS building) remortgaged during year.	**-**	548,722
TD Canada Trust mortgage (DOCFS Building), repayable monthly at $5,189 principle and interest, interest payable at a rate of 2.85%, matures February 2026.	**494,330**	-
Dakota Ojibway Child and Family Services (DOCFS) loan repayable annually in the amount of the surplus between loan payments for DOCFS building and the rental revenue received for the fiscal year from DOCFS. Loan is non-interest bearing and non-secured.	**139,223**	162,984
Peace Hills Trust loan (potato chip plant), repayable monthly, interest-only payments at prime plus .50%. Secured by GIC held with Peace Hills Trust. Matures Nov 2017.	**700,000**	700,000
TD Canada Trust Loan (administration building), repayable monthly at $7,190 principle and interest, interest payable at 3.95%, matures August 2027.	**735,764**	791,755

9. Long-term Debt (continued)

TD Canada Trust loan (geothermal system), repayable monthly at $1,567 principle and interest, interest payable at a rate of 3.95%, matures August 2017.	**7,761**	25,861
TD Canada Trust loan (RV Park/Log Cabins), repayable monthly at $5,189 principle and interest, interest payable at a rate of 2.35%, matures February 2030.	**721,537**	768,662
RBC loan (water treatment plant), repayable monthly at $51,352 principle and interest, interest payable at 3.9%, loan due on demand.	**6,217,911**	6,635,544
RBC Loan (Headingley building), matures April 2018.	**9,729,179**	4,565,202
TD Canada Trust loan repayable monthly at $1,034 principle and interest, interest payable at a rate of 2.85%, matures February 2018.	**11,211**	-
TD Canada Trust loan (Hi-Trac) repayable monthly at $3,871 principle and interest, interest payable at a rate of 3.53%, matures February 2024.	**284,691**	-
TD Canada Trust loan (Foster Home), repayable at prime +1.50%, matures April 2017.	**400,000**	-
	23,259,990	18,232,127
Less amounts due within one year included in current liabilities	**7,753,569**	7,035,806
	$ 15,506,421	$ 11,196,321

Principal repayments for the next five years and thereafter are as follows:

2018	$ 7,753,569
2019	10,153,755
2020	432,853
2021	441,357
2022	450,174
Thereafter	4,028,282
	$ 23,259,990

10. Deferred Revenue

	2017	2016
Opening	**213,200**	664,907
Add: Amounts deferred		
A.A.N.D.C. program funding - Land Management	**122,418**	73,532
A.A.N.D.C. program funding - Education	**67,608**	60,914
Other program funding	**543**	76,468
Less: Amounts recognized in the year	**(213,200)**	(662,621)
	$ 190,569	$ 213,200

11. Financial Risk Management

There have been no substantive changes in the entity's exposure to financial instrument risks. The board monitors the financial statements including its financial instruments on a monthly basis to determine if there are any increases or changes in its risk.

The principal financial instruments used by the entity, from which financial risk arises, are as follows: cash, receivables and payables, and long-term debt.

Market Risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign exchange risk and other price risk.

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The long term debt is affected by interest rate risk.

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The entity is not exposed to foreign exchange risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The entity is not exposed to other price risk.

Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulty in having available sufficient funds to meet its commitments. It is the entity's policy to ensure that it will have sufficient cash and short term investments to allow it to meet its liabilities when they come due.

Credit Risk

Credit risk arises principally from receivables. The majority of the entity's receivables are the result of GST that is refundable and amounts due from government entities. The credit risk is minimal.

12. Capital

The organization considers its capital to be its net assets. The organization's objectives when managing its capital are to safeguard its ability as a going concern so it can continue to provide services to its members. Annual budgets are developed and monitored to ensure the organization's capital is maintained at an appropriate level.

13. Internal Charges

To properly reflect expenditures by program, certain internal charges have been included in one program's expenditure and another program's revenue. $1,623,534 of internal transfers have been included in the departmental schedules but removed from both revenue and expenditures on the statement of operations - combined.

14. Replacement Reserve

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the replacement reserve accounts for each phase are to accumulate with annual appropriations until they reach the final accumulation amounts plus interest.

These funds, along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by Canada Mortgage and Housing Corporation and withdrawals are credited first to interest, then to principal.

The amount of replacement reserve at March 31, 2017 is $22,424. $22,424 is funded and set aside in a separate bank account. The annual replacement reserve allocation is $61,300.

15. Commitments and Contingencies

There are no commitments or contingent liabilities owing at March 31, 2017 (2016 - $-).

16. Payroll Remittances

Swan Lake First Nation entered into an agreement with Aboriginal Affairs and Northern Development Canada for funding contributions for employees registered pension plans and the Canada Pension Plan for Aboriginal Affairs and Northern Development Canada funded employees. The following amounts relate to the agreement as well as source deductions remitted to Canada Revenue Agency and group insurance payments submitted to Rice Financial and Great West Life.

Total eligible salaries	$ 2,431,138
Employee's contributions:	
Canada Pension Plan	21,338
EI	18,984
Income tax	124,472
Employer's contributions:	
Private pension plan	111,604
Canada Pension Plan	21,338
EI	68,578
Group Insurance	89,971

All unremitted amounts were remitted in April, 2017.

17. Segmented Information

Swan Lake First Nation - Consolidated is a First Nation government that provides a wide range of services to the members of its community. For management reporting purposes the First Nations' operations and activities are organized and reported by Program. Programs were created for the purpose of recording specific activities in accordance with specific regulations, restrictions or limitations. These activities can also be categorized into segments. The following significant segments have been identified and as such are separately disclosed:

Education
Education contains activities that provide education to band members for primary, secondary schooling and sponsorship to attend post secondary institutions.

Social
Social contains activities that provide financial support or support by other means to band members that is aimed at developing both the individual as well as the community.

Band Support/Administration
Band support/administration contains activities that are necessary for the management and governance of the First Nation organization.

Operations and Maintenance
Operations and maintenance contains all activities that relate to the maintenance of land, buildings and infrastructure of the First Nation.

Health Services
Health Services contains activities that provide medical services to band members.

Rental Housing
Rental Housing contains activities that provide housing and repairs and maintenance to band members' housing.

Enterprises
Enterprises contain business activities operated by the first nation.