



September 26, 2024

Chief Wilbert Marshall, Chair

A meeting of the AFNWA Board will be held on Thursday September 26, 2024, at 3:00 PM.

## **AGENDA**

### **In Camera Reports**

1C Approval of Minutes of the In-Camera Meeting held on September 4, 2024.

2C Business Arising from Minutes

### **In-Camera Information Reports**

3C SCADA Enterprise Licence

**Motion:** That the AFNWA Board approve the recommendation as outlined in the confidential report dated September 25, 2024

4C Elsipogtog Lift Station 5

**Motion:** That the AFNWA Board approve the recommendation as outlined in the confidential report dated September 25, 2024

### **Regular Reports**

1. a) Ratification of In-Camera Motions  
b) Approval of the Order of Business and Approval of Additions and Deletions

2. Approval of Minutes of the Meeting held on September 4, 2024.

3. Business Arising from Minutes of the Meeting.

4. Annual Report

**Motion:** That the AFNWA Board approve the AFNWA Annual Report in the substantive form attached.

### **Information Reports**

1-I FMB Reporting Letter



Original signed by \_\_\_\_\_  
James MacKinnon  
Board Secretary



**Atlantic First Nations Water Authority  
MINUTES  
09 September 2024**

**PRESENT:**

Chief Wilbert Marshall  
Chief Leroy Denny  
Chief Ross Perley  
Chief Darlene Bernard  
Regional Chief Joanna Bernard  
Dr. Shelley Denny  
Tuma Young  
Todd Hoskin

**REGRETS:**

Chief Aaron Sock  
Chief Terry Paul  
Regional Chief Andrea Paul  
James MacKinnon, Director of Engagement and  
Government Relations / Board Secretary

**STAFF:**

Susheel Arora, CEO  
Chantal LeBlanc, Director of Corporate Services/ CFO  
John Lam, Director of Engineering  
Terrie Blackburn, Administrative Assistant, Engagement and  
Government Relations

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**CALL TO ORDER**

Susheel Arora, upon direction from the Chair, called the regular meeting to order.

**1. RATIFICATION OF IN-CAMERA MOTIONS**

**MOVED BY Todd Hoskins, SECONDED by Tuma Young, that the AFNWA Board ratify the In-Camera motions.**

**MOTION PUT AND PASSED****2. APPROVAL OF MINUTES – 29 MAY 2024**

**MOVED BY Todd Hoskins, SECONDED BY Chief Darlene Bernard that the AFNWA Board approve the Regular Minutes from the May 29, 2024, Board Meeting, noting Tuma's attendance needs to be updated.**

**MOTION PUT AND PASSED****3. BUSINESS ARISING FROM MINUTES**

Added item 4-I to agenda.

**4. AUDITED FINANCIAL STATEMENTS**

As noted in the Governance Manual 3.7.5., it is the Board's responsibility to approve the annual audited financial statements. However, it is the Audit and Finance Committee's responsibility for the preparation, presentation, and integrity of AFNWA financial statements, per Governance Manual 5.6.1.

Draft Audited Financial Statements were submitted by Grant Thornton on August 30, 2024 with further revisions on September 3, 2024, and therefore will be reviewed by the Audit & Finance Committee simultaneous to presentation to the Board during the September 4, 2024, Board Meeting.

Chantal invites in our Auditor to present the Audited Financial Statements report.

Regional Chief Joanna inquires if this report will be available to all of the Atlantic Chiefs. Tuma wonders if we have or are going to have reserve funds. Chantal advises that reserve funds will be part of the discussion during the recalibration of our funding and that FMB supports reserve funds. Todd asks if there is a specific dollar amount, we have set up to support individual wells and septics with the surplus funds? Chantal advises the board has approved up to \$250,000 for supporting operating and maintenance of private wells and septics. This includes staff time.

Auditor continues to present Audited Financial Statements report.

Todd points out a typo: Net Assets says (page 5) while on page 5. Chantal advises it should say note 5, Auditor indicates this is noted and will be corrected for final version.

**MOVED BY Tuma Young, SECONDED BY Regional Chief Joanna Bernard, that the AFNWA Board approve the Audited Financial Statements in the substantive form attached noting that there were two typos found but they would not significantly or materialistically affect the report.**

#### **MOTION PUT AND PASSED**

#### **5 FIRST NATIONS FINANCIAL MANAGEMENT BOARD NOT FOR PROFIT STANDARDS**

AFNWA Staff have used the Compliance Report issued in November to amend policies and procedures, create new procedures, formalize existing procedures, etc. in order to meet or exceed expectations and best practices for administrating NPO governance.

FNFMB Auditors were on site during the week of July 15<sup>th</sup> for the second annual NPO Standards Compliance Review. AFNWA remains the only NPO to go through this review process and both the audit staff and AFNWA staff were able to recognize efficiencies this year.

The key difference to the certification process between Communities and NPOs is that Communities who are certified under this Compliance Audit process need only to certify once while AFNWA would have an annual review requirement. It is anticipated that if AFNWA is successful in achieving certification, that the review will take a risk-based approach in the future rather than a full comprehensive review which will provide for a less intensive review in the future.

At this time, FNFMB requires a letter from the AFNWA Board formally requesting the Compliance Review in order to send their findings to their Board. A draft letter has been attached for your consideration.

**MOVED BY Regional Chief Joanna Bernard, SECONDED by Todd Hoskins, that the board approve the release of the attached letter requesting the First Nations Financial Management Board Not for Profit Standards Audit.**

#### **6 COVID-19 POLICY REVIEW**

It is recommended that the Board revoke the AFNWA Covid-19 vaccination policy. Revoking the AFNWA Covid-19 Vaccination policy would be in-line with health providers

and municipal staff.

RC Joanna has issues with removing the policy. Chief Darlene thinks it should be taken out because there are no mandates anymore, she was able to come to work while she had covid. Chief Darlene believes there could be backlash if we keep it. RC Joanna asks if it is difficult to reinstate if needed. Chantal indicates it is not.

**MOVED BY Chief Darlene Bernard, SECONDED by Chief Wilbert Marshall, that the AFNWA Board revoke the AFNWA Covid-19 Vaccination Policy.**

### **Information Reports**

#### **1-I ELDERS ADVISORY LODGE UPDATE**

Information Report was sent via email for board review.

#### **2-I ANNUAL GENERAL MEETING**

Information Report was sent via email for board review.

#### **3-I MEMBER COMMUNITY UPDATE**

Information Report was sent via email for board review.

#### **4-I SUCCESS AND RECOGNITION**

An article jointly written by Dr. Megan Fuller, and the Elders Advisory Lodge has been accepted to be published in The Facets journal.

Also, two of our operators are being given awards: Samantha Johnson - Emerging Leader Award, Andrew Lafford - Silent Hero Award at the ACWWA conference in Fredericton later this month.

Susheel requests Chief Darlene Bernard to close meeting with a prayer.

Chief Darlene Bernard provides closing prayer.

**Meeting adjourned at 10:46am.**

**TO:** Chief Wilbert Marshall, Chair, and Members of the AFNWA Board

**SUBMITTED BY:** Original Signed by  
James MacKinnon, MPA, Director of Engagement and Government Relations

**APPROVED BY:** Original Signed by  
Susheel Arora, M.A.Sc., P.Eng, Chief Executive Officer

**DATE:** 20 September 2024

**SUBJECT:** **AFNWA ANNUAL CONTENT**

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**ORIGIN**

Updated Communications and Outreach Strategy approved at AFNWA Board meeting of September 27, 2023.

**RECOMMENDATION**

It is recommended that AFNWA Board approve the 2023-24 Annual Report in its substantive form attached.

**BACKGROUND**

The publication of an annual report is considered a best practice in relation to communications with stakeholders on achievements and progress over the fiscal year. The production of an annual report was highlighted in the overview of the Communications and Outreach Strategy presented to the Board on March 31, 2021 and maintained in our updated communications strategy presented to the board on September 27, 2023.

**DISCUSSION**

Production of the annual report began in summer 2024 with format and design done by NATIONAL Public Relations and content provided by the Director of



Engagement & Government Relations. The annual report provides a concise overview of activities and milestones of the 2023-24 fiscal year.

**BUDGET IMPLICATIONS**

Funds for the annual report are contained in the 2024-25 Operations budget as funded through agreement with Indigenous Service Canada, the annual report cost is estimated to a maximum of \$16,000 based on National's scope document dated July 16, 2024.

**ALTERNATIVES**

N/A

**ATTACHMENT**

2023-24 AFNWA Annual Report.

Report Prepared by: original signed by \_\_\_\_\_  
James MacKinnon, Director of Engagement and Government Relations (902)-  
401-3092

Financial Reviewed by: original signed by \_\_\_\_\_  
Chantal LeBlanc, CFO, 902-603-0312

Report Approved by: original signed by \_\_\_\_\_  
Susheel Arora, CEO, 902-603-0312



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# OUR FINDING FLOW

LOOKING BACK AT **2023–2024**



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# ABOUT ATLANTIC FIRST NATIONS WATER AUTHORITY (AFNWA)

AFNWA is a First Nations owned, not-for-profit organization incorporated under the Canada Not-for-Profit Corporations Act on July 18, 2018.

With a service approach based on social, economic, and environmental outcomes, AFNWA is responsible for the operation, maintenance, and capital upgrades of all water and wastewater assets in participating First Nations.



## Our Mission

To provide safe, clean drinking water and wastewater in all participating First Nations communities in Atlantic Canada, delivered by a regional water authority owned and operated by First Nations.



## Our Vision

To be a recognized leader for the delivery of water and wastewater services to First Nations communities across Canada.



Logo designed by Tiannie Paul and Katelyn Murphy.



## BOARD CHAIR MESSAGE

**As the Chair of the Board of Directors, it is my privilege to present the annual report for the Atlantic First Nations Water Authority (AFNWA), marking the completion of our first year of operations. This milestone provides an opportunity to reflect on our achievements, challenges, and the path forward as we strive to deliver safe, reliable, and sustainable water and wastewater services to our communities.**

This year, our water utility began operations thanks to the diligent efforts of our dedicated team. We have established a strong operational foundation, making our water systems more efficient and reliable, and planning to develop and upgrade member community infrastructure is well underway.

While operations and infrastructure upgrades are important, community satisfaction remains at the core of our mission. With our first year of operations behind us, we look forward to introducing community satisfaction surveys and improving our operations based on community member insights.

The 2023–2024 fiscal year saw encouraging legislative developments, including the introduction of Bill C-61 to Parliament on December 8, 2023. This legislation will allow the development and formalization of regulatory standards for First Nations across Canada.

On this front, AFNWA has been ahead of the curve, as we have created our own regulatory standards to guide operations and are well prepared for this legislative framework to formalize them. Our work on standards was completed in recognition that we, as a utility, must operate at the highest standards to provide the best quality of water to our people, and return the highest quality effluent back to the environment.

I would like to extend my heartfelt gratitude to my fellow board members, management team, employees, and stakeholders for their unwavering support and dedication. Our first year has set a strong foundation, and I am confident that, together, we will achieve even greater success in the years to come.

**Chief Wilbert Marshall**  
Chair, Board of Directors



## CHIEF EXECUTIVE OFFICER MESSAGE

**As I reflect on my first year as CEO and first year of operation for AFNWA, I am filled with gratitude for the opportunity to lead this incredible organization. It has been a year of learning, growth, and collaboration, and I am proud of the progress we have made in the communities we serve.**

AFNWA embraces the belief that Water is Life, as we ensure that every drop of water supply and wastewater discharged is treated with the utmost care and responsibility, reflecting our commitment to public health and environmental stewardship. Together, we are working toward shared goals of enhancing water infrastructure, improving access, and preserving our natural resources to serve future generations.

AFNWA has a trailblazing governance structure which has served its member communities very well during the first year of operation. The AFNWA Board has played an active role in shaping the First Nations water regulatory framework in Canada through active participation in drafts of Bill C-61, First Nations Clean Water Act, while also approving AFNWA policies and procedures that were developed through effective engagement with the Elders Advisory Lodge. It is humbling to see this governance structure working effectively towards self-determination and self-government of First Nations as it pertains to delivery of water and wastewater services.

I am also proud to report that AFNWA has put a strong effort into the continued professional development of our staff and capacity building in our communities. We have placed a priority on technical and safety training for all front-line staff, with a focus on operator certification and construction safety. A full Safety Management System was developed with Standard Operating Procedures put in place for the known dangers. Like any new system implementation, this required a great deal of patience and willingness to learn and adapt from all staff.

Last year, AFNWA focused on foundational technical studies and capital project planning for construction during 2024–2025 and beyond; several of these projects are underway helping improve infrastructure in our member communities. Along with capital improvements, the operations division focused on enhancing repair and maintenance activities with a goal to minimize service interruptions including emergency preparedness. All of this would not be possible without the hard work of our amazing AFNWA team. Our people are one of our greatest strengths, and I want to thank each and every one of them. It is through them that we demonstrate our commitment to safe water and wastewater services to our member communities within our fiscal mandates and plans.

Looking ahead, I am excited about building on our strong foundation as we embark on an Integrated Resources Plan that will capture community growth objectives along with asset renewal and compliance, ensuring AFNWA allocates resources to meet community needs. As well, several priority construction projects and operational programs will also get underway in all of our member communities in 2024–2025.

From a broader perspective, our focus remains on innovation, sustainability, and engagement as we continue to address the infrastructure challenges and the needs of our communities. I am confident that by working together, we will continue to provide the highest quality service to all the communities we serve.

Thank you for your support as we move forward in this journey.

**Susheel Arora, M.A.Sc., P.Eng.**  
Chief Executive Officer

# GROWING OUR TEAM AND OUR COMMUNITY

## Board Renewals and Appointments

At the AFNWA Annual General Meeting on September 27, 2023, AFNWA member Chiefs reappointed the following Board members to four-year terms:

- **Chief Wilbert Marshall,** Potlotek First Nation
- **Chief Ross Perley,** Neqotkuk First Nation
- **Chief Terry Paul,** Membertou First Nation

The AFNWA Member Chiefs also approved the appointment of **Tuma Young** to a four-year term as a legal expert. Welcome to the Board, Tuma!

The Board of Directors act as fiduciaries, operating in the best interest of the organization and its stakeholders. They oversee the management and governance of AFNWA, setting the strategic direction, providing high-level oversight and ensuring the financial sustainability of the organization.



**Chief Wilbert Marshall**  
Potlotek



**Chief Ross Perley**  
Neqotkuk



**Chief Terry Paul**  
Membertou



**Tuma Young, KC**  
Nutewistog/Lawyer



**Chief Darlene Bernard**  
Lennox Island



**Chief Arren Sock**  
Elsipogtog



The Atlantic First Nations Water Authority congratulates former **Regional Chief, Paul Prosper** on his appointment to the Senate of Canada.



**Todd Hoskin**  
CEO, Ulnooweg Development Group



**Regional Chief of Nova Scotia, Andrea Paul**  
Pictou Landing



**Chief Leroy Denny**  
Eskasoni



**Regional Chief of New Brunswick, Joanna Bernard**  
New Brunswick



**Dr. Shelley Denny, PhD.**  
Unama'ki Institute of Natural Resources

## Meet AFNWA’s Newest Member Communities

This past year, four communities formally became members of AFNWA:

- **Wagmatcook First Nation** (April 17, 2023)
- **Glooscap First Nation** (July 6, 2023)
- **Bilijk First Nation** (July 13, 2023)
- **Millbrook First Nation** (January 16, 2024)

AFNWA was pleased to welcome these new communities into the fold, bringing the total of member communities to 13 across New Brunswick, Prince Edward Island, and Nova Scotia.



## Fostering Expertise by Onboarding Operators

As part of our commitment to build community capacity for water and wastewater expertise and provide direct benefits to the communities we serve, AFNWA is committed to hiring operations staff working in water and wastewater operations prior to membership.

This year, AFNWA onboarded staff from our member communities. Operations is the heart of our utility, and we couldn't pursue our mission without the dedication of our community-based operations staff.



## Meet AFNWA’s New Chief Executive Officer, Susheel Arora

In July 2023, AFNWA was pleased to welcome Susheel Arora, as our new CEO, after saying goodbye to interim CEO, Carl Yates, and concluding a nationwide search for his successor. Susheel was the former Director of Operations at Halifax Water and brings over 20 years of expertise and field work to the role. He previously led One Water, an initiative involving wastewater and storm water collection, water distribution, treatment, and biosolids management for the Halifax Regional Municipality, advocating for a holistic approach to the treatment and management of water.

Susheel holds two master’s degrees, one in environmental engineering and the other in applied sciences. He is also a graduate of the Harvard Business School’s General Management program.

An active member of Engineers Nova Scotia, Susheel also participates in professional organizations such as the Water Environment Federation, the American Water Works Association, and the International Water Association.



**Susheel Arora**, M.A.Sc., P.Eng.  
Chief Executive Officer

## Continued Training and Professional Development

AFNWA has continued its focus on safety training for all frontline staff in 2023–2024. Safety training for Operations staff includes what is commonly referred to as the ‘Big 5’ hazards—trenching and excavation, confined spaces, lockout-tagout, gas detection, and traffic control. Additional training for frontline staff includes hoisting and rigging, fall protection, and transportation of dangerous goods. A full Safety Management System was rolled out and Standard Operating Procedures were put in place for the known dangers. As with any new system implementation, this required a great deal of patience and willingness to learn and adapt from all staff.

AFNWA is also committed to providing opportunities for training and career growth to all staff. To customize and expedite the training opportunities, AFNWA hired external consultants to deliver customized courses for operations staff. These courses were conducted in the weeks leading up to Provincial Certification exam dates in order to provide three to four-day intensive preparatory training for exams. It is AFNWA’s goal for all operators to obtain certification to the level of the system that they operate.

Beyond the formal training opportunities offered, AFNWA continues to offer informal training on individual systems with the help of external experts. In some cases, these experts have been brought in to provide technical expertise and coaching for individual systems where historically the opportunities for training have not existed. AFNWA has also initiated cross-training opportunities through inviting operators to visit and tour other community systems.

In addition to safety and technical training, AFNWA managers were asked to participate in leadership training in order to establish a consistent management and coaching language. This five-day certification course was successfully completed by senior managers and supervisors alike, and focused on topics such as leadership style, effective communication, and strategic influencing.

# STRONG GOVERNANCE AND STANDARDS TO SUPPORT THE DELIVERY OF CLEAN, SAFE WATER

“ Sustainability of an organization requires balance across a range of social, economic, and environmental outcomes. ”

## Introducing a Balanced Scorecard

During the 2023–2024 fiscal year, the AFNWA Board of Directors approved the use of a balanced scorecard to measure organizational performance and incentivize the organization and its people to achieve excellence. Balanced scorecards are predicated on the idea that the sustainability of an organization requires balance across a range of social, economic, and environmental outcomes.

To complement this scorecard, the Board approved a policy recognizing that incentives tied to the outcomes of a balanced scorecard will encourage employees to drive forward our strategic goals and the success of AFNWA. Operational budgets contained in the Ten-Year Business Plan include a financial incentive for each employee tied to the outcomes of our balanced scorecard. The goal for 2024–2025 is to capture the baseline for our metrics to then begin to track AFNWA's progress against the scorecard.

## Ongoing Enterprise Risk Management

Following the approval of the Enterprise Risk Framework and Register by the AFNWA Board in 2022, senior leadership has been reviewing the top ten risks to provide a status update on these items to the Board. These updates also highlight critical controls or mitigating actions that were put in place in advance of the transfer of community water and wastewater service responsibilities.

In accordance with the AFNWA Governance Manual, it is the responsibility of the Audit and Finance Committee to monitor and report to the full Board on the adequacy and effectiveness of the AFNWA Enterprise Risk Framework, the internal control system, and information systems through quarterly reports from AFNWA's Chief Financial Officer.

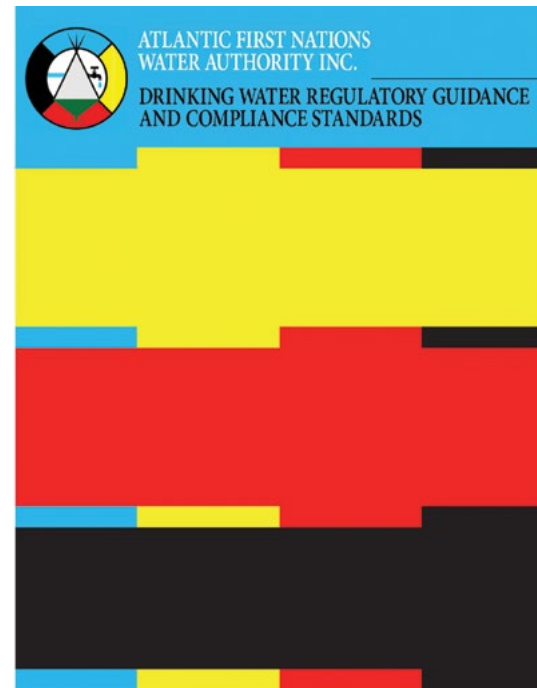


## Initiating Water Quality Oversight Standards

Currently, there are no enforceable water quality regulations on First Nations lands. Bill C-61, the *First Nations Clean Water Act*, will enable First Nations to develop their own regulations concerning water and wastewater once passed.

In the meantime, AFNWA, in coordination with Indigenous Services Canada (ISC), contracted the Centre for Water Resources Studies at Dalhousie University to develop an interim regulatory framework for drinking water and wastewater services. The framework developed was the culmination of a jurisdictional scan that incorporated best practices from provincial, Indigenous, and international examples. The framework integrates both regulatory compliance standards and risk-based management practices.

AFNWA's Board of Directors adopted the framework in early 2023 and has established interim regulatory standards for drinking water treatment, operations, monitoring, and reporting. Currently, AFNWA is working with First Nations and the Inuit Health Branch to ensure public health and technical oversight of the interim standards.



## Growing Economic Oversight Alongside Our Utility

First Nations Financial Management Board (FNFMB), ISC, and AFNWA have negotiated and are currently piloting a draft set of Practice Directives which will outline the working relationship between AFNWA as an operational utility, ISC as funder, and FNFMB as an economic oversight agency. All parties are working collaboratively during AFNWA's first year operating as a utility and the Practice Directives are under revision by all parties for the 2024–2025 fiscal year to ensure that the Directives are appropriate for AFNWA as we continue to grow.

## Ensuring a Healthy and Safe Workplace for All

The AFNWA Occupational Health and Safety programs are based on the Internal Responsibility System (IRS), which is the underlying philosophy of occupational health and safety legislation in Canada.

The IRS relies on the employer and employees being jointly responsible for determining the specific steps to be taken to achieve compliance with regulations and protect people and property from harm at all workplaces. AFNWA holds all persons at the workplace accountable for their own health and safety and for the health and safety of others.

The AFNWA Safety Management System was put into practice during the 2023–2024 fiscal year with enhancements scheduled for 2024–2025. During this past year, several on-site safety audits have helped to raise safety awareness in the communities and in-person operator workshops invested significant time and resources in the safety training of AFNWA employees.

## Revising our Communications and Outreach Strategy

In recognition of the importance of communications and outreach to the success of AFNWA, we have updated our Communications & Outreach Strategy to reflect our transition to full operations. The revised strategy focuses mainly on external communications to communities and residents, along with similar messaging for Chiefs and Councils, and Band managers and administration.

# 2023–2024 CAPITAL PROJECTS

### **The Neqotkuk Nanofiltration Water Treatment Facility**

is a cutting-edge project initiated by ISC and successfully completed by AFNWA. This high-tech facility features two nanofiltration unit trains along with ultraviolet (UV) and chlorination disinfection systems, designed to effectively soften water and fulfill stringent disinfection standards. The project is a significant step forward in ensuring access to safe and high-quality drinking water for the community, employing advanced water treatment technologies to meet health and safety requirements. AFNWA's involvement in the project was pivotal to identifying challenges and solutions in the commissioning phase of the project, which will ultimately lead to a better functioning facility.

### **The Elsipogtog Water Treatment Facility project,**

initiated by ISC and completed by AFNWA, represents a solution to a long-standing issue with elevated manganese in the potable water system. This project required installing three greensand filter trains designed to remove manganese from water, alongside a chlorination system for disinfection. Further enhancements include the conversion of a test well into a production well to augment water quality and quantity, the disconnection from an older, lower quality well, and the implementation of a reject water collection chamber and a new lift station dedicated to the facility. Scheduled for commissioning in April 2024, this initiative marks a significant step towards improving water quality and reliability for the community.



### **The Eskasoni Spencer Lane Water System Pipe Loop**

project is an essential initiative led by AFNWA, aimed at enhancing water quality and ensuring compliance with regulatory standards. The project involved the installation of a transmission watermain pipe adjacent to the Spencer Lane well house, designed to extend the contact time with chlorine prior to delivery to the first user, thereby meeting required disinfection criteria. This deficiency was long standing, having been identified in the Negan Burnside National Assessment in 2010. AFNWA initiated the project after a further study confirmed the existing water system remained non-compliant. While the pipe loop is considered temporary, the infrastructure installed in this project will serve as the transmission lines to and from a proposed future reservoir, and ensures the community has access to safer and more reliable drinking water.

### **The SCADA Master Plan and Standards Project,**

led by AFNWA, is a pivotal initiative that has revolutionized the management and operation of water utility services. By implementing a comprehensive Supervisory Control and Data Acquisition (SCADA) framework, the project successfully set new benchmarks in monitoring, controlling, and optimizing water treatment and distribution processes across the communities AFNWA serves.

Once the implementation of the SCADA system is completed, this solution will enhance real-time visibility into the water infrastructure on a unified platform, allowing for immediate detection and response to operational issues, ensuring continuous water quality and safety. Additionally, standardization of the graphical interface, programming, and hardware will support consistent operation and maintenance activities across communities. Overall, the SCADA Master Plan and Standards Project significantly elevated the standard of water utility management, promoting more reliable, safe, and efficient water services for communities.

The SCADA Standards and Master Plan were completed during the 2023–2024 fiscal year and dictate that future projects will conform to the SCADA standards. SCADA Masterplan pilot projects were initiated in Lennox Island and Pictou Landing First Nations.

### **The On-Site Well and Sewage Disposal System Survey Project,**

funded by the First Nations & Inuit Health Branch, documents the outcomes of field investigations surveying on-site wells and sewage disposal systems. The collected data is a vital resource for AFNWA staff, providing information that is instrumental in strategizing for future connections to central systems. This ensures a more integrated and efficient approach to managing water resources and sanitation facilities. This project marks a significant step forward in enhancing the quality and reliability of water and sewage services for communities.

# SPECIAL PROJECTS, EVENTS, AND SPONSORSHIPS

## Elders Advisory Lodge Updates

The Elders Advisory Lodge (EAL) had a productive meeting on October 26, 2023, in Truro. It was their first in-person gathering, which provided members with the opportunity to share stories, develop connections, and contribute insights into various ongoing projects. One of the key projects discussed was the Two-Eyed Seeing Article, coordinated by Dalhousie University's Centre for Water Resource Studies. The article highlights the story of the AFNWA, emphasizing the guiding principles of Two-Eyed Seeing in delivering essential services to communities. The authors of the article, including First Nations Elders, knowledge keepers, and researchers, collaborated to showcase how integrating First Nations knowledge with western technical practices can lead to the development of Indigenous-led utilities.

Another significant project under discussion was the development of a culturally relevant dispute resolution process, endorsed by the AFNWA's By-Laws. The EAL is actively involved in guiding the management of AFNWA in shaping this process. Additionally, the EAL's collaboration on the NSERC Alliance Grant, in partnership with Dalhousie University's Centre for Water Resources Studies, highlights their vital role in supporting and influencing key decisions within the organization, including research program development and education of both Indigenous and non-Indigenous engineering students to better serve First Nations. The meeting served as a platform for meaningful discussions and contributions, reflecting the EAL's commitment to promoting Indigenous knowledge and culture in guiding the AFNWA's initiatives.



## NSERC Alliance Grant Award

On December 7, 2023, the Natural Sciences and Engineering Research Council of Canada (NSERC) approved a \$4.3 million Alliance Grant destined for the Centre for Water Resources Studies (CWRS), in partnership with AFNWA and Ulnooweg Education Centre.

The CWRS at Dalhousie University has provided technical and policy guidance to the Atlantic Policy Congress of First Nations Chief Secretariat (APC) since 2009 in support of the establishment of AFNWA. The CWRS has maintained its role as a technical advisor and facilitator of First Nations water governance as it assisted AFNWA in becoming operational in late 2022, and the Alliance Grant will continue to support and sustain the innovation and knowledge-sharing that is key to our relationship.

This research partnership also has a broad goal of training future Indigenous and non-Indigenous water stewards with a knowledge of Etuaptmumk and an appreciation for cultural and knowledge system diversity. This work will be guided by, and grounded in, a Wabanaki worldview. In addition to solidifying our partnerships, AFNWA has reached out to the Elders Advisory Lodge, both individually and as a group, to ensure that First Nations language and traditional knowledge is at the forefront of the research.



### North American Indigenous Games Canoe Relay

The Canoe Relay, a celebration of communities and athletes, took place in Mi'kmaq communities throughout Nova Scotia ahead of the July 2023 North American Indigenous Games hosted by Halifax and Millbrook. AFNWA played a key role in the relay, transporting the canoe to each relay location. AFNWA was also proud to provide aluminum water bottles to all NAIG Athletes!

### National Indigenous Water Operators Day

On National Indigenous Water Operator Day, March 21, 2024, the Water Movement National Water Operator Committee, a coalition of water leaders hailing from coast to coast to coast, gathered in Ottawa. Representing their regions, these guardians of water, including AFNWA's representative, Samantha Johnson, Potlotek operator, brought insights from community water plants to national attention.



### Community sponsorships

AFNWA is a proud community supporter. We actively pursue sponsorship opportunities in Wolastokuk and Mi'kmaq communities and support numerous grassroots initiatives. In 2023–2024, we were fortunate to support the following community-based events and initiatives.

#### APRIL 2023

- Indian Brook Minor Hockey
- Wallace Bernard Memorial Tournament, Membertou

#### JUNE 2023

- Eskasoni Junior Eagles—Every Child Matters Hockey Tournament, Gatineau, Quebec

#### JULY 2023

- JSTRONG Annual Golf Tournament, Yarmouth

#### AUGUST 2023

- 2023 Nova Scotia Mi'kmaw Summer Games, Millbrook First Nation
- Playground development, Potlotek First Nation
- Mi'kmaw Family & Children's Services Family Fun Day, Millbrook
- Danny Lanteigne Memorial Scholarship, New Brunswick Community College
- Neqotkuk Labour Day Festival, Neqotkuk

#### SEPTEMBER 2023

- Participation in the 14th Annual Mi'kmaq Confederacy of PEI Charity Golf Tournament

#### OCTOBER 2023

- Russell Francis Tournament, Potlotek First Nation

#### NOVEMBER 2023

- Unam'aki Ducks
- Eskasoni Junior Eagles
- Pisuwin, Prismatic Arts Festival

#### DECEMBER 2023

- Christmas parade, Neqotkuk First Nation
- Cape Breton County Minor Hockey

#### JANUARY 2024

- 37th Annual MacDonald-Gallagher Tournament, Sydney

#### MARCH 2024

- Eskasoni Eagles U9 Division—Sipekne'katik Tournament

# APPENDIX FINANCIAL STATEMENTS

## Independent Auditor's Report

TO THE MEMBERS OF THE ATLANTIC FIRST NATIONS WATER AUTHORITY INC.

### Opinion

We have audited the accompanying financial statements of the Atlantic First Nations Water Authority Inc., which comprise the statement of financial position as at March 31, 2024, the statements of operations, net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Atlantic First Nations Water Authority Inc. as at March 31, 2024 and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Matter – Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedules included on Pages 15 through 18 are presented for purposes of additional information and are not a required part of the financial statements. Such supplementary information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Grant Thornton LLP*

Chartered Professional Accountants

Halifax, Canada  
September 4, 2024

 Grant Thornton

## ATLANTIC FIRST NATIONS WATER AUTHORITY INC.

## Statement of Operations

Year ended March 31

	2024	2023
<b>Revenues</b>		
Indigenous Services Canada	\$ 11,701,417	\$ 4,864,636
Indigenous Services Canada – First Nations and Inuit Health Branch	204,302	189,196
Interest	1,602,555	264,363
Miscellaneous	-	4,925
	<b>13,508,274</b>	<b>5,323,120</b>
<b>Expenses</b>		
Board and council compensation	67,250	105,250
Chemicals	126,571	3,132
Contract services	2,134,401	576,218
Fleet costs	252,042	77,763
Interest and bank charges	4,049	6,194
Interest on long term debt	58,086	24,800
Professional development	340,697	226,304
Professional services	926,813	442,932
Property taxes	-	3,938
Public relations	109,243	126,071
Rent and facilities	209,832	185,332
Salaries and related benefits	4,851,280	2,473,105
Services and office supplies	2,192,685	564,263
Technology services	126,740	12,114
Travel	196,477	226,415
	<b>11,596,166</b>	<b>5,053,831</b>
Excess of revenues over expenses before other items	1,912,108	269,289
Amortization of tangible capital assets	(707,523)	(320,731)
Amortization of deferred capital contributions	376,416	47,347
Excess (deficiency) of revenues over expenses	\$ 1,581,001	\$ (4,095)

See accompanying notes to the financial statements.

## ATLANTIC FIRST NATIONS WATER AUTHORITY INC.

## Statement of Net Assets

Year ended March 31, 2024

	Unrestricted	Investment In Tangible Capital Assets	Total 2024	Total 2023
Beginning of year	\$ 122,059	\$ 124,266	\$ 246,325	250,420
Excess (deficiency) of revenues over expenses	1,912,108	(331,107)	1,581,001	(4,095)
Interfund transfers	(250,528)	250,528	-	-
End of year	\$ 1,783,639	\$ 43,687	\$ 1,827,326	\$ 246,325

See accompanying notes to the financial statements.

## ATLANTIC FIRST NATIONS WATER AUTHORITY INC.

## Statement of Financial Position

March 31

	2024	2023
<b>Assets</b> Current		
Cash and cash equivalents	\$ 11,919,411	\$ 12,264,137
GIC investments	12,705,847	20,003,140
Receivables	-	28,813
HST recoverable	294,122	125,812
Prepays	309,285	246,264
	<b>25,228,665</b>	<b>32,668,166</b>
Tangible capital assets (Note 3)	7,483,559	1,982,935
	<b>\$ 32,712,224</b>	<b>\$ 34,651,101</b>
<b>Liabilities</b> Current		
Payables and accruals (Note 4)	\$ 2,356,427	\$ 1,045,165
Deferred contributions (Note 5)	21,088,545	31,500,942
Current portion of long term debt (Note 7)	264,172	250,528
	<b>23,709,144</b>	<b>32,796,635</b>
Deferred capital contributions (Note 6)	6,485,619	653,834
Long term debt (Note 7)	690,135	954,307
	<b>30,884,898</b>	<b>34,404,776</b>
Net assets		
Unrestricted	1,783,639	122,059
Investment in tangible capital assets	43,687	124,266
	<b>1,827,326</b>	<b>246,325</b>
	<b>\$ 32,712,224</b>	<b>\$ 34,651,101</b>

Contingent liabilities (Note 8)

On behalf of the Executive Committee



Wilbert Marshall, Director (Sep 5, 2024)



Ross Perley, Director (Sep 6, 2024)

## ATLANTIC FIRST NATIONS WATER AUTHORITY INC.

## Statement of Cash Flows

Year ended March 31	2024	2023
Increase (decrease) in cash and cash equivalents		
<b>Operating</b>		
Excess (deficiency) of revenues over expenses	\$ 1,581,001	\$ (4,095)
Amortization of deferred capital contributions	(376,416)	(47,347)
Amortization of tangible capital assets	707,523	320,731
	<b>1,912,108</b>	269,289
Changes in non-cash operating working capital		
Receivables	(139,497)	(64,580)
Prepays	(63,021)	(191,440)
Payables and accruals	1,311,262	469,684
Deferred revenue	(10,073,371)	29,949,877
	<b>(7,391,545)</b>	30,432,830
<b>Investing</b>		
Purchase of tangible capital assets	(6,208,201)	(2,071,027)
Redemption (purchase) of GIC investments, net	7,297,347	(20,003,140)
	<b>1,089,146</b>	(22,074,167)
<b>Financing</b>		
Deferred capital contributions	6,208,201	701,181
Proceeds of long term debt	-	1,293,333
Repayment of long term debt	(250,528)	(88,498)
	<b>5,957,673</b>	1,906,016
Net (decrease) increase in cash and cash equivalents	<b>(344,726)</b>	10,264,679
Cash and cash equivalents		
Beginning of year	12,264,137	1,999,458
End of year	\$ 11,919,411	\$ 12,264,137

## ATLANTIC FIRST NATIONS WATER AUTHORITY INC.

## Notes to the Financial Statements

March 31, 2024

**1. Nature of operations**

The Atlantic First Nations Water Authority Inc. (the "Authority") is not-for-profit organization incorporated on July 18, 2018, whose mission is to provide safe, clean drinking water and wastewater services to all participating First Nations Communities in Atlantic Canada, delivered by a regional water authority owned and operated by First Nations.

The Authority signed a final service delivery transfer agreement ("SDTA") with the federal government of Canada, as represented by the Minister of Indigenous Services Canada ("ISC"), on November 7, 2022, initiating the transfer of responsibility for the operation, maintenance, and capital upgrades of all water and wastewater assets for participating First Nations to the Authority.

The Authority and each participating First Nation community will ratify the terms and conditions through a signed Community Service Transfer Agreement (herein described as "Community Agreement"), defined as the legally binding contract whereby each First Nation community becomes a member of the Authority and official transferor of assets, in exchange for the Authority overtaking the responsibility to deliver water and wastewater services.

**2. Summary of significant accounting policies****Basis of presentation**

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO"). The significant policies are detailed below.

Atlantic First Nations Water Authority Inc. is only one entity and does not own or control other entities and therefore the financial statements are not labelled as "consolidated". In addition, the Authority does not have any segments but has programs and therefore no segment information or disclosures have been presented in these financial statements.

**Use of estimates and judgements**

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action. These estimates are reviewed periodically, and adjustments are made to net income as appropriate in the year they become known. Items subject to significant management estimates and judgements include the useful life and amortization rates of tangible capital assets, the cost of administrative overhead transferred to various projects, the deferral/restriction of contributed funding, and the assets transferred under Community Agreements. Judgement was applied when assessing the restrictive characteristics of the contributed funding, as well as when assessing the fair value of any contributed assets including the determinability of fair value.



## 2. Summary of significant accounting policies (continued)

### Revenue recognition

The Authority follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Deferred capital contributions relating to equipment are deferred and recognized as income on the same basis as amortization expense over the relating assets' useful lives.

Unrestricted contributions and investment income are recognized as revenue when received or receivable if the amounts to be received can be reasonably estimated and collection is reasonably assured.

Other revenues are recognized when received or receivable, provided the amount can be reasonably estimated and collection is reasonably assured.

### Tangible capital assets

The investment in capital asset fund reports the assets, liabilities, revenue and expenses related to the Authority's tangible capital assets.

Rates and bases of amortization applied to amortize the cost of tangible capital assets over their estimated useful lives are as follows:

Leasehold improvements	3-5 years, straight line
Vehicles	30%, declining balance
Tools and equipment	20%, declining balance
Office furniture and equipment	20%, declining balance
Community infrastructure	20%, declining balance
Computer equipment	55%, declining balance

The Authority applies the half-year rule in the year of acquisition.

Tangible capital assets contributed under Community Agreements are considered restricted contributions and recorded at fair value unless fair value is considered indeterminable. In such situations contributed tangible capital assets are recorded at a nominal amount.

### Intangible assets

Permits obtained for rights to access infrastructure assets are considered intangible assets and recognized when it is probable that the expected future economic benefits attributable to the permit will flow to the entity and the cost of the permit can be measured reliably.

### Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks and financial institutions. Bank borrowings are considered to be financing activities.

### Income taxes

The Authority is exempt from income taxes under Section 149(1)(c) of the Income Tax Act.

## 2. Summary of significant accounting policies (continued)

### Financial instruments

The Authority considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Authority accounts for the following as financial instruments:

- cash and cash equivalents
- GIC investments
- receivables
- payables and accruals
- long term debt

A financial asset or liability is recognized when the Authority becomes party to contractual provisions of the instrument.

The Authority initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

Any financial assets or liabilities received under the Community Agreements are considered unrestricted contributions and recorded at fair value.

#### *Subsequent measurement*

The Authority subsequently measures its financial assets and financial liabilities at amortized cost. The Authority removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

#### *Financial instruments in related party transactions*

Financial assets and financial liabilities in related party transactions are initially measured at cost, with the exception of certain instruments which are initially measured at fair value. The Authority does not have any financial assets or financial liabilities in related party transactions which are initially measured at fair value.

Gains or losses arising on initial measurement differences are generally recognized in net income when the transaction is in the normal course of operations, and in equity when the transaction is not in the normal course of operations, subject to certain exceptions.

Financial assets and financial liabilities recognized in related party transactions are subsequently measured based on how the Authority initially measured the instrument. Financial instruments initially measured at cost are subsequently measured at cost, less any impairment for financial assets. Financial instruments initially measured at fair value, of which the Authority has none, would be subsequently measured at amortized cost or fair value based on certain conditions.

### Overhead allocations and project transfers

The Authority allocates administrative overhead costs incurred to the various projects undertaken during the year based on estimated costs incurred by each project and based on the terms and conditions of specific funding agreements.

Transfers are made among various programs when, in management's opinion, certain revenues or expenses incurred in one project related to another project.

### 3. Tangible capital assets

			2024	2023
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	\$ 99,045	\$ -	\$ 99,045	\$ -
Leasehold improvements	101,637	74,034	27,603	46,517
Vehicles	2,173,340	618,084	1,555,256	1,170,962
Tools and equipment	1,372,072	169,339	1,202,733	326,258
Office furniture and equipment	183,132	64,125	119,007	109,862
Computer equipment	149,707	130,476	19,231	67,216
Community infrastructure	105,590	9,153	96,437	-
Capital projects	4,364,247	-	4,364,247	262,120
	\$ 8,548,770	\$ 1,065,211	\$ 7,483,559	\$ 1,982,935

Buildings represent a new office space which is not available for use, therefore, no amortization has been taken as at March 31, 2024.

Capital projects represent pilot work on communities being on-boarded and are considered in-progress. As such, no amortization has been taken as at March 31, 2024.

During the year, nine (9) additional Community Agreements were signed. Contributed assets included mainly small tools, equipment, and safety supplies. Contributed tangible capital assets were recorded at a nominal amount as the fair value was indeterminable.

### 4. Payables and accruals

Included in payables and accruals are government remittances in the amount of \$48,343 (2023 - \$91,458)

### 5. Deferred contributions

			2024	2023
Opening balance	\$	31,500,942	\$	1,551,065
Contributions received		7,701,823		35,704,889
Operating expenditures (funded)		(11,566,993)		(5,053,831)
Repayment of long-term debt		(339,026)		-
Capital expenditures (non-financed)		(6,208,201)		(701,181)
Ending balance	\$	21,088,545	\$	31,500,942
<b>Ending balance represented by:</b>				
Indigenous Services Canada (ISC)	\$	21,088,545	\$	31,386,639
ISC, First Nations Inuit Health Branch (FNIHB)		-		114,303
	\$	21,088,545	\$	31,500,942

### 6. Deferred capital contributions

			2024	2023
Opening balance	\$	653,834	\$	-
Contributions		6,208,201		701,181
Amortization of deferred capital contributions		(376,416)		(47,347)
Ending balance	\$	6,485,619	\$	653,834

Deferred capital contributions relate to tangible capital assets acquired and claimed under the contribution agreements. The funding will be recognized as income on the same basis as amortization expense over the relating assets' useful lives.

### 7. Long term debt

			2024	2023
5.03% Scotiabank vehicle loan, amortized over 5 years, payable in equal monthly instalments of \$7,672, secured by a vehicle with net book value of \$234,763 (2023 - \$335,376)	\$	282,008	\$	357,812
5.34% Scotiabank vehicle loan, amortized over 5 years, payable in equal monthly instalments of \$2,239, secured by a vehicle with net book value of \$66,305 (2023 - \$94,721)		85,585		107,247
5.68% Scotiabank vehicle loan, amortized over 5 years, payable in equal monthly instalments of \$3,591, secured by a vehicle with net book value of \$103,000 (2023 - \$147,143)		142,350		176,308
5.45% Scotiabank vehicle loan, amortized over 5 years, payable in equal monthly instalments of \$5,953, secured by a vehicle with net book value of \$171,667 (2023 - \$245,238)		241,772		298,342
5.33% Scotiabank vehicle loan, amortized over 4 years, payable in equal monthly instalments of \$6,263, secured by a vehicle with net book value of \$148,805 (2023 - \$212,579)		202,592		265,126
		954,307		1,204,835
<b>Less: current portion</b>		264,172		250,528
	\$	690,135	\$	954,307

Estimated principal repayments required over the next four years are as follows:

2025	\$ 264,172
2026	\$ 278,561
2027	\$ 287,472
2028	\$ 124,102

## 8. Contingent liabilities

The Authority has entered into contribution agreements with various government departments. Funding received under these agreements are subject to repayment if the Authority fails to comply with the terms and conditions of the agreements.

The Authority has reviewed environmental risk factors and retirement obligations associated with the assets transferred from the Community Agreements. As at the date of issue of the financial statements the likelihood of any related liability is not determinable.

## 9. Employee benefits

- a) The Authority has a defined contribution pension savings plan for its employees. The assets of the plan are held separately from those of the Authority in independently administered funds. Contributions paid and expensed by the Authority in the current year amounted to \$241,626 (2023 - \$101,513).
- b) The Authority remits employee benefits on behalf of employees and as of March 31, 2024, all remittances for employee benefits are up to date.

## 10. Financial instruments – risk management

The Authority is exposed to various risks through its financial instruments. The following analysis provides a measure of the Authority's risk exposure and concentrations as at March 31, 2024.

- a) **Credit risk**  
Credit risk is the risk of financial loss to the Authority if a debtor fails to make payments when due. The Authority is exposed to this risk relating to its receivables. Receivables are ultimately due from government and various funders. Credit risk is mitigated by ensuring government grants are entered into by way of contribution agreements. Management also continuously reviews aging and collection of receivable balances to ensure collection is timely. The Authority recognizes a specific allowance for doubtful accounts when management considers the expected amounts to be recovered is lower than the actual receivable. Management considers the exposure to this risk to be low.
- b) **Liquidity risk**  
Liquidity risk is the risk that the Authority will encounter difficulty in meeting the obligations associated with its financial liabilities. The Authority is exposed to this risk mainly in respect of its accounts payable. The Authority has adequate resources to meet its obligations and therefore risk is considered to be low.
- c) **Market risk**  
Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Authority is mainly exposed to interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In the opinion of management, the interest rate risk to the Authority is low and not material.

## 11. Comparative figures

Certain of the comparative figures have been adjusted to conform to the financial statement presentation adopted for the current year.





[afnwa.ca](http://afnwa.ca) | [communications@afnwa.ca](mailto:communications@afnwa.ca)

13 Treaty Trail, Millbrook, Nova Scotia, B6L 1W1  
6 Louise Street, Truro, Nova Scotia, B2N 3K2



Item # 1-1  
AFNWA Board  
Sept. 26, 2024

**TO:** Chief Wilbert Marshall, Chair, and Members of the AFNWA Board

**SUBMITTED BY:** Original Signed by  
\_\_\_\_\_  
Chantal LeBlanc, Director of Corporate Services & CFO

**APPROVED:** Original Signed by  
\_\_\_\_\_  
Susheel Arora, CEO

**DATE:** September 20, 2024

**SUBJECT:** **First Nations Financial Management Board Practice Directives Update and Reporting Letters**

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## **INFORMATION REPORT**

### **ORIGIN**

Memorandum of Understanding signed with the First Nations Financial Management Board (FNFMB), as discussed in the board meeting held January 26, 2022.

Practice Directives, currently in negotiation with FNFMB and Indigenous Services Canada which outlines the oversight responsibilities and the roles of the three parties.

### **BACKGROUND**

The Practice Directives, which is a document outlining the roles and responsibilities of all 3 parties (AFNWA, ISC, and FNFMB) in the economic oversight arrangement, have been in development since Fall 2021. AFNWA has been testing various reporting requirements by submitting applications and working collaboratively with the FNFMB and ISC team to satisfy all requirements and establish a transparent review process which focuses on ensuring financial prudence. A final draft of the Practice Directives is intended to be available for AFNWA Board review by January 2025.

Throughout the course of the past 2 years, AFNWA has submitted various items (operating and capital budgets, large capital project applications, etc.) for

FNFMB's review and onward recommendation to ISC, per the requirements laid out in the Practice Directives. This pilot phase to establish how the relationship will work going forward.

## **DISCUSSION**

AFNWA submitted a copy of the F2023-2024 Capital Budget to FNFMB on February 13, 2023, as part of the Practice Directives for Economic Oversight. Per the Practice Directives, it is the role of FNFMB to review the budget and provide an opinion on the prudence of the overall budget.

FNFMB issued an opinion on July 27, 2023 which supported \$5.2 million of the \$11.7 million budget. The remaining amounts required further justification from the AFNWA team. In September 2023, the AFNWA team began discussions with FNFMB about the level of analysis being performed on the capital budget.

On March 27, 2024, AFNWA resubmitted the capital budget for Fiscal 2023-2024 with a formal request to reduce the level of analysis by removing all projects under \$50,000, and by removing all projects for communities that were not yet members of the AFNWA.

The resubmission resulted in a new opinion which was received by the AFNWA team on September 16, 2024 and confirms prudence on the full \$9.5 million capital budget.

In addition to the capital budget submission under the Practice Directives, the AFNWA team also submitted the F24-25 Operating budget on December 7, 2023. FNFMB provided a reporting letter dated February 29, 2024 which outlined their support of the operating budget.

AFNWA continues to work with FNFMB on submissions for the F2024-2025 capital budget submission, as well as other various reporting requirements as set out by the Practice Directives.

A sample copy of the reporting letters have been attached here for the Board's consideration and discussion.

Report Prepared by: <u>Original Signed by</u> Chantal LeBlanc, Director of Corporate Services & CFO
--



## Reporting Letter – Operating Budget

February 29, 2024

Deputy Minister of Indigenous Services Canada  
House of Commons  
Ottawa, ON  
K1A 0A6

Attn: Deputy Minister of Indigenous Services Canada

**Re: Reporting Letter – 2024/2025 Fiscal Year Operating Budget**

### **General Overview:**

The AFNWA provided the 2024-2025 Operating Budget on December 7, 2023. Additional information relating to this budget was supplied on January 10, 2024, and February 21, 2024.

Details for the operating budget are as follows:

1. All parties agreed to review the budget and submit it to ISC for final review by March 31<sup>st</sup>, 2024. This report falls within this specified time.
2. The total operating budget for the 2024/2025 fiscal year is approximately \$11,000,000.00.
3. The operating budget relates to projected costs to be incurred in the day-to-day operations of the AFNWA to provide water treatment and wastewater management to their member communities.

The FMB recognizes that this is a new operation subject to the numerous challenges inherent in all enterprises, beginning the ground-up process of building their business. This also includes a lack of historical costs to use as a basis for their budgeting process, relying primarily on non-operational estimates. The FMB also acknowledges the complexity of this undertaking and appreciates the value that the AFNWA provides to their member communities.

### **Recommendation:**

The FMB has reviewed the 2024-25 fiscal year operating budget for prudence\*.

- Per Practice Directive #4.4, the FMB will review the operating budget and relevant materials and provide an opinion on whether this can be considered a prudent activity by the AFNWA.



- The review included written information requests, interviews and analyzing large budget items such as salaries & benefits and contract costs.
- Relevant materials include.
  - Prior year financial statements
  - Quarterly Reports
  - Research data on regional rural municipalities
- Per Practice Directive #4.2, the FMB is to conduct an operational budget reconciliation report to review variances in the budget and actual costs.
  - This procedure will be completed once the fiscal year has ended and an audit completed.

Based on the above procedures, the FMB finds that AFNWA has provided sufficient details to proceed with the overall funding application to Indigenous Services Canada.

The FMB recommends a \$11,045,823.00 operating budget request for AFNWA 2024/2025 operations to Indigenous Services Canada. The budget is reasonable and appears consistent with the costs expected in the operation of water and wastewater services to the member communities it serves.

*\*Prudence is defined as a standard of care in which a reasonable person would be expected to exercise under the same circumstances when the decisions were made. Hindsight is not applied in assessing prudence. A decision is prudent if it is within the range of decisions a reasonable person might have made. The prudence standard recognizes that a reasonable person can have honest differences of opinion without one or the other necessarily being imprudent.*

### **Disclaimer:**

The FMB has not completed an audit of the information provided. As such, FMB cannot express whether the fiscal 2024/2025 operating budget is fairly presented in all material aspects. Moreover, our review was completed as of February 21, 2024. Given that the operating budget is for a subsequent year, the fiscal 2024/2025 operating budget is subject to market fluctuations. This Reporting Letter is intended to be used by Indigenous Service Canada and AFNWA only. This Reporting Letter is, therefore, not to be used or relied upon by any other person. The FMB accepts no responsibility for any loss or damages from unauthorized use of or reliance on this Reporting Letter.

### **FIRST NATIONS FINANCIAL MANAGEMENT BOARD**

Per:

Harold Calla, FCPA, FCGA, CAFM  
Executive Chair

Geordie Hungerford, CFA, CAIA, MBA, LLB  
Chief Executive Officer





## Reporting Letter – Capital Budget

July 31, 2024

Deputy Minister of Indigenous Services Canada  
House of Commons  
Ottawa, ON  
K1A 0A6

Attn: Deputy Minister of Indigenous Services Canada

**Re: Reporting Letter – 2023/2024 Fiscal Year Capital Budget**

### **General Overview:**

The Atlantic First Nation Water Authority (“AFNWA”) originally provided the 2023-2024 Operating Budget on March 15, 2023. An initial review was completed in July 2023, and a revised budget was supplied on May 31, 2024.

Details for the capital budget are as follows:

1. All parties agreed to suspend reporting deadlines outlined in the Practice Directives to allow the AFNWA flexibility to address key operational priorities.
2. The total capital budget for the 2023/2024 fiscal year is approximately \$9,500,000.00, made up of \$1,500,000.00 in capital programs and \$8,000,000.00 capital projects.
3. This review focused on the capital projects of the budget.

The FMB retained Associated Engineering (B.C.) Ltd. (“consultant engineers”) to assist the FMB in reviewing the capital application. As a part of this process, the FMB and its consultant engineers have engaged in a series of meetings and information requests with the AFNWA.

A copy of Associated Engineering’s report letter is attached.

### **Recommendation:**

The FMB has reviewed the 2023-24 fiscal year capital budget for prudence\*.

- Per Practice Directive #3.2, the FMB will review the capital budget and all relevant materials and provide an opinion on whether Indigenous Services Canada (“ISC”) and the AFNWA can consider this a prudent activity.



- The review included written information requests, interviews and analyzing large budget items.

Based on the above procedures, the FMB finds that AFNWA has provided sufficient details to proceed with the overall funding application to Indigenous Services Canada.

The FMB recommends a \$9,540,035.00 capital budget request for AFNWA 2023/2024 operating year to Indigenous Services Canada. The capital budget is reasonable and appears consistent with the costs expected in properly maintaining water and wastewater facilities and equipment in the service to their member communities.

*\*Prudence is defined as a standard of care in which a reasonable person would be expected to exercise under the same circumstances when the decisions were made. Hindsight is not applied in assessing prudence. A decision is prudent if it is within the range of decisions a reasonable person might have made. The prudence standard recognizes that a reasonable person can have honest differences of opinion without one or the other necessarily being imprudent.*

### **Disclaimer:**

The FMB has not completed an audit of the information provided. As such, FMB cannot express whether the fiscal 2023/2024 capital budget is fairly presented in all material aspects. Moreover, our review was completed as of June 30<sup>th</sup>, 2024. This Reporting Letter is intended to be used by Indigenous Service Canada and AFNWA only. This Reporting Letter is, therefore, not to be used or relied upon by any other person. The FMB accepts no responsibility for any loss or damages from unauthorized use of or reliance on this Reporting Letter.

### **FIRST NATIONS FINANCIAL MANAGEMENT BOARD**

Per:

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Executive Chair

Scott Munro, FCPA, FCA, CAFM  
Chief Executive Officer