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# Forensic Review of the Northern Village of Pinehouse (“NVP”)

Prepared for the Minister of Government Relations,  
Government of Saskatchewan

Private and Confidential  
September 13, 2019



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# Introduction

## 1.1 Background & Terms of Reference

As detailed in our July 12, 2019 agreement (as amended on September 10, 2019) and related proposal, the Government of Saskatchewan (“GOS” or “you”) required assistance from Grant Thornton LLP (“GT”, “us”, “we” or “our”) to perform financial and forensic services for the Northern Village of Pinehouse (“NVP” or “the Village”) and its three controlled entities (collectively referred to herein as “the entities”).

Specifically, we understood that there were allegations of potential misappropriation of assets by Village Officials and/or non-compliance with governing statutes of Saskatchewan as per The Northern Municipalities Act, 2010 (“the NMA”). We understand that the results of this report will be used to inform the Inquiry into the Northern Village of Pinehouse.

## 1.2 Limitation of Scope and Coverage

On March 7, 2019 the Honourable Warren Kaeding, MLA issued his “Report of an Inspection of the Northern Village of Pinehouse.” That report recommended that “the Minister consider directing an audit of the Village and its controlled corporations, pursuant to section 416 of *The Northern Municipalities Act*. This audit should:

- (a) try to reconcile and reveal the full financial position of the Village, including its controlled corporations and funding from the Collaboration Agreement;
- (b) try to determine the actual compensation of individual members of Council over the past five years, including identifying all sources from or related to the Village;
- (c) include an itemized review of past expense claims.”

In response to those recommendations and to further its own due diligence, the GOS engaged Grant Thornton on July 12, 2019 to satisfy the recommendations made by the Appointed Inspector with a focus on the potential misappropriation of funding by Village Officials and the relevance of transactions undertaken and compliance in relation to (selected) governing statutes of Saskatchewan as per the NMA. Under our agreement with the GOS, our final report and findings were to be released by September 30, 2019.



Our agreement with the GOS, including related budget and timelines, was based on an estimated number of transactions totaling 1,200 within four bank accounts, inclusive of NVP and three controlled subsidiaries over the Period of Review.

As reported in our Interim Status Update dated August 16, 2019, during our initial fieldwork, we identified an additional three bank accounts, six credit card accounts and three confirmed joint venture entities through Pinehouse Business North LP, a controlled corporation of NVP. At the time of our Interim Status Update, we estimated that over 5,600 transactions were now included within the Period of Review across the seven bank accounts, six credit card accounts and seven controlled corporations.

We also identified two further joint ventures through examination of the 2016 Audited Financial Statements of Pinehouse Business North LP within the financial statement note disclosures. The existence of these joint ventures was not disclosed to us as we commenced our review. As noted, it was only through the review of financial statement notes that it became apparent that other related entities existed.

Further details pertaining to these joint ventures are provided below in Sections 1.3.1 and 3.7. Please see Appendix A for an organizational chart of NVP and its controlled entities.

While the related impacts on project scope, budget and timelines were reassessed with the GOS we were asked to temporarily pause our work and refocus our priorities. At that time we were also informed that the deadline for our final report was to be brought forward to September 13, 2019, which, along with significant increases in related entities and the estimated volume of transactions, made completion of the previously anticipated full scope forensic review impossible to achieve.

Working with representatives from the GOS, a plan for a more limited scope review based on transaction sampling, targeting specific aspects of potential non-compliance with the NMA, was agreed upon in order to enable a report under this revised scope and timeline to be issued.

This report includes some sections for which we performed a more comprehensive review of specific high risk areas, including payments to Village Officials and related entities, intercompany transactions, forgivable loans and mortgages, and long-term debt. Other sections of this report are presented on an exception basis only, based on the information obtained and findings and observations identified as at the report date. Further, as a result of batch processing of payments by the entities, the number of payments stated in our report are an approximation only. Recommendations for additional forensic and compliance assessment procedures, which we would have undertaken if not for limitations in budget and timeline, have been identified for consideration by the GOS in Section 3.10.



All elements of our methodology and deliverables are executed in accordance with the CPA Canada's Standard Practices for Investigative and Forensic Accounting Engagements, the CPA Canada Rules of Professional Conduct, and Professional Standards of the Association of Certified Fraud Examiners.

We specifically note the following items that are excluded from our review:

1. Financial information pertaining to the joint ventures discussed below in Section 1.31, item #4 - we were provided with financial statements only for these entities. We were informed by Mr. AJ Felix that the other entities in the joint ventures performed the bookkeeping and maintained the financial records for these joint ventures and, as such, it would take some time for him to obtain more information for us, such as General Ledgers ("GLs") and transaction level details. As such, we have not been able to include these entities in our review and/or identify if there is any information within these entities that is relevant to our findings within the scope of this engagement.
2. Financial statements were not provided for PBN-NUNA Contracting JV for fiscal 2015 – we asked but were not provided with these as they could not be located.
3. Mortgage agreements from the various financial institutions pertaining to the mortgages discussed in Section 3.6 of this report were not provided to us.

### **1.3 Scope of Our Engagement**

#### **1.3.1 Procedures Performed**

Grant Thornton performed the following procedures:

1. Conducted fact finding and document gathering site visits in the Northern Village of Pinchouse, as well as offices in Saskatoon;
2. Identified and obtained relevant data, conducted interviews, and reviewed available information pertaining to the entities listed in #3 below;
3. Identified additional controlled entities to be included in our review. As noted, there are in fact seven related entities that should be included in the scope of our review (instead of the four that we were originally informed of). The seven entities include:
  - i. The Northern Village of Pinchouse ("NVP" or "the Village");
  - ii. Pinchouse Business North Development Inc. ("PBND") [*the General Partner to Pinehouse Business North LP*];
  - iii. Pinchouse Business North LP ("PBNLP") [*the Limited Partner to PBND*];
  - iv. Pinchouse Housing Corp. ("PHC");

- v. PBN EMW Joint Venture (“PBN EMW JV”);
- vi. PBN EMW Industrial GP (“PBN EMW GP”) [*the General Partner to PBN EMW LP*]; and
- vii. PBN EMW Industrial LP (“PBN EMW LP”).

Please see Appendix A for an organizational chart for NVP and its controlled entities (collectively referred to herein as “the entities”).

4. Examined financial information provided and determined that the entity PBNLP was involved with other entities (in addition to the above) in the formation of joint ventures in prior years. From the Audited Financial Statements provided for PBNLP, we noted that:
  - i. PBNLP recognized earnings and expenditures from a PBN-NUNA Joint Venture (“NUNA”) in 2013 – 2017; and
  - ii. PBNLP recognized earnings and expenditures from a SasCal Joint Venture (SasCal”) in 2013 – 2015.

Based on inquiry with Mr. AJ Felix – President of JEI Jasper Enterprises Inc. (the private entity that is contracted to facilitate the operational and financial aspects of PBNLP), we were informed that the only information available at this time is the financial statements for these joint ventures. We asked Mr. Felix for additional financial information pertaining to these two joint ventures but it was not provided; we were provided with the financial statements only. Mr. Felix also informed us that the other entities in the joint ventures (NUNA and SasCal) performed the bookkeeping and maintained the financial records for these joint ventures and, as such, it would take some time for him to obtain more information for us, such as GLs and transaction level details. As such, we have not been able to include these entities in our review and/or identify if there is any information within these entities that is relevant to our findings as scoped within this engagement. Please see Section 1.2 for further details on limitations of our scope.

5. Obtained supporting invoices and other documents (including expense claims, payroll records, GL accounting records, etc.) for disbursements out of the entities’ bank accounts (where available) for the period January 1 to December 31, 2018 (“the Period of Review”);
6. As noted above, during our work on site, we identified seven bank accounts and six credit card accounts to be reviewed, across the seven different entities. There are three NVP bank accounts and one bank account for each of the operating entities listed above in item #3 (PBNLP, PHC, PBN EMW JV and PBN EMW LP).

There is one credit card issued to NVP and five credit cards issued to individuals within PBNLP. One of which is in the possession of an employee of PBNLP who lives in Pinehouse, however, based on our review, the credit card is made available for use by other individuals besides the PBNLP employee whose name is on the credit card;

7. Provided verbal updates and follow-up requests to GOS, Village, and other staff assigned to assist us with our mandate;
8. Provided a written Interim Status Update on August 16, 2019 detailing our preliminary findings;
9. Reviewed and summarized transactions in the bank and credit card accounts of the entities to identify those that pertained to Village Officials and immediate family members (as determinable) for the Period of Review;
10. Reviewed and summarized transactions in the bank accounts of the entities to identify those that are intercompany transfers to/from other bank accounts included in our review (i.e. transfers between the seven entities);
11. Identified and summarized available information pertaining to forgivable loans (from the entities) and mortgages issued to individuals who live in Pinehouse, for the period January 1, 2013 to December 31, 2018;
12. Performed independent investigative research on individuals and entities identified during our review, to assist with our understanding of relationships and corporate ownership of various entities and potential non-arm's length parties;
13. On a sample basis (as per our methodology noted in Section 1.4), determined (where possible) whether or not expenditures selected for testing were compliant with the NMA;
14. Reviewed debt limits and related financial statement note disclosures for the entities to determine adequacy and compliance with the NMA and approval by the Saskatchewan Municipal Board (where relevant);
15. Further requests and follow-up meetings were held with GOS, Village, and other staff to obtain explanations and responses to questions; and
16. Prepared this forensic report.

### 1.3.2 Documents Reviewed & Information Sources

The following is a summary of the documents reviewed and information sources used for the preparation of this report:

1. The Northern Municipalities Act, 2010;
2. NVP's Policy & Procedures Manual No. 05-2018;



3. NVP's Code of Ethics Bylaw for Council Members No. 03-2-18;
4. NVP's Employee Code of Conduct and Workplace Ethics Bylaw No. 04-2018;
5. 2018 Public Disclosure Statements for Village Officials (Mike Natomagan, Conrad Misponas, Walter Smith, Betty Ann Durocher, and Leona Lariviere);
6. Bank account and credit card statements and scanned images of cancelled cheques (as provided by the banks) for the seven bank accounts and six credit card accounts included in our review;
7. Detailed GL (accounting system) reports (e.g. A/P Batch Reports, Trial Balances, Chart of Accounts, Payment Registers, etc.);
8. Copies of invoices and other documentation to support bank and A/P disbursements;
9. Financial Statements for the entities (as available);
10. Details regarding forgivable loans to villagers and the related mortgages and gifting of municipal land (as available);
11. Fact-finding interviews and discussions with various NVP staff, Village Officials and other representatives, including:
  - o Mike Natomagan (Mayor);
  - o Conrad Misponas (Deputy Mayor);
  - o Martine Smith (Chief Administrative Officer, "CAO");
  - o Julia Natomagan (Administrative Assistant/Accounts Payable);
  - o Georgina Natomagan (Human Resources);
  - o Shaylen Natomagan (Secretary/Accounts Receivable);
  - o AJ Felix (President of JEI Jasper Enterprises Inc. - the private entity that is contracted to facilitate the operational and financial aspects of PBNLP); and
  - o Shannen Fisher (External Financial Advisor who assisted with villagers' mortgage applications).

#### **1.4 Population & Sampling Methodology**

Given the increased population of transactions (as previously described in Section 1.2), and as agreed upon with you, Grant Thornton judgmentally reviewed the classifications/coding in the GL for NVP and its controlled entities and stratified the transaction population based on the nature of the transactions (as determinable) and their related risk.

We were able to remove lower risk items from our population and/or provide overall comments on their compliance without testing every single item (extrapolating conclusions where possible).

For higher risk areas, we performed a more comprehensive review to determine compliance (e.g. payments to Village Officials, forgivable loans, debt, intercompany transactions, etc.). Other additional payments were assessed for compliance using a sampling approach, targeting specific aspects of potential non-compliance with the NMA.

In total, we have reviewed 1,098 payment transactions out of a population of approximately 4,500 payments (there are 5,600 transactions in total, of which 4,500 represent payments out of the bank accounts). This represents a coverage of approximately 24% of the payments.

## Summary of Findings

### 2.1 Summary of Findings

Based on our review (as per the methodology noted in Section 1.4), we note the following:

	Total Amount Paid (\$)	Amount Reviewed (\$)	Number of Transactions Reviewed	Compliant	Non-Compliant (Note 1)	Not Properly Authorized (Note 2)	Undeterminable (Note 3)	Reference
Payments to Elected Village Officials	438,851	438,851 (100%)	380 (100%)	64,100 (15%)	249,412 (57%)	- (0%)	125,339 (28%)	Section 3 2
Payments to Appointed Village Officials	195,873	195,873 (100%)	73 (100%)	175,249 (89%)	7,200 (4%)	- (0%)	13,424 (7%)	Section 3 3
Payments to Entities that are related to Village Officials	1,070,218	426,501	49	- (0%)	- (0%)	424,941 (99 6%)	1,560 (0 4%)	Section 3 4
Intercompany Transactions	3,281,192	5,945	5	-	-	5,945 (100%)	-	Section 3 5
Forgivable Loans (Gifted Land)	260,000	260,000 (100%)	10 (100%)	-	260,000 (100%)	-	-	Section 3 6
Other Items Tested for Compliance	NA	2,215,846	581	45,581 (2 0%)	2,486 (0 1%)	2,014,434 (90 9%)	153,345 (7 0%)	Section 3 9
Total	5,246,134	3,543,016	1,098 (24%)	284,930	519,098	2,439,375	293,668	



Notes:

1. "Non-Compliant" expenses include those that are in direct violation of the NMA, as well as those that are not authorized and/or do not appear to be related to municipal purposes.
2. Expenses where the payee is the same individual as one of the signatories on the cheque and/or expenses that do not have approval signatures on invoices (and payment vouchers where applicable) are included in the category "Not Properly Authorized." The NMA notes that expenses should be "authorized" by council but does not consider whether or not the authorization is appropriate. As such, items that we do not consider "properly authorized" are summarized in a separate category for your consideration. We note internal control weaknesses with respect to these payments.
3. For expenses where the business purpose is unclear and/or there is no support or insufficient support, we have categorized these amounts as "Undeterminable and/or Unsupported."

## **Debt Limits**

Based on our analysis, we conclude that NVP has exceeded its debt limit without obtaining the required authorization and approval to do so from the Saskatchewan Municipal Board. This is non-compliant with Section 183(2) of the NMA. Further details are provided in Section 3.7 of this report.

## **Disclosure of Long-Term Debt**

We also find that NVP is non-compliant with Section 207(1) of the NMA having not published consolidated financial statements for the 2018 financial year ending December 31, 2018 as at the time of our report. This said, based on issued financial statements made available to us (for the year ending 2017 and prior years), we have not identified any inappropriate disclosures relating to long-term debt that would lead us to believe there was any intent to purposely mislead readers of those financial statements. Specifically, we did not identify any long-term debt that was undertaken by the various controlled entities of NVP that was not consolidated within the Audited Financial Statements of NVP for 2017 or prior years. Further details are provided in Section 3.8 of this report.

## **Other**

NVP is also non-compliant with Section 173 of the NMA as some of its controlled entities' bank accounts that hold money of the municipality do not include the designated administrator (Martine Smith) as a person with signing authority on the account. Further details are provided in Section 3.9 of this report.

We also note that the Public Disclosure Statement provided to us for Mike Natomagan (NVP Mayor) did not disclose three relationships that he has with other entities, specifically Kineepik Metis Local Inc. and Kineepik Development Corporation (he is the current President of both) and PBN-NUNA Contracting Ltd. (he was Director until January 28, 2018). The non-disclosure of these relationships is non-compliant with Section 160 of the NMA.

Similarly, the Public Disclosure Statement provided to us for Conrad Misponas (NVP Deputy Mayor) did not disclose his relationships with Kineepik Metis Local Inc. and Kineepik Development Corporation (he is the Secretary-Treasurer for both). Conrad Misponas is also listed as Secretary-Treasurer for North West Communities Wood Products Ltd. and Beauval Forest Industries Inc. The non-disclosure of these relationships is non-compliant with Section 160 of the NMA.

NVP is listed as a minority shareholder for both North West Communities Wood Products Ltd. and Beauval Forest Industries Inc.

## Recommendations

We have provided recommendations for additional forensic and compliance procedures in Section 3.10 of this report.



## Detailed Findings

### 3.1 Grant Thornton's Categories with Respect to The NMA

Section 179 of the NMA states that: *"A municipality may only use municipal funds for municipal purposes and may only make an expenditure that is:*

- (a) included in its budget or otherwise authorized by its council;*
- (b) for an emergency; or*
- (c) legally required to be paid."*

As such, throughout this report, "Non-Compliant" expenses include those that are not authorized and/or do not appear to be related to municipal purposes. Non-compliant expenses include those items that are in direct violation of other various sections of the NMA, including (where applicable) the following relevant sections:

- 56: Municipal Development Corporation establishment
- 101: Remuneration
- 106(f): Duty of councilors to maintain the financial integrity of the municipality
- 127: Duties of administrator
- 128: Member of council not eligible for certain positions
- 145: Matters that must be dealt with by council
- 159-164: Conflicts of Interest of Members of Council
- 160: Public Disclosure Statement
- 173: Municipal accounts
- 179: Expenditure of money
- 180: Application of capital funds
- 182: Permitted investments
- 183: Debt limit
- 184: Limitations on borrowing and loan guarantees
- 187: Use of borrowed money
- 188: Borrowing for operating expenditures
- 189: Validity of borrowings, loans and guarantees

- 190: Application of money borrowed
- 191-203: Long-term debt, debentures, trusts, capital trust fund
- 204: Loans
- 205: Guarantees
- 207: Annual financial statements

Expenses where the payee is the same individual as one of the signatories on the cheque and/or expenses that do not have approval signatures on invoices (and payment vouchers where applicable) are included in the category “Not Properly Authorized.” The NMA notes that expenses should be “authorized” by council but does not consider whether or not the authorization is appropriate. As such, items that we do not consider “properly authorized” are summarized in a separate category for your consideration. We note internal control weaknesses with respect to these payments.

For expenses where the municipal purpose is unclear and/or there is no support or insufficient support, we have categorized these amounts as “Undeterminable and/or Unsupported.”

### **3.2 Payments to Elected Village Officials**

Based on our review, we note the following payments to (or made on behalf of) elected Village Officials and their known immediate family members (see Appendix B for a list of family relationships). Since a full review of transactions has not been completed (as per the limitations of scope noted in Section 1.2) we cannot confirm if the below table includes all relevant payments.

We note four instances below totaling \$249,412 (the Mayor, the Deputy Mayor, current alderman and a former Alderman) where an elected Village Official is also being paid as an employee through a controlled entity of NVP. We note that this is in violation of Section 128 of the NMA, which states that “*No member of council is eligible to be appointed as an employee of the municipality or of any committee or controlled corporation of the municipality in which he or she serves as a member of council.*”

As discussed above in Section 3.1, other non-compliant expenses noted include items that are not authorized and/or do not appear to be related to municipal purposes. Non-compliant expenses include those items that are in direct violation of various sections of the NMA. See Section 3.1 for further details pertaining to Grant Thornton’s categories used throughout this report.

### Summary of Payments to Elected Officials

Name	Position(s)	Reported Income(1)	Per Diems	Expenses(6)	Credit Cards Paid Directly by NVP(7)	Credit Cards Paid Directly by PBNLP(8)	Other Payments(9)	Total Amount Paid	Notes
Mike Natomagan	Mayor (NVP) and President (PBNLP)	160,900	-	718	Undeterminable.	12,598	200	174,416	2, 3
Conrad Misponas	Deputy Mayor (NVP), Chairman/Director (PHC) and Board Member (PBNLP)	85,373	400	8,366	Undeterminable.	2,846	1,200	98,185	3
Leona Lavivière	Alderman	2,700	2,000	489	Undeterminable.	845	300	6,334	
Betty Ann Durocher	Alderman	2,700	2,300	-	Undeterminable.	737	300	6,037	4
Pamela Woods	Alderman, Crime Prevention Officer (NVP)	16,859	200	-	Undeterminable.	737	300	18,096	
Walter Smith	Alderman	63,139	-	70,075	Undeterminable.	2,569	-	135,783	5
<b>Total (\$)</b>		<b>\$331,671</b>	<b>\$4,900</b>	<b>\$79,648</b>		<b>\$20,332</b>	<b>\$2,300</b>	<b>\$438,851</b>	



Notes for Payments to Elected Officials:

1. Reported Income was identified from issued T4 slips. The remuneration paid to Mike Natomagan, Conrad Misponas, Betty Anne Durocher [REDACTED] and Walter Smith (as employees, beyond their duties as councillors) are in direct violation of Section 128 of the NMA. The remuneration of salary to elected officials is detailed in points #2 – 5 below.
2. Mike Natomagan's employment contract is with PBNLP, issued September 7, 2017. This contract states Mike Natomagan is to be the President of PBNLP, as well as assume roles and duties as Mayor of NVP for an annual compensation of \$86,500. The contract further states that vacation allowance and board compensation are included in the annual compensation of \$86,500. The contract also states that for travel expenses, PBNLP will pay a monthly allowance to NVP for travel expense and out-of-pocket travel expenses incurred are to be submitted to NVP for reimbursement. Inquiry with Mr. AJ Felix identified that the amount is \$1,000 per month in an allowance to be paid to NVP. We have included this in reported income as it is paid directly to NVP to cover expenses. Details of reported income for Mike Natomagan are:
  - The issued PBNLP T4 for Mike Natomagan details an amount of \$86,499.92 for employment income (Box 14: Employment Income – line 101).
  - The issued NVP T4 for Mike Natomagan details an amount of \$40,933.19 for employment income (Box 14: Employment Income – line 101) and an amount of \$20,466.59 (Box 70: Municipal officer's expense allowance).
  - Monthly allowance of \$1,000 made from PBNLP to NVP to cover expenditures Mike Natomagan incurs while working both as the Mayor of NVP and President of PBNLP. Amount totaled \$13,000 paid to NVP in fiscal 2018.
  - Total reported income for Mike Natomagan is \$160,900.
  - Within the total reported income, the only portion deemed compliant with Section 128 of the NMA is the amount reported on the NVP T4 - \$61,400 (i.e. the \$40,933 + \$20,467 from above). The other amount of reported income is earned as an employee through PBNLP; this is non-compliant with Section.128 of the NMA.
3. Conrad Misponas employment contract is with PHC, issued January 1, 2018. This contract states Conrad Misponas is to be the Chairman/Director of PHC. Annual compensation for Directors Fees is \$80,000 including vacation allowance and meeting compensation. Additional details of his contract state that Conrad is entitled to a cell phone allowance of \$75 per month and travel expenses. Details for reported income for Conrad Misponas are:

- The issued PHC T4 for Conrad Misponas details an amount of \$76,923 for employment income (Box 14: Employment Income – line 101).
  - The issued NVP T4 for Conrad Misponas details an amount of \$1,800 for employment income (Box 14: Employment Income – line 101) and an amount of \$900 (Box 70: Municipal officer's expense allowance).
  - The issued PBNLP T4 for Conrad Misponas as a Board Member details an amount of \$5,750 for employment income (Box 14: Employment Income – line 101).
  - Total reported income for Conrad Misponas is \$85,737.
  - Within the total reported income, the only portion deemed compliant with Section 128 of the NMA is the amount reported on the NVP T4 - \$2,700. The other amount of reported income is earned as an employee through PHC and PBNLP; this is non-compliant with Section 128 of the NMA.
4. Walter Smith was elected as Alderman of the NVP on June 1, 2017. Walter Smith then resigned from his position as Alderman on July 14, 2018.
- Grant Thornton noted that Walter Smith does not have a reported T4 through NVP for 2018.
  - The issued T4 for Walter Smith was through PBNLP and details an amount of \$62,874.57 (Box 14: Employment Income – line 101) and an amount of \$263.76 (Box 40: Other taxable allowances and benefits).
  - Total reported income for Walter Smith is \$63,139.
  - It is noted that Walter Smith has received employment income from PBNLP, a direct non-compliance with Section 128 of the NMA during the period of time that he served as Alderman for NVP.
  - Walter Smith received expense reimbursements through NVP in amount of \$11,555.46 and through PBNLP an amount of \$47,063.59. Total expense reimbursements were \$58,619 for Walter Smith.
5. Betty Anne Durocher is an elected Alderman of NVP. Betty Anne Durocher has received remuneration in the form of per diems and salary for her work as the Community Safety Officer within NVP. Total reported income for Betty Anne Durocher is \$2,700, a direct non-compliance with Section 128 of the NMA as her remuneration is deemed to be from employment within the municipal office of NVP.
6. Expense reimbursements were claimed by elected officials through NVP. We reviewed a sample of 67 expense reimbursements and categorized the payments as undeterminable as to their compliance with the NMA.

Within these expenditures, there were instances of undeterminable municipal related expenditures, as follows:

- Claiming hotel/room allowance of \$150 per night in Saskatoon, where it is identified that elected officials have access to and stay at the PBN LP owned condominium.
  - Daily meal allowance being claimed at the SUMA conference, at which meals were provided at the conference.
  - Inconsistent reimbursements for council meeting per diems between elected officials.
7. Support provided for the NVP credit card statements do not indicate who the individual was that incurred the expenditure. We have classified all 691 transactions on the NVP credit card as undeterminable for compliance with the NMA due to the nature of the transactions and inability to determine the municipal purpose of the transaction.
8. Expenditures on the PBN LP credit card have been incurred by individuals other than Sherlyn Natomagan (a PBN LP employee who lives in the Northern Village of Pinchouse and works out of the municipal offices), who is named on the card.

We have identified transactions made by elected and appointed officials either solely or shared, by the receipts attached to the credit card statements, which usually indicated the name on the receipt of the person who incurred the expense.

There are 106 transactions totalling \$12,598 in which Mike Natomagan was identified to have claimed the expenditure, either solely or shared with other individuals. We have classified these expenditures as follows:

- Miscellaneous: \$4,957
- Restaurants: \$4,615
- Pinchouse Lake Co-op: \$1,298
- Travel: \$1,004
- Hotels: \$625
- Supplies: \$99

There are 25 transactions totalling \$2,846 in which Conrad Misponas was identified to have claimed the expenditure, either solely or shared with other individuals. We have classified these expenditures as follows:

- Restaurants: \$2,481
- Hotel: \$365



There were three transactions totalling \$845 in which Leona Lariviere was identified to have claimed the expenditure, either solely or shared with other individuals. We have classified these expenditures as follows:

- Restaurants: \$737
- Hotel: \$108

There were two transactions totalling \$737 in which Betty Ann Durocher was identified to have claimed the expenditure, either solely or shared with other individuals. We have classified these expenditures as follows:

- Restaurants: \$737

There were seven transactions totalling \$2,569 in which Walter Smith was identified to have claimed the expenditure, either solely or shared with other individuals. We have classified these expenditures as follows:

- Miscellaneous: \$1,490
- Restaurants: \$920
- Travel: \$88
- Hotel: \$71

9. Other payments consist of cell phone allowances, cash birthday gifts and Christmas bonuses. The following individuals received the following types of other payments:

- Mike Natomagan
  - Christmas bonus: \$200
  - Mayor benefits: \$2,636
  - CPP Overpayment: \$1,477
- Conrad Misponas
  - Christmas bonus: \$200
  - Birthday gift: \$100
  - Cellphone payments: \$900
- Leona Lariviere [REDACTED], Betty Ann Durocher [REDACTED] and Pamela Woods
  - Christmas bonus: \$200
  - Birthday gift: \$100

We note that NVP's Policy & Procedures Manual does not make reference to birthday gifts, Christmas bonuses or childcare expenses as being allowable expenses.

10. Additional amounts are listed below for payments to Martine Smith, the daughter of the Mayor's partner. Martine is the Village's CAO (see payments to appointed/non-elected Village Officials below).

### Summary of Compliance for Payments to Elected Officials

Name	Position(s)	Amount Reviewed (\$)	Number of Transactions Reviewed	Compliant	Non-Compliant (\$) (Note 1)	Not Properly Authorized (\$) (Note 2)	Undeterminable (\$) (Note 3)	Notes
Mike Natomagan	Mayor (NVP) and President (PBNIPL)	174,416	190	61,400	99,700		13,316	
Conrad Misponas	Deputy Mayor (NVP), Chairman/Director (PHC) and Board Member (PBNIPL)	98,185	51	2,700	82,973		12,512	
Leona Laviviere	Alderman	6,334	28		300		6,034	
Betty Ann Durocher	Alderman	6,037	19		3,000		3,037	
Pamela Woods	Alderman, Cume Prevention Officer (NVP)	18,096	20		300		17,796	
Walter Smith	Alderman	135,783	72		63,139		72,644	
<b>Total (\$)</b>		<b>\$438,851</b>	<b>380</b>	<b>\$64,100</b>	<b>\$249,412</b>	<b>-</b>	<b>\$125,339</b>	

#### Notes:

1. "Non-Compliant" expenses include those that are in direct violation of the NMA, as well as those that are not authorized and/or do not appear to be related to municipal purposes.
2. Expenses where the payee is the same individual as one of the signatories on the cheque and/or expenses that do not have approval signatures on invoices (and payment vouchers where applicable) are included in the category "Not Properly Authorized." The NMA notes that expenses should be "authorized" by council but does not consider whether or not the authorization is appropriate. As such, items that we do not consider "properly authorized" are summarized in a separate category for your consideration. We note internal control weaknesses with respect to these payments.



3. For expenses where the business purpose is unclear and/or there is no support or insufficient support, we have categorized these amounts as “Undeterminable and/or Unsupported.”

### **3.3 Payments to Appointed Village Officials**

Based on our review, we note the following payments to (or made on behalf of) appointed (i.e. non-elected) Village Officials and their known immediate family members (see Appendix B for a list of family relationships). Since a full review of transactions has not been completed (as per the limitations of scope noted in Section 1.2) we cannot confirm if the below table includes all relevant payments.

As discussed above in Section 3.1, non-compliant expenses include items that are not authorized and/or do not appear to be related to municipal purposes. Non-compliant expenses include those items that are in direct violation of various sections of the NMA. See Section 3.1 for further details pertaining to Grant Thornton's categories used throughout this report.

### Summary of Payments to Appointed Officials

Name	Position	Reported Income <sup>(1)</sup>	Expenses <sup>(3)</sup>	Credit Cards Paid Directly by NYP <sup>(4)</sup>	Credit Cards Paid Directly by PBNLP <sup>(5)</sup>	Other Payments <sup>(6)</sup>	Total Amount Paid	Notes
Martine Smith	Chief Administrative Officer (CAO)	84,532	9,509	Undeterminable.	91	6,300	100,432	2
Julia Natomagan	Administrative Assistant/ Accounts Payable	33,787	989	Undeterminable.	-	300	35,076	
Shaylen Natomagan	Secretary/ Accounts Receivable	36,875	1,805	Undeterminable.	-	900	39,580	
Georgina Natomagan	Human Resources	20,055	430	Undeterminable.	-	300	20,785	
<b>Total (\$)</b>		<b>\$175,249</b>	<b>\$12,733</b>		<b>\$91</b>	<b>\$7,800</b>	<b>\$195,873</b>	



Notes for Payments to Appointed Officials:

1. Reported Income was identified from issued T4 slips. The remuneration for the appointed officials is compliant with the NMA Section 128.
2. Martine Smith is the daughter of the Mayor's partner, Rosalena Smith.
3. Expense reimbursements were claimed by appointed officials through NVP. We reviewed 45 expense reimbursements relating to appointed officials, of which all were categorized by us as undeterminable for compliance with the NMA.
4. Support provided for the NVP credit card statements does not indicate who the individual was that incurred the expenditure. As such, we have classified all 691 transactions on the NVP credit card as undeterminable for compliance with the NMA.
5. Expenditures on the PBN LP credit card were incurred by individuals other than Sherlyn Natomagan (a PBN LP employee who lives in the Northern Village of Pinchouse and works out of the municipal office), despite her name being on the card.

We have identified transactions incurred by elected and appointed officials either solely or shared, by the receipts attached to the credit card statements, which usually indicated the name on the receipt of the person who incurred the expense.

There were two transactions for a value of \$161 in which Martine Smith was identified to have claimed the expenditure, either solely or shared with other individuals. We have classified these expenditures as follows:

- Restaurants: \$70
  - Hotel: \$91
6. Other payments identified consist of cell phone allowances, cash birthday gifts and Christmas bonus. The following individuals received the following type of other payments:
    - Martine Smith receives monthly rent from PBNLP. Per inquiry with Mr. AJ Felix, it was noted that Martine owns two homes in NVP and rents one out to PBNLP workers who are on site in NVP to perform work for PBNLP. Total rent identified to be paid to Martine was \$6,000 during the Period of Review.
    - Martine Smith, Julia Natomagan, Shaylen Natomagan and Georgina Natomagan:

- Christmas bonus: \$200
  - Birthday gift: \$100
- Shaylen Natomagan:
  - Childcare expense: \$600

We note that NVP's Policy & Procedures Manual does not make reference to birthday gifts, Christmas bonuses or childcare expenses as being allowable expenses.

### Summary of Compliance for Payments to Appointed Officials

Name	Position(s)	Amount Reviewed (\$)	Number of Transactions Reviewed	Compliant	Non-Compliant (Note 1)	Not Properly Authorized (Note 2)	Undeterminable (Note 3)	Notes
Martine Smith	Chief Administrative Officer (CAO)	100,432	42	84,532	6,300		9,600	
Julia Natomagan	Administrative Assistant/ Accounts Payable	35,076	5	33,787	300		989	
Shaylen Natomagan	Secretary/ Accounts Receivable	39,580	18	36,875	300		2,405	
Georgina Natomagan	Human Resources	20,785	8	20,055	300		430	
<b>Total (\$)</b>		<b>\$195,873</b>	<b>73</b>	<b>\$175,249</b>	<b>\$7,200</b>		<b>\$13,424</b>	

#### Notes:

1. "Non-Compliant" expenses include those that are in direct violation of the NMA, as well as those that are not authorized and/or do not appear to be related to municipal purposes.
2. Expenses where the payee is the same individual as one of the signatories on the cheque and/or expenses that do not have approval signatures on invoices (and payment vouchers where applicable) are included in the category "Not Properly Authorized." The NMA notes that expenses should be "authorized" by council but does not consider whether or not the authorization is appropriate. As such, items that we do not consider "properly authorized" are summarized in a separate category for your consideration. We note internal control weaknesses with respect to these payments.
3. For expenses where the business purpose is unclear and/or there is no support or insufficient support, we have categorized these amounts as "Undeterminable and/or Unsupported."



### **3.4 Payments to Entities that are Related to Village Officials**

Based on our review, as well as independent research performed by Grant Thornton, we understand that there are several entities in which elected and/or appointed Village Officials of the NVP have direct or indirect relationships. The determination of whether these entities are to be considered a related entity is based on the professional and personal relationships of the elected and appointed officials of NVP to these entities. The below entities and relationships have been identified. We have summarized payments to these entities and identified if any non-compliant expenses were identified.

As discussed above in Section 3.1, non-compliant expenses include items that are not authorized and/or do not appear to be related to municipal purposes. Non-compliant expenses include those items that are in direct violation of various sections of the NMA. See Section 3.1 for further details pertaining to Grant Thornton's categories used throughout this report.

#### ***Pinehouse Co-op***

The elected Village Official Leona Lariviere [REDACTED] serves as a Director of the Pinehouse Co-op. She is listed on the Pinehouse Co-op company website [REDACTED].

Total payments to Pinehouse Co-op during the Period of Review were \$415,429. Based on our review, we have determined that these payments relate to propane, groceries, postage, cleaning supplies, etc. Based on our sample reviewed (\$155,308 of the \$415,429), we have categorized \$153,748 of these payments to Pinehouse Co-op as not properly authorized. The remaining payments totalling \$1,560 are categorized as undeterminable as it is unclear from information reviewed whether or not the purchases relate to municipal operations.

#### ***Minahik Waskahigan School***

The Principal of the Minahik Waskahigan School is Rosalena Smith, who lives common-law with the Mayor, Mike Natomagan. Rosalena Smith is also the mother of appointed Village Official Martine Smith (CAO of NVP).

We reviewed a sample of payments to Minahik Waskahigan School totalling \$93,328. Based on our sample reviewed, we have not identified any payments to Minahik Waskahigan School that are considered non-compliant; however, 100% the items tested were not properly authorized (i.e. there was no approval signature on the payment vouchers or invoices). There were total payments of \$132,021 made to Minahik Waskahigan School during the Period of Review, comprised of \$130,621 from the NVP and \$1,400 from PBNLP.

Additional payments from NVP were also noted as paid to the Northern Lights School District during the Period of Review totalling \$109,491. Based on our sample reviewed,

we have determined that these payments relate to property taxes for 2016 to 2018 (i.e. NVP had outstanding taxes owing from prior fiscal years). 100% of the payments tested were not properly authorized (i.e. there was not approval signature on the payment vouchers or invoices).

### ***Jasper Enterprises Inc.***

The principal of Jasper Enterprises Inc. is AJ Felix. Jasper Enterprises Inc. is the registered business location of some of the controlled entities of NVP (PBNGP, PBNLP and PHC). Jasper Enterprises Inc. is the contracted professional service provider for the operational, financial and administrative duties of these controlled entities of NVP. Employees of PBNLP reside in the office location of Jasper Enterprises Inc. in Saskatoon.

We have identified payments to Jasper Enterprises Inc. during the Period of Review totalling \$248,482. We reviewed a sample of these payments totalling \$67,374.

Based on our sample of transactions reviewed, we have determined that 100% were not properly authorized as Mr. Felix was one of the signatories on these cheques that were paid out to his company (i.e. he was approving payments to himself). Within the amounts sampled, the support for invoice approval was either an email approval or initials on the invoice from Mike Natomagan or Conrad Misponas. One payment totalling \$14,895 did not have approvals from Mike Natomagan or Conrad Misponas.

### ***Kineepik Metis Local Inc.***

We identified payments to Kineepik Metis Local Inc. during the Period of Review totalling \$164,795. Mike Natomagan is the current President of Kineepik Metis Local Inc. and Conrad Misponas is the Secretary-Treasurer. We note that these relationships were not disclosed on the Public Disclosure Statements that were provided to us for Mike Natomagan and Conrad Misponas. This is non-compliant with Section 160 of the NMA.

Based on our sample of payments reviewed for Kineepik Metis Local, we note that payments were not properly authorized as there were no approval signatures on the payment vouchers. We also note that Mike Natomagan was one of the signatories on the cheques written to this entity that he is directly related to.

### ***Kineepik Development Corp***

Mike Natomagan is also the President of Kineepik Development Corp. No payments were identified to this corporation from the entities during the Period of Review.

***North West Communities Products Ltd.***

Conrad Misponas is listed as Secretary-Treasurer for North West Communities Wood Products Ltd. We did not identify payments to North West Communities Products Ltd. within the transactions examined.

***Beauval Forest Industrial Inc.***

Conrad Misponas is listed as Secretary-Treasurer for Beauval Forest Industrial Inc. We did not identify payments to this entity within the transactions examined.

**3.5 Intercompany Transactions**

Based on our review, the following is a summary of intercompany transactions between NVP and its controlled entities (as listed in Section 1.3).

As discussed above in Section 3.1, non-compliant expenses include items that are not authorized and/or do not appear to be related to municipal purposes. Non-compliant expenses include those items that are in direct violation of various sections of the NMA. See Section 3.1 for further details pertaining to Grant Thornton's categories used throughout this report.

Further, through the examination of GL details, there have been transactions noted where non-monetary transfers have occurred. An example of this is a transaction noted in PHC in the 2018 GL details where PHC recorded a transfer of land from NVP for \$42,000. A similar transaction was also noted in the 2017 GL details where PHC recorded a transfer of \$190,000 of land and \$500,000 in buildings. As such, we note that intercompany transactions may have occurred without the exchange of cash, and hence not be identified in our summary (as shown below).



### Summary of Intercompany Disbursements and Receipts

RECIPIENT ENTITIES(1)							
SOURCE ENTITIES	(same entity)	NVP	PBN LP	PHC	PBN EMW JV	PBN EMW LP	Total Disbursed
	NVP	5,945		770,805			\$776,750
	PBN LP	640,958	-	113,125			\$754,083
	PHC	3,106	1,747,253				\$1,7503,359
	PBN EMW JV						-
	PBN EMW LP						-
	Total Received	\$650,009	\$1,747,253	\$883,930	-	-	\$3,281,192

#### Notes:

1. The above noted amounts are summarized from the GLs for the entities. Intercompany transactions identified amount to \$3,281,192 between the controlled entities for the Period of Review.
2. The disbursements noted from NVP to NVP relate to cheques written by NVP to itself. These have been classified as not properly authorized. Based on our review, the payments related to water and sewer taxes for three unknown individuals.

### 3.6 Forgivable Loans and Gifting of Land

We understand that NVP (in 2012) wanted to provide villagers with an innovative and affordable housing program in Pinehouse. They attempted to model a program based on various other remote/affordable housing programs, with the assistance of a Financial Advisor, Ms. Shannen Fisher from Thierman Financial in Prince Albert. We have been informed that numerous public awareness meetings and presentations took place within Pinehouse to educate villagers and help them understand if/how they could afford to build new homes and obtain mortgages from financial institutions to fund these builds. Ms. Fisher noted that she put up posters, made radio announcements, sent out emails and even went door to door to inform villagers about the program.

Ms. Fisher informed us that she spoke to 300 or 400 people in Pinehouse and following this had about 50 potential applicants. Due to various credit issues and the unlikelihood of obtaining a mortgage, only 13 applications were submitted and 10 mortgages were eventually approved.

We were originally informed by GOS that NVP guaranteed these mortgages. However, we were subsequently informed by NVP that they did not guarantee these mortgages. Mortgage documents from the various financial institutions were not provided to confirm this. Section 205 of the NMA specifically states that: *"A municipality may only guarantee the repayment of a loan between a lender and one of its controlled corporations or a municipal development corporation established by it if the guarantee is authorized by bylaw."* As such, if it is determined that NVP did in fact guarantee these mortgages, this is a violation of the NMA. Additionally, approval would need to be obtained by the Saskatchewan Municipal Board as it would place NVP over its allowable debt limit.

NVP confirmed that they did gift land to each of the 10 individuals in the form of a forgivable loan so that this equity (i.e. land value) could be used to help them obtain mortgages to build private residences in Pinehouse. Total mortgages obtained by villagers using this method (since 2013) was \$1,549,438. This money was paid to NVP as proceeds of sale of property (i.e. NVP sold property to the villagers).

The following is a list of 10 forgivable loans (each for \$26,000) that NVP has issued to villagers, from 2013 to current, relating to their mortgages. We understand that the loans are for 10 year periods with 0% interest and, as long as the recipients remain on the property for the 10 year time period, the loans will be forgiven. The \$26,000 is essentially an estimate of the value of the land that NVP is giving to them to use as a down-payment (equity) on their related mortgage application.

Based on interviews conducted, we understand that the value of \$26,000 was not determined by an appraiser but rather by NVP based on their own research conducted for land values at similar remote villages. It was also the amount that was determined to be needed by the banks to approve the mortgages (i.e. approximately 20% of the mortgage being obtained).



We were informed that the qualification process was fair and fully disclosed to all residents in NVP. However, as noted, at the end of the process, only those that were determined to be financially capable of obtaining a mortgage by the bank were able to obtain a forgivable loan from NVP and a mortgage from the bank.

Based on the nature of the forgivable loans they could also be classified as grants expended by NVP. Section 179(2) and (3) of the NMA states the following in relation to grants:

*"(2) All grants expended by a municipality:*

*(a) are subject to any regulations made by the minister; and*

*(b) are not to exceed the amount set out in the regulations made by the minister as the total amount of all grants to be expended by the municipality during a year unless the council passes a bylaw setting out the recipients, amounts and purposes of the grants and the bylaw is approved by the minister.*

*(3) A council shall ensure that public notice is given of any grant that is expended by the municipality."*

If these forgivable loans totalling \$260,000 are classified as grants, it does not appear that the list of individuals receiving the grants and the related amounts were disclosed to the public. Accordingly, this would be non-compliant with Section 179 (3) of the NMA.

[REDACTED]

[REDACTED]

Other known non-arm's length relationships are noted in the table below. Please see Appendix B for a complete list of known family relationships.

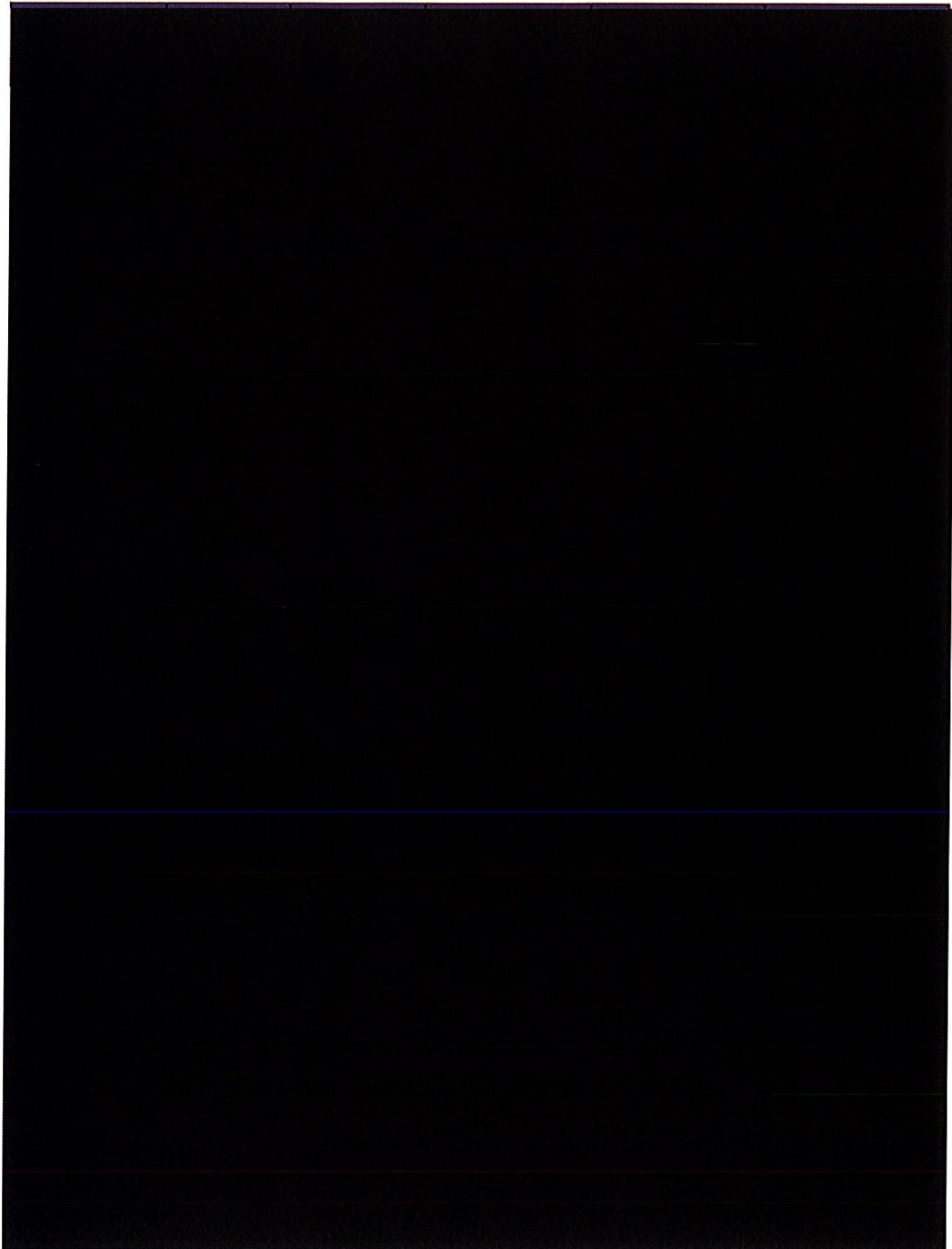
Based on our review, we have determined that Village Officials were aware of the forgivable loans but that there is no evidence of their approval (with non-arm's length individuals removed from the approval decision) formally documented in council minutes or elsewhere. Conflicts of interest were also not properly disclosed.

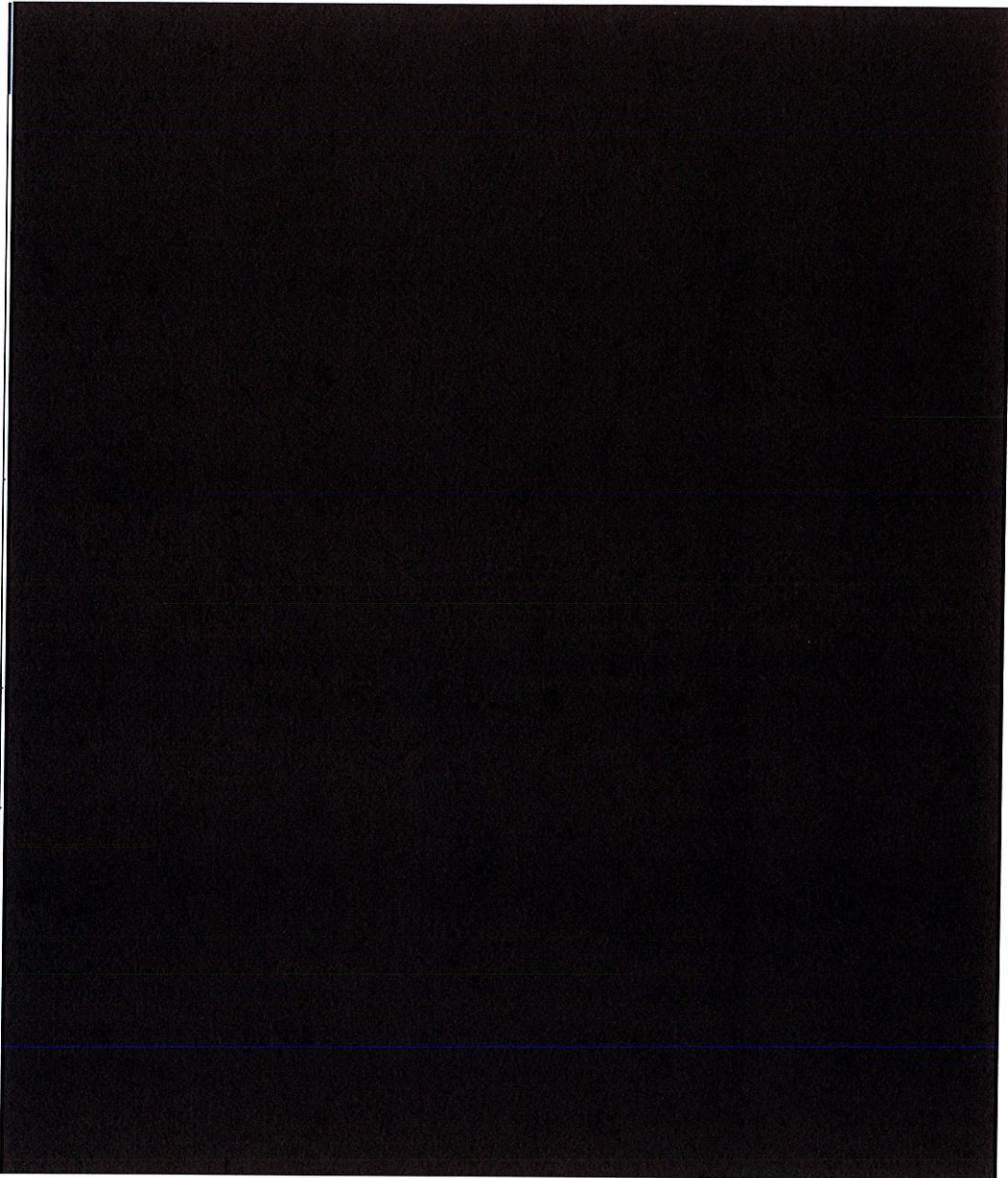
Section 159.1 (1) of the NMA states that: *"A member of council has a conflict of interest if the member makes a decision or participates in making a decision in the execution of his or her office and at the same time knows or ought reasonably to know that in the making of the decision there is the opportunity to further his or her private interests or the private interests of a closely connected person."*



As such, we conclude that NVP was non-compliant with the approval and disclosure process relating to some, if not all, of these forgivable loans (or grants).

**Summary of NVP Residents' Forgivable Loans and Related Mortgages**





### **3.7 Debt Limits**

According to Section 183(1) of the NMA: *“Subject to subsection (2), the debt limit for a municipality is the total amount of the municipality’s own source revenues for the preceding year.”* Section 183(2) states that *“the debt limit for a municipality may be a debt limit established by the Saskatchewan Municipal Board determined in accordance with the regulations.”*

Based on our analysis, we conclude that NVP has exceeded its debt limit without obtaining the required authorization and approval to do so from the Saskatchewan Municipal Board.

Debt limits and long-term debt for NVP over the last four completed fiscal years are as follows:

Year	Debt Limit	Long-term Debt (per NPV accounting records)	Consolidated Long-term Debt (Note 3)
2018 (Note 1)	\$708,545	\$319,514	\$4,512,715
2017 (Note 2)	\$655,361	\$445,978	\$3,671,846
2016 (Note 2)	\$655,469	\$539,480	\$3,037,482
2015 (Note 2)	\$565,339	\$568,106	\$789,280

Notes:

1. As calculated by Grant Thornton, based on 2017 Audited Financial Statements, based on municipal tax levies as well as operational fees and charges but excluding custom work.
2. Per Audited Financial Statements.
3. Long-term debt of NVP in addition to PBNLP and PHC (both disclosed as 100% beneficially owned by NVP within 2017 Audited Financial Statements). These amounts include long-term debt disclosed as "Forgivable Loans" within the financial statements of PHC (2018 - \$1,931,595 and 2017 - \$1,612,376).

We have confirmed with the Saskatchewan Municipal Board that authorization to exceed the debt limit for NVP was not requested or provided.

### Other Related Entities

Through examination of the known four controlled entities – as determined and known previously by GOS, the following seven additional controlled entities were identified by Grant Thornton and further disclosed by Mr. AJ Felix subsequent to our inquiry.

Under PBNLP the following joint ventures or general partnerships were created:

**PBN EMW Joint Venture** – This joint venture is owned 51% by PBNLP and 49% by EMW Industrial Ltd. We were unable to obtain any financial information or information on who the owners of EMW Industrial Ltd. are from PBNLP management. As such, we performed independent open source research on this entity and determined that its trade name in Saskatchewan is E M Welding and shareholders include 102001637 Saskatchewan Ltd., E & S Morrison Family Holdings Ltd., EMW Employee Holding Co. Ltd., and Ewen Morrison Family Trust. In other provinces, this company operates under the name Pepper Industrial Maintenance.



EMW Industrial Ltd. was an incorporated business corporation, operating from Yorkton, Saskatchewan, from May 22<sup>nd</sup> 1997 to April 11<sup>th</sup>, 2019, at which point the corporation entered receivership. The corporation shareholders, directors and other affiliated entities appear to be at arms-length from NVP and the identified controlled entities of NVP.

The only long-term liabilities of PBN EMW Joint Venture were Capital Lease Agreements (2018 – \$58,132 and 2017 - \$265,402). This entity ceased operations in June of 2018 with remaining venture capital distributed to the venture partners in December of 2018. Disbursements to PBNLP consisted of an amount of \$193,988 – the value of outstanding AR and AP due to EMW Industrial Ltd. Total disbursement of venture capital amounted to \$254,658, in which \$126,393 (49% of venture capital) was disbursed to PBNLP and \$128,265 (51% of venture capital) was disbursed to EMW Industrial Ltd.

**PBN EMW Industrial Corporation (GP)** – This Corporation is owned 51% by PBNLP and 49% by EMW Industrial Ltd. We were informed by PBNLP management that no accounting records exist and no financial statements exist for this entity. As such we are not aware of any financial liabilities or debt obligations relating to this corporation. The corporation is structured as the general partner to the entity PBN EMW LP.

**PBN EMW Industrial Limited Partnership (LP)** – Partnership is owned 50.95% by PBNLP, 0.1% by PBN EMW Industrial Corporation (GP) and 48.95% by EMW Industrial Ltd. We were provided with 2017 and 2018 GLs and financial statements for the year ending December 31, 2018 for this entity. Available financial records did not identify any long-term debt entered into by this Partnership.

Under PBND the following joint ventures or general partnerships were created:

**PBN NUNA Contracting Joint Venture** – This joint venture is owned 51% by Pinchouse Business North Development Inc. (with 25% economic risk) and 49% (with 75% economic risk) by NUNA Logistics Ltd. We understand that this entity was wound up in 2017 with closing equity distributed to the venture partners.

We were unable to obtain ownership information relating to NUNA Logistics Ltd. from PBNLP management. As such, we performed independent open source research into this entity and determined that directors include Joseph Lambert, David Omilgoitok, Bruno Qunguhiriaqtun, Jordan Slator, John Stevenson, Jason Joseph Veenstra, and Wilfred Ernest Wilcox. Shareholder information was not provided.

NUNA Logistics Ltd. is an incorporated business corporation, operating from Vancouver, British Columbia, since incorporation on October 1<sup>st</sup>, 2018. The corporation's directors appear to be at arms-length from NVP and the identified controlled entities of NVP.



**PBN NUNA Milestones Joint Venture** – This joint venture is owned 51% by PBN NUNA Contracting JV and 49% unknown. The identification of this joint venture was identified through the examination of the PBN NUNA Contracting Joint Venture financial statements.

**PNB NUNA Contracting Ltd.** – This Corporation is owned 51% by Pinehouse Business North Development Inc. (with 25% economic risk) and 49% (with 75% economic risk) by NUNA Logistics Ltd. We understand this corporation was dissolved in 2014. We did not identify any long term debt within the financial information made available to us for 2013 and 2014.

However, based on independent research conducted, we note that Mike Natomagan is listed as Director of PNB-NUNA Contracting Ltd. from March 28, 2011 to January 28, 2018. This relationship was not disclosed on the Public Disclosure Statement provided to us for Mike Natomagan. This is non-compliant with Section 160 of the NMA.

**SASCAL Ventures Inc. and Pinehouse Business North Development Inc. Joint Venture** – Joint Venture ownership structure (i.e. percentage split) between Pinehouse Business North Development Inc. and SASCAL Ventures Inc. is not known. Financial statements provided for 2013 and 2014 are unaudited, Notice to Reader financial statements and do not contain any financial notes or disclosures.

SASCAL Ventures Inc. was an incorporated business corporation, operating from Regina, Saskatchewan, from March 13<sup>th</sup>, 2006 to May 10<sup>th</sup>, 2018, at which point the corporation ceased to exist. The corporation shareholders and directors are listed as Terry and Carla Wolfe and appear to be at arms-length from NVP and the identified controlled entities of NVP.

For the four joint ventures under Pinehouse Business North Development Inc., only financial statements were provided. Financial details of general ledgers, trial balances or other documents were not readily accessible by Mr. AJ Felix, as the other joint venture entities performed the administrative and financial operations within the joint ventures.

### **3.8 Disclosure of Long-Term Debt**

Public Sector Accounting Standards (PSAS), as issued by the Chartered Professional Accountants of Canada (“CPA Canada”) require that, *“Government financial statements should disclose, in notes or schedules, a listing of the major components and organizations comprising the reporting entity, separately identifying those that are consolidated and those that are accounted for by the modified equity method.”*

Section 207(1) of the NMA requires that *“on or before June 15 of each year, a municipality shall prepare financial statements of the municipality for the preceding financial year in accordance with the generally accepted accounting principles for municipal governments recommended from time to time by the Canadian Institute of Chartered Accountants (now CPA Canada)”*.

Overall we find that NVP is non-compliant with section 207(1) of the NMA having not published consolidated financial statements for the 2018 financial year ending December 31, 2018 as at the time of our report. This said, based on issued financial statements made available to us (for the year ending 2017 and prior years), we have not identified any inappropriate disclosures relating to long-term debt that would lead us to believe there was any intent to purposely mislead readers of those financial statements. Specifically, we did not identify any long-term debt that was undertaken by the various controlled entities of NVP that was not consolidated within the Audited Financial Statements of NVP for 2017 or prior years.

The NPV Audited Financial Statements have been prepared based on a “Modified Equity” method of consolidation. Under this method of consolidation, the value of investments in subsidiaries is accounted for through adjustments to investment values rather than disclosure of specific account balances such as long-term debt. While this method of consolidation can create difficulty for readers in determining the total long-term debt undertaken by NVP and its controlled entities, it is appropriate under PSAS where those controlled entities are determined to be Government Business Enterprises (see further details below).

A Government Business Enterprise (“GBE”) is a government organization that has all of the following characteristics:

- a) It is a separate entity with the power to contract in its own name and that can sue and be sued.
- b) It has been delegated the financial and operational authority to carry on a business.
- c) It sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity.
- d) It can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity.

Normally such a determination of GBE status would be supported by a formal accounting memo prepared by management and assessed by the External Auditor prior to issuance of Audited Financial Statements. While we have not been provided with any assessment performed by NVP management or assessment by their External Auditor, we do believe it plausible that both PHC and PBNLP could be appropriately determined to be assessed GBE status. In validating such an assessment, potential areas for concern would include but may not be limited to:



1. The ability of PHC to, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity. Some potential challenges in achieving this characteristic include:
  - a. There is limited rental income disclosed in both 2018 and 2017 and the long-term plan for growth in rental income is not clear to us at this time; and
  - b. There is a significant loss from operations in each of 2018 and 2017 without the inclusion of Grants (2018 - \$724,079, 2018 - \$652,666) and it is presumed (although not completely clear from the financial statement note disclosure) that these Grants were provided from within the government reporting entity.
2. The ability of PBNLP to, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity. Some potential challenges in achieving this characteristic include:
  - a. Continuing losses from operations in both 2018 and 2017 which may demonstrate that the Partnership cannot maintain operations without assistance from other entities within the government reporting entity; and
  - b. There is significant reliance on "Other Income" in order to reduce operating losses which appears to be income from various joint ventures which have been consolidated within the accounts of PBNLP using the modified equity method. The determination of GBE status for these entities would also need to be assessed in order to validate this method of accounting.

### **3.9 Other Items Tested for Compliance**

As previously noted, given the increased population of transactions (as described in Section 1.2), and as agreed upon with you, Grant Thornton judgmentally reviewed the classifications/coding in the GL for NVP and its controlled entities and stratified the transaction population based on the nature of the transactions (as determinable) and their related risk.

As such, payments were assessed for compliance using a sampling approach, targeting specific aspects of potential non-compliance with the NMA.

As discussed above in Section 3.1, non-compliant expenses include items that are not authorized and/or do not appear to be related to municipal purposes. Non-compliant expenses include those items that are in direct violation of various sections of the NMA.

See Section 3.1 for further details pertaining to expense categories used throughout this report.

A summary of our testing results is as follows:

\$ Value of Transactions	Compliant	Non-Compliant	Not Properly Authorized	Undeterminable	Total
NVP	-	2,486	1,367,389	390	1,370,265
PBN LP	-	-	323	-	323
PHC	45,581	-	646,722	155,955	845,258
Totals	\$45,581	\$2,486	\$2,014,434	\$153,345	\$2,215,846

# of Transactions	Compliant	Non-Compliant	Not Properly Authorized	Undeterminable	Total
NVP	-	17	492	1	510
PBN LP	-	-	2	-	2
PHC	22	-	38	9	69
Totals	22	17	532	10	581

Additionally, we tested each of the bank accounts included in our review (where possible, based on information provided) to determine compliance with Section 173 of the NMA.

Section 173 states that: *"Only the administrator and at least one other person authorized by the council for the purpose may open or close the accounts that hold the money of a municipality."*

As previously noted, Martine Smith is the designated administrator for NVP. However, Martine does not act as the administrator for some of the controlled entities of NVP; AJ Felix acts in this capacity for PBNLP and its related joint ventures and partnerships. AJ Felix, through his company Jasper Enterprises Inc., is the private entity that is contracted to facilitate the operational and financial aspects of PBNLP.

Funds of the municipality are transferred to NVP's controlled entities on a regular basis and are held in bank accounts that Martine does not have signing authority on (i.e. she is not one of the persons authorized to open or close the accounts). This is a violation of Section 173 of the NMA as the money in these other bank accounts is consolidated with the money of the municipality for financial reporting purposes. These entities are controlled by NVP and are extensions of the municipality.

Controlled entities that do not include Martine as having signing authority on their bank accounts include: PBNLP, PBN EMW JV, and PBN EMW LP. It is unclear if she has signing authority for PBNLP and PBN EMW GP as the related bank resolutions were not provided.

PHC and NVP do include Martine as having signing authority on their bank accounts as required.



### Condominium Purchased by Pinehouse Business North LP

Through examination of expenditures on the PBN LP credit card, there were two receipts for Leon's Furniture, amounting to \$5,521. The details of the receipts were for furniture and a television. Upon inquiry with Mr. AJ Felix, it was identified that PBN LP had purchased a condominium in Martensville Saskatchewan.

The purchase of the condominium was completed in May 2017. The purchase price of the condominium was \$299,900.

Per inquiry with Mr. AJ Felix, the purchase of the condominium was to allow for individuals from the NVP to stay at the condominium when they were in Saskatoon working, to alleviate the repetitive cost of hotel accommodations.

### 3.10 Recommendations for Additional Forensic and Compliance Assessment Procedures

1. We recommend that a full (i.e. 100%) forensic compliance review of expenses be completed to identify other potential non-compliant items. We also recommend that GOS consider expanding the forensic compliance review into prior years, as potential non-compliant transactions may exist prior to the Period of Review included in this report.
2. We recommend that further work also be performed to fully understand the current and prior organizational structure of NVP and all its related entities (including all joint venture relationships).
3. Further work should be performed to understand the mortgages that villagers obtained, as discussed in Section 3.6 of this report. Specifically, mortgage documents obtained by the individuals from the financial institutions should be reviewed to confirm if NVP guaranteed the mortgages or not.
4. We note that Section 214 of the NMA states:

*"(1) A member of council who knowingly makes an expenditure that is not authorized pursuant to section 179, or who knowingly makes an investment that is not authorized pursuant to section 182, is liable to the municipality for the expenditure, investment or amount spent, as the case may be.*

*(2) A member of council who knowingly votes for a bylaw authorizing any of the following borrowings, loans or guarantees is liable to the municipality for the amount borrowed, loaned or guaranteed:*

*(a) a bylaw authorizing the municipality to make a borrowing in excess of its debt limit or in contravention of section 184, if that borrowing has not been approved by the Saskatchewan Municipal Board;*

*(b) a bylaw authorizing the municipality to make a loan, or guaranteeing the repayment of a loan, if that loan or guarantee causes the municipality to exceed its debt limit or contravene section 184."*

As such, there is the possibility to recover from council members, expenses that are determined to be knowingly non-compliant. As a potential next step we recommend that GOS determine whether any repayments to NVP are warranted.

5. We recommend that the scope of work over intercompany balances and related party transactions be expanded to also include January 1, 2014 to December 31, 2017. The reasons for this recommendation are:
  - i. Significant intercompany transactions occurred in prior years. For example, for PBN NUNA Contracting Joint Venture, per the Audited Financial Statements in 2016 there were administration and management fees of \$1,906,683 (2015 - \$1,130,229) paid to NUNA Logistic Ltd. There were also administration and management fees in 2016 of \$226,313 (2015 - \$371,137) paid to PBNL. For PBN NUNA Contracting Ltd, per the Audited Financial Statements in 2014 there were administration and management services of \$440,085 (2013 - \$3,153,157) paid to NUNA Logistics Limited. There were also administration and management fees of \$270,734 (2013 - \$859,952) paid to PBNL.

As previously identified, we have not been able to obtain the GL details for these entities and cannot further comment on compliance with the NMA for these expenditures and related party transactions.

- ii. In the 2018 Audited Financial Statements of PBNLP, there was significant re-statement of the comparative numbers for the reported 2017 financial numbers. These restatements of prior period numbers relate to changes in intercompany transactions and related party receivables and payables, thus impacting reported net earnings;
  - iii. Initial review of the restated 2017 financial numbers in the 2018 Audited Financial Statements of PBNLP has identified inconsistency within the numbers relating to related parties. Upon inquiry with Mr. AJ Felix, he confirmed the findings of Grant Thornton and stated that he would address those findings with the external auditors. Grant Thornton identified an inconsistency of \$98,153 between accounts receivable and related parties, which resulted in the creation of a bad debt expense in restated 2017 numbers, which is overstated by \$98,153. The impact of this is that net earnings are understated by \$98,153 as this amount of related party receivable was written off;

- iv. On the financial statements, the classification of related party receivables and liabilities are comprised of multiple years of financial information, due to the nature of these accounts as assets and liabilities. It is imperative that prior period transactions and occurrences within these financial items are understood to be able to conclude on the completeness, accuracy and compliance of these financial items; and
- v. As noted, there were two more joint ventures identified within PBNLP that relate to periods of 2014 -2017, PBN-NUNA Joint Venture and SasCal Joint Venture. Without examination and access to the financial records of these joint ventures, we were not able to ensure complete and accurate findings on financial information in fiscal 2018 for intercompany and related party balances, as transactions and amounts from these joint ventures could still be prevalent in 2018 financial information.

## Restrictions and Limitations

This report was prepared for the Government of Saskatchewan in regards to the forensic review of the Northern Village of Pinchouse.

This report is not to be used for any other purpose and we specifically disclaim any responsibility for losses or damages incurred through use of this report for a purpose other than as described herein. It should not be reproduced in whole or in part without our express written permission, other than as required by the GOS.

We reserve the right, but are under no obligation, to review and/or update information included in or referred to in this report and, if we consider it necessary, to revise our findings in light of any information that subsequently becomes known to us following the date of our report.

This report has been prepared by Shane Troyer, Partner and Caroline Hillyard, Senior Manager, with the assistance of other Grant Thornton professionals, acting independently and objectively. We certify that our compensation for the preparation of this report is not contingent on any action or event resulting from the use of this report.

Yours truly,  
**Grant Thornton LLP**

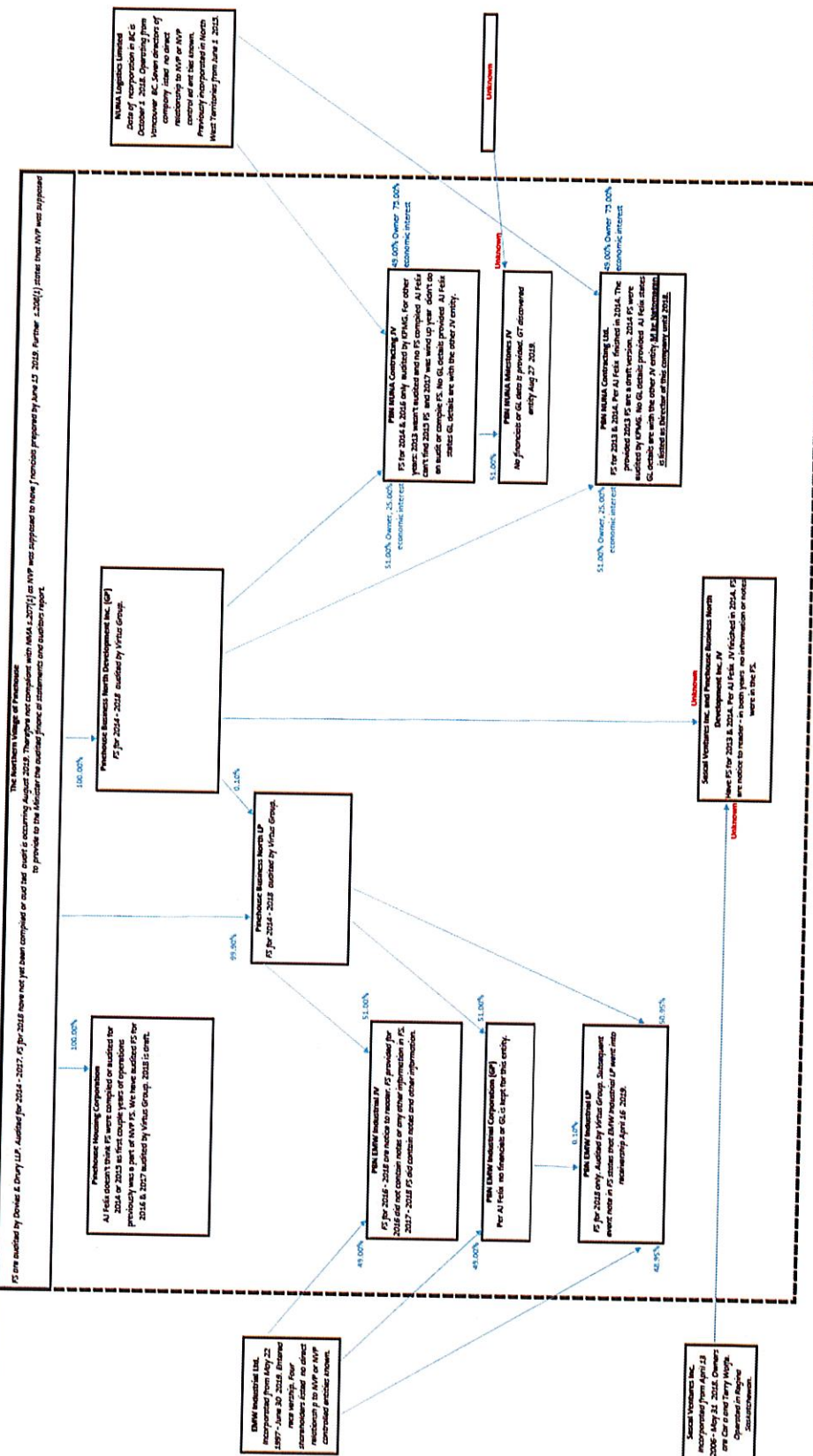


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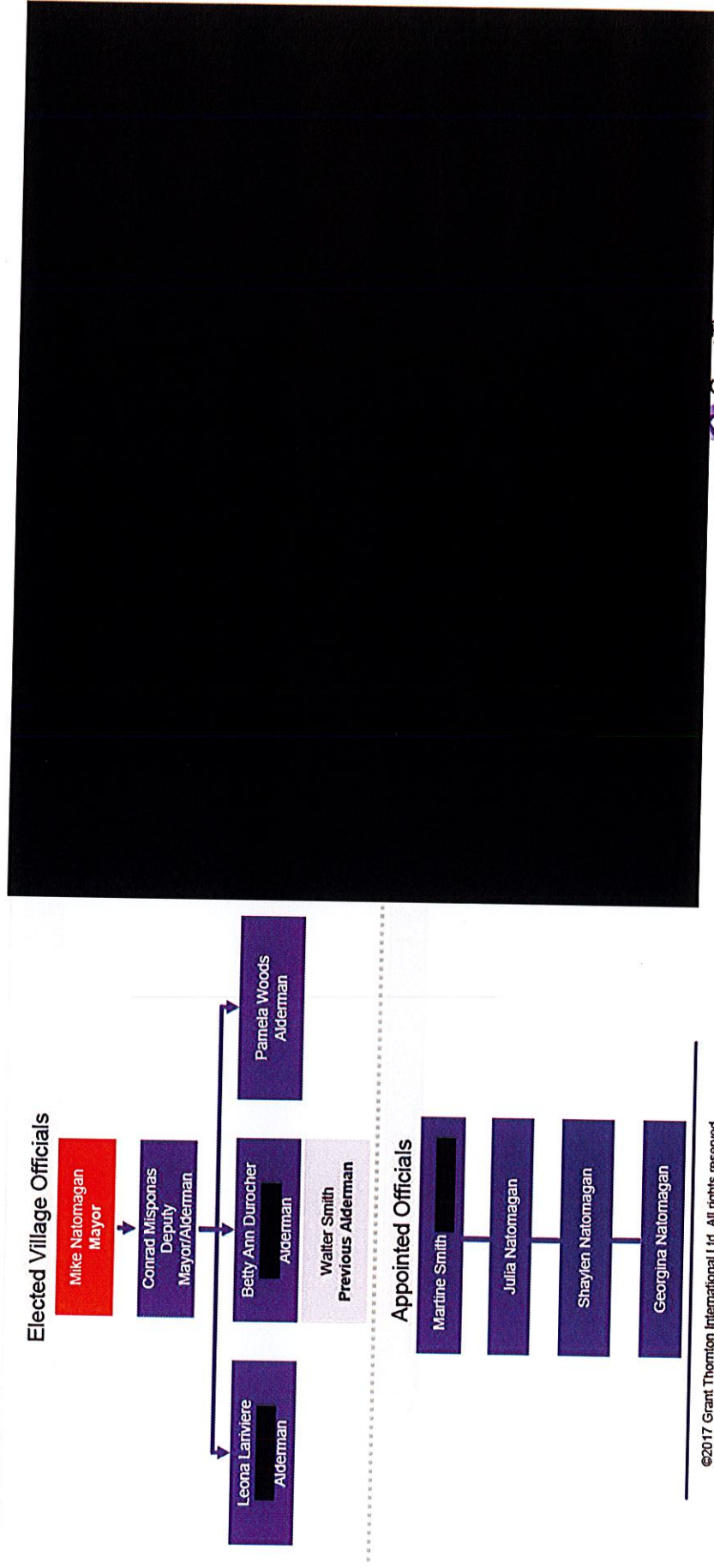
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PS are audited by PwC LLP. Audited for 2014–2017. PS for 2018 have not yet been completed or audited. Event 6 occurring August 2019. Therefore not compliant with NMA 1.20(1) as NIP was supposed to have a revision proposed by June 15 2019. Further, 1.20(1) states that NIP was supposed to provide to the Monitor the outlined figure, statements and auditors report.



# Appendix B: Family Relationships





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