

Pasqua First Nation
(CMHC Housing (Section 95))
Financial Statements
March 31, 2016

Pasqua First Nation
(CMHC Housing (Section 95))
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For the year ended March 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of Pasqua First Nation

We have audited the accompanying financial statements of Pasqua First Nation CMHC Housing (Section 95), which comprise the statement of financial position as at March 31, 2016, and the statements of operations and cash flows for the year then ended, and the summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management of Pasqua First Nation based on the funding agreements, between the First Nation and Canada Mortgage and Housing Corporation (CMHC).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the funding agreements, between Pasqua First Nation and CMHC, 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.

Auditors' 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 of 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 auditors' 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 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of Pasqua First Nation CMHC Housing (Section 95) for the year ended March 31, 2016, are prepared, in all material respects, in accordance with the funding agreements between Pasqua First Nation and CMHC.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared to assist Pasqua First Nation CMHC Housing (Section 95) to comply with the reporting provisions of the funding agreements referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the members of Pasqua First Nation and CMHC and should not be used by parties other than members of Pasqua First Nation and CMHC.

Regina, Saskatchewan
July 29, 2016



Chalupiak & Associates

Pasqua First Nation
(CMHC Housing (Section 95))
Statement of Financial Position
March 31, 2016

	2016	2015
Assets		
Current assets		
Cash	\$ 14,447	\$ 10,482
Restricted cash - replacement reserve - bank - note 7	9,728	29,164
Restricted cash - operating reserve - bank	6,073	37,814
Restricted cash - reserves - GICs - note 7	782,395	416,625
Subsidy receivable	35,491	36,714
	848,134	530,799
 Due from Pasqua First Nation - note 5	 -	 156,643
Houses - note 1.b	5,189,592	5,512,242
	<u>\$ 6,037,726</u>	<u>\$ 6,199,684</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 15,178	\$ 15,017
Current portion of CMHC mortgages - note 2	343,494	332,947
	358,672	347,964
Long-term liabilities		
Due to Pasqua First Nation - note 5	151,788	-
CMHC mortgages - note 2	4,846,098	5,179,295
Reserves		
Replacement reserve - note 6	714,802	627,491
Operating reserve - Post-1996 - note 6	3,660	82,228
Total reserves - note 6	718,462	709,719
 Operating deficit - pre-1997 - note 6	 (37,294)	 (37,294)
	<u>\$ 6,037,726</u>	<u>\$ 6,199,684</u>

Approved on behalf of the First Nation:

Matthew T. Pigeon

[Signature]

Kupewpriser
Wm Strongmyle
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Pasqua First Nation
(CMHC Housing (Section 95))
Statement of Operations
and Changes in Net Assets
For the year ended March 31, 2016

	2016	2015
Revenues		
Rental revenue	\$ 306,584	\$ 279,558
CMHC subsidies	426,495	425,188
Band contribution	48,582	62,315
	<u>781,661</u>	<u>767,061</u>
Expenditures		
Administration fees	48,069	47,590
Amortization	335,475	321,278
Insurance premiums	88,860	74,058
Loan Interest	112,803	125,560
Professional fees	15,177	15,017
Repairs and maintenance	168,765	134,604
Replacement reserve	91,080	90,280
	<u>860,229</u>	<u>808,387</u>
Surplus (deficit) for the year from operations	(78,568)	(41,326)
Transfer from (to) operating reserve fund - Post-1996	78,568	41,326
Surplus (deficit) for the year	-	-
Balance, beginning of year	(37,294)	(37,294)
Balance, end of year	<u>\$ (37,294)</u>	<u>\$ (37,294)</u>

Pasqua First Nation
(CMHC Housing (Section 95))
Statement of Cash Flows
For the year ended March 31, 2016

	2016	2015
Cash flows from (used in) operating activities		
Surplus (deficit) for the year	\$ -	\$ -
Item not involving cash		
Amortization	335,475	321,278
Changes in non-cash operating items		
Restricted cash - operating reserve - bank	31,741	(3,318)
Subsidy receivable	1,223	(1,958)
Accounts payable and accrued liabilities	161	2,879
	<u>368,600</u>	<u>318,881</u>
Cash flows from (used in) investing activities		
Restricted cash - replacement reserve - bank	19,436	(11,377)
Purchase of houses	(12,825)	(262,722)
Restricted cash - replacement reserve - GICs	(365,770)	-
	<u>(359,159)</u>	<u>(274,099)</u>
Cash flows from (used in) financing activities		
Due to (from) Pasqua First Nation	308,431	(32,715)
Repayment of CMHC mortgages	(322,650)	(58,556)
Replacement reserve	87,311	85,009
Operating reserve - Post-1996	(78,568)	(41,326)
	<u>(5,476)</u>	<u>(47,588)</u>
Increase (decrease) in cash	<u>3,965</u>	<u>(2,806)</u>
Cash, beginning of year	<u>10,482</u>	<u>13,288</u>
Cash, end of year	<u>\$ 14,447</u>	<u>\$ 10,482</u>
Cash consists of:		
Cash	<u>\$ 14,447</u>	<u>\$ 10,482</u>
	<u>\$ 14,447</u>	<u>\$ 10,482</u>

1. Significant accounting policies

The financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the reporting requirements of the CMHC funding agreements. The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles.

(a) Revenue and expenses

Revenue and expenses are recorded according to the accrual basis of accounting.

(b) Houses

Houses are reported on the balance sheet at the same value as the outstanding mortgage liabilities. This has the effect of reducing the carrying value of the houses and the corresponding band equity to zero over the amortization of each phase. The reduction in band equity (which is equal to the principal reduction in mortgages) is recorded as "amortization" expense.

(c) Replacement reserve fund - Pre-1997 and Post-1996 projects

A replacement reserve fund has been established for replacement of capital equipment and for major repairs to houses. The reserve is credited annually in amounts approved by CMHC until the reserve accumulates to the amount specified in the agreements. Any applicable expense is charged against the reserve. Interest income attributable to this reserve fund is credited directly to the replacement reserve fund. Separate reserve funds are maintained for Pre-1997 projects and Post-1996 projects.

(d) Subsidy surplus fund – Pre-1997 projects

If a project has a surplus, a maximum of \$500 per house may be charged to operations and reserved for future operating losses.

(e) Operating reserve fund – Post-1996 projects

Any operating surpluses are retained in an operating reserve fund, which can be used to recover future operating deficits.

(f) Long-term debt

Loan payments including principle and interest are charged to current operations. The principle reduction is recorded as amortization expenses.

(g) Economic dependence

The projects' capacity to make loan payments is dependent upon CMHC subsidies.

(h) Band contribution

The First Nation is required to make a financial contribution to the CMHC program, if necessary, to bring the program to a break-even position if revenues have not been sufficient to cover expenditures.

Pasqua First Nation
(CMHC Housing (Section 95))
Notes to Financial Statements
For the year ended March 31, 2016

2. CMHC mortgages

		Maturity date	Interest rate	Blended monthly payments	2016	2015
1	Peace Hills Trust	01/10/2018	5.34%	\$ 2,948	\$ 85,645	\$ 115,774
2	Peace Hills Trust	01/03/2017	5.24%	1,645	19,350	37,652
3	Peace Hills Trust	01/04/2018	5.14%	1,530	36,307	52,444
4	CMHC	01/03/2020	1.39%	646	30,173	37,438
5	CMHC	01/03/2020	1.39%	684	31,959	39,654
6	CMHC	01/08/2020	1.08%	1,612	170,407	187,491
7	CMHC	01/09/2017	1.71%	997	124,168	133,934
8	CMHC	01/03/2018	1.62%	1,074	139,864	150,418
9	CMHC	01/02/2020	1.12%	1,249	192,242	205,017
10	CMHC	01/06/2016	2.63%	3,955	418,160	454,251
11	CMHC	01/06/2016	2.37%	5,832	901,068	949,272
12	CMHC	01/06/2017	1.65%	1,835	313,895	330,618
13	CMHC	01/06/2017	1.65%	3,669	627,894	661,337
14	CMHC	01/01/2019	2.11%	8,576	1,860,980	1,924,167
15	CMHC	01/08/2019	1.85%	1,041	237,480	232,775
					5,189,592	5,512,242
<u>Less current portion</u>					<u>343,494</u>	<u>332,947</u>
<u>Due beyond one year</u>					<u>\$ 4,846,098</u>	<u>\$ 5,179,295</u>

3. Prior period adjustment

The comparative figures have been retroactively restated to reflect the balances as reported in the CMHC audit review letter.

4. Capital funds

The balance sheet includes the following capital accounts:

	2016	2015
Houses	\$ 5,189,592	\$ 5,512,242
Liabilities	-	-
Current portion of mortgages	(343,494)	(332,947)
Mortgages payable	(4,846,098)	(5,179,295)
	\$ -	\$ -

5. Due to/from Pasqua First Nation

The due to/from Pasqua First Nation account is comprised of amounts paid by the First Nation on behalf of CMHC operations such as mortgage payments, repairs and maintenance and insurance premiums. It also includes amounts owed by the First Nation to CMHC operations for shortfalls in rent as outlined in the CMHC operating agreement. In 2016 the rent shortfall was \$82,262.

Pasqua First Nation
(CMHC Housing (Section 95))
Notes to Financial Statements
For the year ended March 31, 2016

6. Reserve funds

Replacement reserve fund - Pre - 1997 (phases 1 - 3)

	2016	2015
Balance, start of the year	\$ 86,436	\$ 83,584
Allocation for the year	8,160	8,160
Interest earned	1,764	1,791
Replacements for the year	(2,998)	(7,099)
Balance, end of the year	\$ 93,362	\$ 86,436

Replacement reserve fund - Post - 1996 (phases 4 - 15)

	2016	2015
Balance, start of the year	\$ 541,055	\$ 458,898
Allocation for the year	82,920	82,120
Interest earned	7,161	7,271
Replacements for the year	(9,697)	(7,234)
Balance, end of the year	\$ 621,439	\$ 541,055

Operating reserve fund - Post - 1996 (phases 4 - 15)

	2016	2015
Balance, start of the year	\$ 82,228	\$ 123,554
Transfer from (to) operations - current year	(78,568)	(41,326)
Balance, end of the year	\$ 3,660	\$ 82,228

Operating deficit (phases 1 - 3)

	2016	2015
Balance, start of the year	(37,294)	(37,294)
Surplus (deficit) for the year	-	-
Balance, end of the year	\$ (37,294)	\$ (37,294)

Pasqua First Nation
(CMHC Housing (Section 95))
Notes to Financial Statements
For the year ended March 31, 2016

7. Funding of reserves

Under the terms of the agreement with CMHC, reserve funds, along with 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 CMHC from time to time. The reserves are funded as follows:

	Reserve Amount	Funded Amount	(Over) Underfunded Amount
Replacement reserve - pre - 1997	\$ 93,362	\$ 93,362	\$ -
Replacement reserve - post - 1996	621,439	698,761	(77,322)
Operating reserve - post - 1996	3,660	6,073	(2,413)
	<u>\$ 718,461</u>	<u>\$ 798,196</u>	<u>\$ (79,735)</u>

8. Compliance with CMHC operating agreements

The operating agreements require confirmation that the First Nation has complied with certain aspects of the operating agreements.

Pre – 1997 agreements

Replacement reserve (paragraph 15)

The First Nation has complied with the requirements except that the replacement reserve funds for the Pre – 1997 and Post - 1996 projects have been co-mingled in the same bank account.

Subsidy surplus reserve (sub-paragraph 2 (5))

The First Nation has complied with the requirements.

Verifications of income and rent calculations (sub-paragraph 2 (5))

The First Nation has not been successful in its attempts to complete verifications of income and calculate monthly rent in accordance with the agreement for all tenants.

Post – 1996 agreements

Operating reserve (Paragraph 10 (2) (g))

The First Nation has complied with the requirements.

Replacement reserve (paragraph 10 (2) (e))

The First Nation has complied with the requirements except that the replacement reserve funds for the Pre – 1997 and Post - 1996 projects have been co-mingled in the same bank account.

Disbursements from the replacement reserve fund (paragraph 10 (2) (f))

The First Nation has complied with the requirements in regards to the disbursements from the replacement reserve fund.

Schedule 1
Pasqua First Nation
 (CMHC Housing (Section 95))
Schedule of Operations - Pre-1997 Projects
For the year ended March 31, 2016

	2016	2015
Revenue		
Rental revenue	\$ 46,388	\$ 21,962
CMHC subsidies	44,368	44,368
Band contribution - note 1.h	48,582	62,315
	139,338	128,645
Expenditures		
Administration fees	6,120	6,120
Amortization	64,569	61,320
Insurance premiums	18,581	15,488
Loan interest	8,908	12,157
Professional fees	2,499	2,499
Repairs and maintenance	30,501	22,901
Replacement reserve allocation	8,160	8,160
	139,338	128,645
Surplus (deficit) for the year	\$ -	\$ -

Schedule 2
Pasqua First Nation
 (CMHC Housing (Section 95))
Schedule of Operations - Post-1996 Projects
For the year ended March 31, 2016

	2016	2015
Revenue		
Rental revenue	\$ 260,196	\$ 257,596
CMHC subsidies	382,127	380,820
	<u>642,323</u>	<u>638,416</u>
Expenditures		
Administration fees	41,949	41,470
Amortization	270,906	259,958
Insurance premiums	70,279	58,570
Loan interest	103,895	113,403
Professional fees	12,678	12,518
Repairs and maintenance	138,264	111,703
Replacement reserve allocation	82,920	82,120
	<u>720,891</u>	<u>679,742</u>
Surplus (deficit) for the year from operations	(78,568)	(41,326)
Transfer from (to) operating reserve fund - Post-1996	78,568	41,326
Surplus (deficit) for the year	<u>\$ -</u>	<u>\$ -</u>