



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada

www.inac.gc.ca

www.ainc.gc.ca

April 19, 2011

Your file - Votre référence

Our file - Notre référence

30-0005-09.10
CIDM #373887

Fishing Lake First Nation
Box 508
Wadena, SK S0A 4J0

Attention: Chief Allan Paquachan

RE: AUDITED FINANCIAL STATEMENTS FOR 2009.10 FISCAL YEAR

The South Budget Centre Audit Review Committee has completed its analysis of the consolidated audited financial statements for the fiscal year ending March 31, 2010. We would like to thank Chief and Council for submission of the audited financial statements.

The financial statements report a current year deficit of (\$649,437.00). We note that the auditor issued a Denial of opinion for the financial statements, due to serious deficiencies in the accounting records and system of internal controls. We trust that the consolidated audit for the 2010.11 fiscal year will receive a qualified opinion from the First Nation's auditor.

A copy of the Compliance and Solvency Review is enclosed for your use. You will note with the adoption of the Common Government Reporting Model (new Canadian Institute of Chartered Accountants accounting standards), the Financial Profile History listed on page 8 includes the following ratios which assist INAC in determining whether or not intervention needs to be applied: (1) liquidity ratio which reports your ability to meet your short term obligations, (2) sustainability ratio which indicates the ability to cover all liabilities using liquid assets such as Cash and Receivables, and (3) working capital to revenue ratio illustrates efficiency in your operations. All three (3) ratios are in an unfavorable position which indicates that your administration/program staff will need to implement a number of changes to ensure financial accountability and stability. The following provides you with a more detailed analysis on the ratios listed above:

1. Liquidity Ratio: This ratio was determined to be 0.47 which is well below the acceptable ratio of 0.90. There are insufficient current assets to cover current liabilities. Decreasing current liabilities such as Accounts Payable will help to improve this ratio.
2. Sustainability Ratio: This ratio was determined to be 0.18 which is below the acceptable minimum ratio of 0.50. This ratio determines whether there are adequate current assets to meet your total financial liabilities in accounts payable and accruals, deferred revenue, long term debt and CMHC loan.
3. Working Capital to Revenue Ratio: This ratio was determined to be (0.18) which indicates that there is negative working capital (current assets are lower than current liabilities) and that it represents 18% of total revenues. This ratio indicates the proportion of working capital (current assets minus current liabilities) to total revenue. A positive ratio indicates the working capital is positive.

Canada

Additionally, we note the following:

- 1) The Auditor's Management Letter lists a number of deficiencies that contributed to the denial of opinion. The most pressing deficiencies should be dealt with as soon as possible.
- 2) Band Government reported a (\$117,915) current deficit.
- 3) Capital reported a (\$723,532.00) current deficit.
- 4) Community Infrastructure reported a (\$142,114.00) current deficit.
- 5) Commercial Entities reported a (\$123,824.00) current deficit.
- 6) Other Band Programs reported a significant current surplus of \$268,273.00.
- 7) The total current deficit was reported as (\$649,437.00).
- 8) There is insufficient cash to cover deferred revenue. Cash was reported as \$ 418,378.00 while deferred revenue was reported as \$584,187.00, a shortfall of \$165,809.00.
- 9) Audit note 13 indicates that the First Nation consolidated two loans into a loan in the amount of \$1,456,000.00. This loan, and the required payments, should be included in a revised RMP.

These programs should be reviewed to ensure that budgets are realistic and that appropriate revenues and expenses are being accounted for. A regular analysis of variances between actual revenues and expenses and budgeted revenues and expenses is a worthwhile exercise to help ensure programs are well-managed.

It would be worthwhile to ensure that a policy is in place regarding member loans and advances. If a policy is in place, it may be worthwhile to review the policy and collection processes. There was an increase in member receivables from 2009 to 2010; the balance increased from \$65,215.00 to \$77,038.00. Additionally, we noted that the CMHC operating and replacement reserve accounts were underfunded by \$187,548.00 and \$108,770.00, respectively. This matter should be addressed as soon as possible.

We will require a revised Remedial Management Plan/Management Action Plan (RMP/MAP) that takes into account the financial position of the First Nation reported in the 2009/2010 audited financial statements. This RMP/MAP should identify resources to cover the payments for the consolidated loan. Please provide a revised RMP/MAP by May 31, 2011.

Canada's transfer payment policy has changed. We direct your attention to the Treasury Board web-site (www.tbs.gc.ca) and encourage you to read the new Policy on Transfer Payments (PTP). The department has embarked on the process to implement those changes by April 2011.

Flexibility to use INAC program funding for deficit recovery in remedial management plans may also change in the future. As the department introduces new contribution methods as outlined in the new Policy on Transfer Payments, the department will undertake an annual review of Remedial Management Plans to ensure they are in accordance with the new Policy on Transfer Payments.

Fishing Lake First Nation
Page 3
April 19, 2011.

Should you have any questions or concerns, please contact myself or your Senior Funding Services Officer at the South Budget Centre Office at (306)332-8540.

A/Resia Resjarkus

Jarvis Gray
Associate Director
Indian and Northern Affairs Canada
South Budget Centre
Box 760
Fort Qu'Appelle, SK S0G 1S0

ENC: COMPLIANCE & SOLVENCY REVIEW, CIDM #373060

COPY: Michele Germaine, Co-Manager, Fishing Lake First Nation
Meyers Norris Penny, Auditor, Saskatoon

CIDM: Loree MacPherson, Director, Funding Services, INAC: SK Region
Leigh Lackmantz, Supervisor, South Operations Governance, LTS, INAC: SK Region
Juliano Tupone, Senior Funding Services Officer, INAC: SBC

**INAC: SASKATCHEWAN
COMPLIANCE & SOLVENCY REVIEW
COMMON GOVERNMENT REPORTING MODEL**

INAC Organization number 390
CIDM File Number **-FAST 30-0005-09.10

**Fishing Lake First Nation
2009 - 10 Fiscal Year
Ending March 31, 2010**

Completed by FSO	Juliano Tupone	Audit Opinion	Denial
Agreement type	CFA (FTA or CFA)	Date audit received	8-Feb-11 (dd-mmm-yy)
Intervention level	co-managed (None, Recipient, Co-managed, TPM)		

<u>Index</u>	<u>Tab Name</u>	<u>Page #</u>
This cover page	Cover	1
Consolidated Statement of Financial Position	Financial	2
Statement of Operations	Operations	3
Adjustment Summary	Notes	4
Contribution Reconciliation	Contribution	5
Revenue Reconciliation	RevRec	6
Solvency Measures	Solv	7
Financial Profile	FinPro	8
Program Surplus (Deficit) Analysis	PgmAna	9
RCM Assessment	Assess	10
RCM Action Plan	WkPlan	11

Audit Requirements for Acceptance:

1. Signed Audit (Signed Letter of Management Responsibility - maybe included)
2. Audit must be Consolidated
3. Require Schedule of Salary, Travel and Honoraria (C&C, Senior Staff)
4. Require Schedule of Federal Government Funding or BCR releasing full audit
5. FTA annual return (if applicable)

Legend:

Fill in current information, if applicable

Document Title: Reporting System Information Application NEW COMMON GOVT MODEL

Document Number: 373060

Document Author: TUPONEJ

Document Type: 03

Abstract: fishing lake 2009-2010 compliance and solvency review

Application: MS EXCEL

COMMON GOVERNMENT REPORTING MODEL
2009 - 10 Fiscal Year

Recipient: **Fishing Lake First Nation**

No:

390

2. Consolidated Statement of Financial Position	As Reported Financial	INAC Adjustment	INAC Adj. F/S
ASSETS			
Cash/Term Deposits	\$100,710		\$100,710
Restricted Cash			
Current	\$317,668		\$317,668
Long Term			\$0
Total Restricted Cash	\$317,668	\$0	\$317,668
Accounts Receivable			
INAC	\$250,661		\$250,661
Health Canada	\$158,443		\$158,443
CMHC	\$109,964		\$109,964
Other Government Agencies	\$0		\$0
Other (Not believed to be collected in the next year)	\$344,197		\$344,197
Total Accounts Receivable	\$863,265	\$0	\$863,265
Inventory held for resale purposes	\$199,820		\$199,820
Temporary Investments			\$0
Long - Term Investments			\$0
Trust Funds - Capital & Revenue	\$13,297		\$13,297
Trust Funds - Other			\$0
Equity in Government Business Enterprise			\$0
TOTAL FINANCIAL ASSETS	\$1,494,760	\$0	\$1,494,760
LIABILITIES			
Financial Liabilities			
Bank Indebtedness/Overdraft	\$316,123		\$316,123
A/P & Accrued Liabilities	\$1,552,667		\$1,552,667
Deferred Revenue	\$584,187		\$584,187
CMHC Loan Payable	\$100,694		\$100,694
Long Term Debt	\$5,267,356		\$5,267,356
Other Current Liabilities	\$280,000		\$280,000
Other Long-Term Liabilities	\$62,601		\$62,601
TOTAL FINANCIAL LIABILITIES	\$8,163,628	\$0	\$8,163,628
TOTAL LIABILITIES	\$8,163,628	\$0	\$8,163,628
NET FINANCIAL ASSETS / DEBT	(\$6,668,868)	\$0	(\$6,668,868)
Non-Financial Assets			
Prepaid expenses	\$10,000		\$10,000
Inventory Held for Consumption			\$0
Construction In Progress			\$0
Tangible Capital Assets	\$15,851,220		\$15,851,220
TOTAL NON-FINANCIAL ASSETS	\$15,861,220	\$0	\$15,861,220
Net Assets (Accumulated Surplus/Deficit)	\$9,192,352	\$0	\$9,192,352

Amount of Long Term Debt payable in the next year \$0

Document Number: 373060
[normally found in the Notes to Financial Statements]

Document Author: TUPONEJ

Document Type: 03

Abstract: fishing lake 2009-2010 compliance and solvency review

Application: MS EXCEL

COMMON GOVERNMENT REPORTING MODEL
2009 - 10 Fiscal Year

Recipient: **Fishing Lake First Nation**

No:

390

3. Statement of Operations	As Reported Financial	INAC Adjustment	INAC Adj. F/S
REVENUE			
Deferred Revenue Start of year			
Deferred Start INAC			\$0
Deferred Start Other			\$0
INAC Revenue [Current year revenue]	\$3,978,695		\$3,978,695
Health Canada	\$540,490		\$540,490
CMHC Revenue	\$442,306		\$442,306
Loan Revenue Treaty			\$0
Other Government Departments			\$0
Agency (Flow Through)			\$0
Band [own source revenue]			\$0
Trust Accruals and Revenue (Interest)			\$0
Trust Other			\$0
Deferred Revenue End of year			
Deferred INAC [enter as a negative number]			\$0
Deferred Other [enter as a negative number]			\$0
Other Revenue	\$2,932,310		\$2,932,310
TOTAL REVENUE	\$7,893,801	\$0	\$7,893,801
EXPENDITURES			
Agency (Flow Through)			\$0
Band Business Expenditures			\$0
Program - Related	\$8,543,238		\$8,543,238
TOTAL EXPENDITURES	\$8,543,238	\$0	\$8,543,238
Changes in Net Financial Assets	(\$649,437)	\$0	(\$649,437)
Changes in Non-Financial Assets			
Changes in Physical Assets acquired	(\$1,013,364)	\$4,411	(\$1,008,953)
Amortization of Physical Assets	\$980,361		\$980,361
Total Changes in Non-Financial Assets	(\$33,003)	\$4,411	(\$28,592)
Change in Net Assets	(\$682,440)	\$4,411	(\$678,029)

Document Name: SBC 390 FISHING LAKE C S REVIEW COMMON GOVT MODEL
 Document Number: 373060
 Document Author: TUPONEJ
 Document Type: 03
 Abstract: fishing lake 2009-2010 compliance and solvency review
 Application: MS EXCEL

COMMON GOVERNMENT REPORTING MODEL
2009 - 10 Fiscal Year

Recipient: **Fishing Lake First Nation**

No: **390**

4. Adjustment Summary

	<u>Page Number</u>	<u>\$'s</u>	<u>Explanation / Justification</u>
.1	3	\$731,952	Statement did not include deferred revenue
	3	(\$584,187)	
	Total...	\$4,411	Included prepaid expenses to match statement
		\$152,176	
.2		\$0	
		\$0	
	Total...	\$0	
.3		\$0	
		\$0	
	Total...	\$0	
.4		\$0	
		\$0	
	Total...	\$0	
.5		\$0	
		\$0	
	Total...	\$0	

4.A Schedule of Federal Government Funding - Reconciliation

.1	Total of INAC funding as taken from Audited Financial Statement. (amount pulled from INAC Revenue entered on page 3 of C&S Review)	\$3,978,695
.2	INAC Revenue Confirmation (amount pulled from page 6 C&S Review sub-total INAC Records amount)	\$3,816,951
.3	Total of INAC Funding as per Schedule of Federal Government Funding (Column A Federal Funding Received sub-total for INAC)	\$3,978,695
.4	Amount from Schedule of Federal Government Funding must match either the funding reported on the Audited Financial Statement or the INAC Revenue Confirmation. Provide an explanation if amount does not match either of the options.	

COMMON GOVERNMENT REPORTING MODEL

2009 - 10 Fiscal Year

Recipient: **Fishing Lake First Nation**

No:

390

5. Contributions reconciliation		Reconciliation Amount (\$'s or N/A)	Reconciled in		Action is required if program has "No" in both of the previous two columns
			Program Reporting (Yes, No) (or N/A)	Audit (Yes, No) (or N/A)	
INAC					
Activity codes					
Contributions - Agreements					
01120	Band Employee Benefits (BEB)	\$26,358	Y	N	
01845	P & ID	\$40,570	N	N	
02021	Registry Events				
02107	Enhanced Teacher Salary	\$11,061	N	N	
02125	Tuition Agreements				
02150	Teacher Recruitment & Retention				
02155	Parental Engagement Strategy				
02161	New Paths - Proposal driven				
02175	FNISWEP	\$8,656	N	N	1
02176	FNISLP	\$16,689	N	N	1
02234	Direct Services - (High Cost)	\$147,952	N	N	1
02235	Indirect Services	\$7,765	N	N	1
02305	Basic Needs	\$667,985	Y	N	
02308	Social Assist Employ & Train				
02320	Special Needs	\$59,419	Y	N	
02239	Provincial School Transportation	\$7,000	N	N	1
02395	In - Home Care	\$58,780	Y	N	
02420	Prevention Projects	\$4,807	Y	N	
02440	National Child Benefit reinvestment	\$249,081	Y	N	
03651	Enviro Sit Assess	\$43,000	N	N	1
04204	Water (under \$1.5M)	\$153,000	N	N	1
04530	Water - O & M	\$28,050	N	N	1

Action taken

#1 INAC revenue confirmed in audit

#2

#3

#4

COMPLIANCE & SOLVENCY REVIEW

2009 - 10 Fiscal Year

Recipient: **Fishing Lake First Nation**

No:

390

6. REVENUE RECONCILIATION		Audited Statement Amount	INAC Records Amount	Difference + / (-)
INAC	- Financial Transfer Agreement (FTA)			\$0
Funds	- Alternative Funding Agreement (AFA)			\$0
	- Contributions - Agreements		\$1,372,901	(\$1,372,901)
	- Contributions - Capital		\$153,000	(\$153,000)
	- Contributions - Total	\$0	\$1,525,901	(\$1,525,901)
	- Flexible Transfers		\$1,934,399	(\$1,934,399)
	- Grants		\$356,651	(\$356,651)
	- Not Allocated	\$3,978,695		\$3,978,695
	- Other INAC (eg. HQ transfers)			\$0
- SUB TOTAL		\$3,978,695	\$3,816,951	\$161,744
Trust	- Section 64			\$0
Funds	- Section 66			\$0
	- Section 69			\$0
- SUB TOTAL		\$0	\$0	\$0
TOTAL FUNDS TO BE ACCOUNTED FOR:		\$3,978,695	\$3,816,951	\$161,744

Explanation of Differences (All Sub total/Total differences MUST be reconciled):

Difference for Reconciliation:		\$161,744
Add:	2009/10 Water O & M Rec	\$23,153
	Def. Rev - Env Site Assess	\$3,570
	Def. Rev - Water	\$57,761
	Def. Rev - Subdiv & School	\$207,142
		\$291,626
Subtract:	2009/10 Bas. Needs Rec	\$5,912
	Def. Rev School & Sub-div	\$381,292
	Def. Rev - School	\$9,564
	Def. Rev - Water	\$56,602
		\$453,370
Reconciled Difference...		\$0

Prepared By: TUPONEJ | TUPONEJ
 Document Name: SBC 390 FISHING LAKE C S REVIEW COMMON GOVT MODEL
 Document Number: 373060
 Date: 14-Feb-11
 (dd-mmm-yy)

Document Author: TUPONEJ
 Document Type: 03

Abstract: fishing lake 2009-2010 compliance and solvency review
 Application: MS EXCEL

COMMON GOVERNMENT REPORTING MODEL
2009 - 10 Fiscal Year

Recipient: **Fishing Lake First Nation**

No: **390**

7. RATIO MEASUREMENTS	As Reported	INAC Adjustment	Post Audit
Net Assets (Accumulated Surplus/Deficit)	\$9,192,352	\$0	\$9,192,352

Current Assets	\$937,446	\$0	\$937,446
Current Liabilities	\$2,732,977	\$0	\$2,732,977
Working Capital (W/C)	(\$1,795,531)	\$0	(\$1,795,531)

Long Term Debt	\$5,267,356	\$0	\$5,267,356
CMHC Loan Payable	\$100,694	\$0	\$100,694
Other Long-Term Liabilities	\$62,601	\$0	\$62,601

--

FINPRO Reference		
Liquidity Ratio	SR 4 = 0.47 [Ratio ≥ 0.90] [Ratio < 0.90]	$\frac{\text{(Cash+A/R+Temp Invest+Current Restrict Cash)}}{\text{(Bank indebt+A/P+Other Current Liabilities+LT Debt pay next year+ Def Rev)}}$
Sustainability Ratio	SR 5 = 0.18 [Ratio ≥ 0.50] [Ratio < 0.50]	$\frac{\text{(Financial Assets-Trust Funds-Equity Govt Business)}}{\text{Total Liabilities}}$
Working Capital to Revenue	SR 2 = -0.18 [Ratio ≥ 0.00] [Ratio < 0.00 to Ratio ≥ -0.08 NEUTRAL] [Ratio < -0.08]	$\frac{\text{((Cash+A/R+Temp Invest+Current Restrict Cash)-(Bank indebt+A/P+Other Current Liabilities+LT Debt pay next year+ Def Rev))}}{\text{Revenue}}$

COMMON GOVERNMENT REPORTING MODEL
2009 - 10 Fiscal Year

Recipient: **Fishing Lake First Nation**

No: **390**

FINANCIAL PROFILE HISTORY

8. FINANCIAL PROFILE HISTORY	09/10	08/09	07/08	06/07	05/06
Revenue - INAC	\$3,978,695	\$3,828,300	\$8,050,246	\$6,780,967	\$3,435,543
Revenue - Trust (Ottawa)	\$0	\$186,833	\$0		
Revenue - Other	\$3,915,106	\$4,809,627	\$3,876,815	\$516,996	\$2,059,938
TOTAL REVENUE	\$7,893,801	\$8,824,760	\$11,927,061	\$7,297,963	\$5,495,481
TOTAL EXPENDITURES	\$8,543,238	\$8,983,216	\$11,978,093	\$7,326,067	\$5,403,290
<i>Historic Current Yr. Surplus (Deficit)</i>	N/A	(\$158,456)	(\$51,032)	(\$28,104)	\$92,191
Changes in Net Financial Assets	(\$649,437)				
<i>Historic Prior Yr. Cum Surplus (Deficit)</i>	N/A	(\$599,458)	(\$548,426)	(\$920,322)	(\$1,012,513)
Total Change in Non-Financial Assets	(\$28,592)				
<i>Historic Cumulative Surplus (Deficit)</i>	N/A	(\$757,914)	(\$599,458)	(\$948,426)	(\$920,322)
Change in Net Assets [current year change]	(\$678,029)				

Net Assets (Accumulated Surplus/Deficit)	\$9,192,352	(\$757,914)	(\$599,458)	(\$948,426)	(\$920,322)
Net Assets Projected by RMP					(\$1,193,294)
Variance (Post Audit to Projected RMP)	\$9,192,352	(\$757,914)	(\$599,458)	(\$948,426)	\$272,972

Liquidity Ratio	0.47	-8.59%	-5.03%	-13.00%	-16.75%
<i>Historic National Solvency Ratio (%)</i>	N/A				
Sustainability Ratio	0.18	-4.49%	-4.76%	-15.34%	-13.28%
<i>Historic National Working Capital Ratio (%)</i>	N/A				
Working Capital to Revenue	-0.18	-10.32%	-15.46%	-39.90%	-26.75%
		-5.39%	-14.66%	-47.11%	-21.21%

Long Term Debt - non CMHC	\$5,267,356	\$0	\$344,201	\$817,087	\$1,032,804
Long Term Debt CMHC	\$100,694	\$5,020,693	\$4,081,796	\$3,094,271	\$2,006,144
Long Term Debt - Other	\$62,601	\$230,208	\$348,090	\$292,452	\$349,848

Audit Opinion	Denial	Qualified	Unqualified	Unqualified	Unqualified
Date Audit Received	8-Feb-11	10-Dec-09	8-Jul-31	31-Jul-07	31-Jul-06
Intervention Level	Co-Managed	Co-Managed	Co-Managed	Co-Managed	Co-Managed

Document Number: 373060

Document Author: TUPONEJ

Document Type: 03

Abstract: fishing lake 2009-2010 compliance and solvency review

Application: MS EXCEL

COMMON GOVERNMENT REPORTING MODEL
2009 - 10 Fiscal Year

Recipient: **Fishing Lake First Nation**

No: **390**

9. Program Surplus (Deficit) Analysis

Program	08/09 Cumulative Surp(D)	2009-2010			Post Audit Cumulative
		Current Surp(D)	Cumulative Surp(D)	Adjustments	
Prior Post Audit Net Assets	\$9,841,789		\$9,841,789		\$9,841,789
			\$0		\$0
SUB TOTAL - AFA	\$9,841,789	\$0	\$9,841,789	\$0	\$9,841,789
Lands & Trusts		\$14,940	\$14,940		\$14,940
Education		\$37,975	\$37,975		\$37,975
Social Development		\$25,955	\$25,955		\$25,955
Economic Development		\$61,181	\$61,181		\$61,181
Community Infrastructure (O&M)		(\$142,114)	(\$142,114)		(\$142,114)
Band Management		(\$117,915)	(\$117,915)		(\$117,915)
Debt Recovery (if applicable)			\$0		\$0
SUB TOTAL - Non Capital Programs	\$0	(\$119,978)	(\$119,978)	\$0	(\$119,978)
Capital		(\$723,532)	(\$723,532)		(\$723,532)
TOTAL INAC PROGRAMS	\$9,841,789	(\$843,510)	\$8,998,279	\$0	\$8,998,279
OGD (Other Federal Departments)		\$49,624	\$49,624		\$49,624
Commercial Operations		(\$123,824)	(\$123,824)		(\$123,824)
Other Programs		\$268,273	\$268,273		\$268,273
TOTAL Non-INAC Programs	\$0	\$194,073	\$194,073	\$0	\$194,073
GRAND TOTAL	\$9,841,789	(\$649,437)	\$9,192,352	\$0	\$9,192,352
Post Audit Net Assets (Accumulated Surplus/Deficit) as per Solvency Measurement:>>>					\$9,192,352
Amount to be Reconciled (Should be a '0' balance):>>>					\$0