



January 29, 2010

Your file - Votre référence

Our file - Notre référence  
30-0005-08.09  
CIDM #279311

Chief and Council  
Fishing Lake First Nation  
Box 609  
Wadena, SK S0A 4J0

**RE: 2008-2009 AUDITED FINANCIAL STATEMENTS**

The South Budget Centre Audit Review Committee has completed its review of the Fishing Lake First Nation audited financial statements for the 2008.09 fiscal year. Your auditor provided a qualified opinion. The current year deficit of (\$158,456.00) resulted in a cumulative deficit of (\$757,914.00) and a national solvency ratio of (8.59%).

As noted, the audit opinion was qualified and the auditor's report indicates that this is due to a lack of supporting documentation for expenditures recorded in the Economic Development Program and the Recreation Program. Complete financial information was not available for the AC Realty Treaty 4 Division Limited Partnership and the audit report for Fishing Lake Store & Gasbar for October 30, 2009, was a denial. These reporting issues will need to be addressed for the current fiscal year.

We would like to bring to the attention of Chief and Council some of the following observations made from the audit review:

1. The cumulative deficit position of (\$757,914.00) is high and needs to be addressed by way of strict adherence to a remedial management plan.
2. Current assets (CA) are worth \$1,700,490.00. This is lower than the current liabilities (CL) of \$2,096,336.00. Fishing Lake First Nation does not have enough assets to meet its financial obligations to creditors. The working capital (CA-CL) is (\$395,846.00). When divided by the total operating revenue, the working capital ratio is (4.49%); this is, however, a marginal improvement from last year's ratio of (4.76%).
3. Deferred Revenue is reported as \$1,097,553.00 while Cash is \$500,534.00; the difference is \$597,019.00. We note that there is not sufficient cash for the deferred revenue reported. Additionally, \$821,375.00 in capital funds were deferred while restricted cash for capital is only \$436,433.00.
4. Bank indebtedness increased from a \$0.00 balance in 2008 to \$134,057.00 in 2009. Accounts Payable, however, decreased from \$587,317.00 to \$462,258.00.
5. A number of "Due From" items are reported on the balance sheet. Due from Fishing Lake Convenience Store & Gas Bar is \$310,124.00 and Due from AC Realty Treaty 4 Division is \$469,024.00. The First Nation can't afford to continue subsidizing businesses.
6. Accounts receivable - members increased slightly from \$64,212.00 to \$65,215.00. A collection policy should be established to ensure that these funds are recovered.

7. Community Infrastructure: Most programs under this category reported a current deficit and a cumulative deficit. Of particular concern was Recreation with a current deficit of (\$163,028.00) and Roads with a current deficit of (\$153,787.00).
8. Social Services: Most programs under this category reported deficits. Of particular concern are the current and cumulative deficits in Basic Needs. The current deficit is (\$63,697.00) and the cumulative deficit is (\$214,111.00).
9. National Child Benefit Reinvestment (NCBR): A surplus of \$20,000.00 was reported in this program and then transferred to an unspecified program. We note that the 2008-09 annual NCBR report indicated that all funds were used on eligible, pre-approved expenditures.
10. Community Infrastructure had a current deficit of (\$347,974.00) and a cumulative deficit of (\$294,537.00) after transfers to the program of \$241,000.00.
11. Economic Development reported a current surplus of \$32,012.00 and a cumulative surplus of \$356,517.00.
12. Education reported a small current deficit of (\$23,858.00) and cumulative surplus of \$441,212.00 after transfers to the program of \$24,000.00.
13. CMHC Housing Operations had a current deficit of (\$88,628.00) and cumulative deficit of (\$375,857.00).
14. As noted in audit note 13, the CMHC replacement reserve is underfunded by \$83,111.00 and the subsidy surplus reserve is underfunded by \$77,695.00. The unfunded amounts should be addressed as soon as possible.

A number of other programs reported small current year deficits. It would be prudent to budget for break-even expenditures in all programs using careful budgeting and on-going variance analysis throughout the year. We also note that the auditor's management letter identifies fifteen (15) items related to accounting and administration that need to be addressed by your First Nation to ensure effective management of programs and aid in the task of achieving a healthy financial position.

The Common Government Reporting Model (new Canadian Institute of Chartered Accountants accounting standards) applies to First Nations, beginning April 1, 2009. The new standards will place greater emphasis for all levels of government, including First Nations, to include budgeted amounts in the 2009.10 audited financial statements. In addition, the accounting for tangible capital assets has been expanded to include the tracking of all infrastructure related items such as housing, equipment, buildings including schools, water treatment plants, health centre, and any other capital projects.

Canada's transfer payment policy has changed. We direct your attention to the Treasury Board web-site ([www.tbs.gc.ca](http://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.

Your audited financial statements display surplus funds in program areas that are funded via a flexible transfer payment. We ask that your Administration staff work with your Funding Services Officer to determine whether these surpluses could be transferred to other programs which report a deficit. These transfers are currently allowed when First Nations have met delivery requirements of programs that are funded via flexible transfer payments. As of April 1, 2011, these transfers may not be allowed.

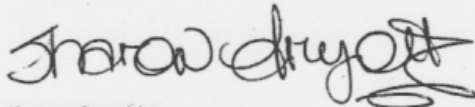
Chief and Council, Fishing Lake First Nation  
Page 3  
January 29, 2010

Regarding the intervention level of Fishing Lake First Nation, we must note the following: A letter dated January 30, 2009 (attached), was provided to Chief in Council indicating that the department would waive the requirement to engage a new co-manager after the resignation of Jim Ramsay. This was conditional based on the Chief and Council submitting a BCR indicating that a revised RMP would be submitted no later than February 28, 2009. A revised RMP was not received by this time. A revised RMP budget was received on May 6, 2009 and the required RMP narrative was received on December 7, 2009. We will now require that Fishing Lake First Nation contract a qualified Co-manager with mandatory signing authority on all accounts for the following reasons:

- 1) The January 30, 2009 letter stated that a revised RMP was to be provided by February 28, 2009;
- 2) The audited financial statements were qualified due to insufficient documentation and records for AC Realty Treaty 4 Division Limited Partnership, the Fishing Lake Convenience Store & Gas Bar and the Economic Development and Recreation programs; and
- 3) The First Nation incurred an operating deficit in the amount of (\$158,456.00) in the 2008-09 fiscal year.

We will require your First Nation to have a new Co-manager in place by February 28, 2010, as well as a copy of a BCR/Co-management contract. The new Co-manager will assist administrators with preparations of quarterly financial statements, budgeting and expenditure analysis and addressing the administrative issues outlined in the auditor's management letter. A letter dated January 21, 2010, was recently sent out in response to the draft RMP narrative. We will require that the changes noted in this letter be made to the draft RMP and that the RMP is resubmitted no later than February 22, 2010. The revised RMP will need to be approved prior to signing the Comprehensive Funding Arrangement (CFA) for the 2010-2011 fiscal year. An approved Co-manager will also need to be contracted by this time. The approved RMP will become a part of the 2010-2011 CFA.

Your Funding Services Officer is available to meet to discuss the audit review, if required. Should you have any questions or concerns regarding the audit review, please contact Juliano Tupone at (306)332-8540.



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

ENC: Letter of January 30, 2009, CIDM 216659

COPY: Laura Nataucappo, Finance Officer, Fishing Lake FN (enc.)  
Meyer Norris Penny LLP, Saskatoon (enc.)

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

Fishing Lake 1907 Surrender Trust  
PO Box 897  
Wadena, Saskatchewan S0A 4J0

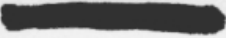
# INVOICE

2010/12/31

Fishing Lake First Nation  
PO Box 508  
Wadena, Saskatchewan  
S0A 4J0

Invoice No.: 1

Page: 1

Description	Amount	
Reimbursement of funds provided in 2008 for Band Development (mini mall) which did not proceed as per the 2009 Auditors Report from MNP	150,000.00	
Reimbursement of funds provided in 2008 for legal expenses assumed to be Acquisition Costs. It has been determined that these expenses do not qualify as Acquisition Costs.	125,000.00	
	<b>Total Amount</b>	275,000.00