
LITTLE SASKATCHEWAN FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

LITTLE SASKATCHEWAN FIRST NATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION.....STATEMENT 1

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS.....STATEMENT 2

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETSSTATEMENT 3

CONSOLIDATED STATEMENT OF CASH FLOWSSTATEMENT 4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Little Saskatchewan First Nation are the responsibility of management and have been approved by Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and as such, include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

Chief and Council are responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and are ultimately responsible for reviewing and approving the consolidated financial statements.

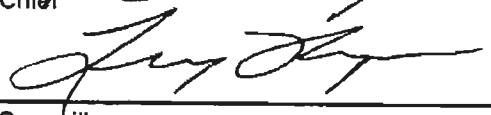
Chief and Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditors' report.

The external auditors, Baker Tilly HMA LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Little Saskatchewan First Nation and meet when required.



Chief

Councillor



Councillor

Councillor



Councillor

Baker Tilly HMA LLP
701 - 330 Portage Avenue
Winnipeg, MB R3C 0C4

T: 204.989.2229
TF: 1.866.730.4777
F: 204.944.9923

winnipeg@bakertilly.ca
www.bakertilly.ca

INDEPENDENT AUDITORS' REPORT

To the Chief, Council and Membership
Little Saskatchewan First Nation

We have audited the accompanying consolidated financial statements of Little Saskatchewan First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

Tangible Capital Assets

We have been unable to satisfy ourselves over the existence, completeness, and valuation of tangible capital assets as well as the accuracy of the amounts recorded in accumulated amortization. Management has not determined the cost and accumulated amortization of all assets controlled and owned by the First Nation. As a result, we were unable to determine whether material adjustments were required to tangible capital assets, amortization expense, and accumulated surplus.

(continued)

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion Paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of Little Saskatchewan First Nation as at March 31, 2018 and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Baker Tilly HMA LLP

Chartered Professional Accountants

Winnipeg, Manitoba
February 21, 2019

LITTLE SASKATCHEWAN FIRST NATION

STATEMENT 1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MARCH 31

2018 2017

FINANCIAL ASSETS

Cash (Note 3)	\$ 1,351,284	\$ 2,000,313
Restricted cash (Note 4)	59,818	59,353
Accounts receivable (Note 5)	4,655,089	1,122,419
Investments (Note 6)	<u>5,200,000</u>	<u>5,200,000</u>
	<u>11,266,191</u>	<u>8,382,085</u>

LIABILITIES

Operating line of credit (Note 7)	1,547,142	
Accounts payable and accrued liabilities (Note 8)	657,933	712,571
Due to federal government agencies (Note 9)		379,165
Deferred revenue (Note 10)	4,102,576	1,787,566
Long term debt (Note 11)	<u>854,625</u>	<u>1,083,577</u>
	<u>7,162,278</u>	<u>3,962,879</u>
NET FINANCIAL ASSETS	<u>4,103,915</u>	<u>4,419,206</u>

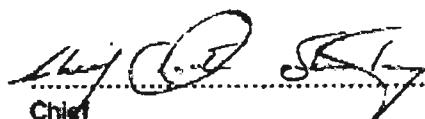
NON-FINANCIAL ASSETS

Tangible capital assets (Note 12)	5,093,551	5,180,262
Construction in progress (Note 13)	26,184,865	9,527,916
Prepaid expenses and other assets	<u>63,989</u>	<u>24,157</u>
	<u>31,342,405</u>	<u>14,732,335</u>

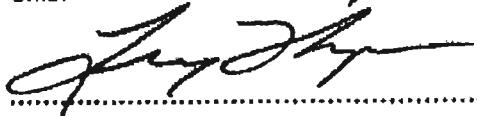
ACCUMULATED SURPLUS (Note 14) \$ 35,446,320 \$ 19,151,541

CONTINGENT LIABILITIES (Note 17)

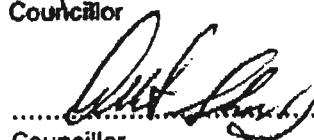
Approved on behalf of Chief and Council


Chief

.....
Councillor


Councillor

.....
Councillor


Councillor

.....
Councillor

LITTLE SASKATCHEWAN FIRST NATION

STATEMENT 2

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2018	2017
REVENUE			
Indigenous and Northern Affairs Canada <i>(Note 15)</i>	\$ 23,818,460	\$ 23,818,540	\$ 10,974,250
Indigenous and Northern Affairs Canada - forgiveness of debt		379,165	
Indigenous and Northern Affairs Canada - funding recoveries		(18,523)	(160,165)
First Nations and Inuit Health Branch	1,355,995	1,322,900	1,119,859
Employment and Social Development Canada		362,504	376,922
Canada Mortgage and Housing Corporation	108,000	118,616	363,054
Province of Manitoba - flood assistance		523,926	908,330
Province of Manitoba - tobacco tax rebate	75,000	113,527	41,055
VLT revenue (net of payouts)		838,969	702,860
Administration fees	61,747		
Insurance proceeds - housing		129,244	
Other	224,617	754,380	819,795
Deferred from prior year	26,844	1,787,566	
Deferred to following year	-	(4,102,576)	(1,787,566)
	<u>25,670,663</u>	<u>26,028,238</u>	<u>13,358,394</u>
SEGMENT EXPENDITURES			
Economic development	130,472	130,472	297,017
Education authority	1,983,747	1,611,072	1,603,130
Employment, training and daycare		362,504	376,922
Governance and administration	843,137	1,259,551	1,031,109
Health authority	1,366,742	1,343,849	930,511
Housing authority	208,000	334,287	201,647
Public works	2,180,042	2,350,162	1,658,064
Smoke shop		275,190	289,936
Social services	1,261,859	1,257,654	1,446,262
Video lotto	-	808,718	659,641
	<u>7,973,999</u>	<u>9,733,459</u>	<u>8,494,239</u>
ANNUAL SURPLUS	17,696,664	16,294,779	4,864,155
ACCUMULATED SURPLUS, <i>beginning of year</i>	<u>19,151,541</u>	<u>19,151,541</u>	<u>14,287,386</u>
ACCUMULATED SURPLUS, <i>end of year</i>	\$ <u>36,848,205</u>	\$ <u>35,446,320</u>	\$ <u>19,151,541</u>

LITTLE SASKATCHEWAN FIRST NATION

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31

	BUDGET (UNAUDITED)	2018	2017
Annual surplus (deficit)	\$ 17,696,664	\$ 16,294,779	\$ 4,864,155
Acquisition of tangible capital assets	(265,000)	(451,804)	(117,721)
Amortization of tangible capital assets		538,515	393,783
Acquisition of construction in progress	(21,074,788)	(16,656,949)	(5,027,916)
	(21,339,788)	(16,570,238)	(4,751,854)
Acquisition of prepaid expenses and other assets		(63,989)	(24,157)
Use of prepaid expenses and other assets	—	24,157	19,875
	—	(39,832)	(4,282)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS FOR YEAR	(3,643,124)	(315,291)	108,019
NET FINANCIAL ASSETS, <i>beginning of year</i>	<u>4,419,206</u>	<u>4,419,206</u>	<u>4,311,187</u>
NET FINANCIAL ASSETS, <i>end of year</i>	\$ 776,082	\$ 4,103,915	\$ 4,419,206

LITTLE SASKATCHEWAN FIRST NATION

STATEMENT 4

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

2 0 1 8	2 0 1 7
---------	---------

CASH FLOW FROM

OPERATING ACTIVITIES

Cash received from funding agencies	\$ 22,248,799	\$ 12,689,068
Cash received from other sources	2,182,614	2,483,482
Cash paid to suppliers and employees	(9,267,149)	(9,065,729)
Interest paid	(22,265)	(25,458)
	<u>15,141,999</u>	<u>6,081,363</u>

CAPITAL ACTIVITIES

Acquisition of tangible capital assets	(451,804)	(117,721)
Acquisition of construction in progress	(16,656,949)	(5,027,916)
	<u>(17,108,753)</u>	<u>(5,145,637)</u>

INVESTING ACTIVITIES

Purchase of guaranteed investment certificates	- - -	(5,200,000)
--	-------	--------------

FINANCING ACTIVITIES

Advances from operating line of credit for capital construction	1,547,142	
Repayment of long term debt	(228,952)	(95,390)
	<u>1,318,190</u>	<u>95,390</u>

NET DECREASE IN CASH DURING YEAR

CASH, *beginning of year* 2,059,666 *6,419,330*

CASH, *end of year* \$ 1,411,102 \$ 2,059,666

Cash consists of the following:

Cash	\$ 1,351,284	\$ 2,000,313
Restricted cash	<u>59,818</u>	<u>59,353</u>
	<u><u>\$ 1,411,102</u></u>	<u><u>\$ 2,059,666</u></u>

LITTLE SASKATCHEWAN FIRST NATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

1. NATURE OF OPERATIONS

The Little Saskatchewan First Nation (the "First Nation") is located in the province of Manitoba, and provides various services to its community members. The financial reporting entity includes all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These consolidated financial statements are the representations of management and have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as defined by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, which encompasses the following policies.

Sources of revenue and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable. Expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

REPORTING ENTITY

These consolidated financial statements report the financial activities of all entities and departments comprising the reporting entity of the First Nation.

These consolidated financial statements combine the assets, liabilities, revenue and expenditures of the following entities and departments:

- Little Saskatchewan First Nation Band Administration
- Little Saskatchewan First Nation Education Authority
- Little Saskatchewan First Nation Employment and Training
- Little Saskatchewan First Nation Health Authority
- Little Saskatchewan First Nation Housing Authority
- Little Saskatchewan First Nation Multiplex Construction Project
- Little Saskatchewan First Nation Smoke Shop
- Little Saskatchewan First Nation Video Lotto

ASSET CLASSIFICATION

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are acquired, constructed or developed assets that do not provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, construction in progress and prepaid expenses and other assets.

RESTRICTED CASH

Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

NET FINANCIAL ASSETS

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation are determined by its financial assets less its liabilities. Net financial assets is comprised of two components, non-financial assets and accumulated surplus.

NON-FINANCIAL ASSETS

The First Nation's tangible capital assets and other non-financial assets are accounted for as assets because they can be used to provide government services in future periods. These assets do not normally provide resources to discharge the liabilities of the First Nation unless they are sold.

TANGIBLE CAPITAL ASSETS

Tangible capital assets include acquired, built, developed and improved assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods and delivering services.

Tangible capital assets acquired are reported at net book value.

Houses acquired under Canada Mortgage and Housing Corporation ("CMHC") sponsored programs are amortized over their estimated useful lives at a rate equivalent to the annual principal reduction in the corresponding mortgage. Amortization of all other tangible capital asset categories is provided for on a straight-line basis, over the expected useful life of the asset as follows:

Buildings	25 years
Computers and furniture	5 years
Equipment	5 years
Housing	25 years
Vehicles	5 years

Amortization is computed at one-half of the annual rate in the year of tangible capital asset acquisition.

CONSTRUCTION IN PROGRESS

Assets under construction are not amortized until the asset is available to be put into service.

LONG-LIVED ASSETS

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in the consolidated statement of operations and accumulated surplus for the year in which the asset becomes impaired.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

REVENUE RECOGNITION

Revenue is recognized in the year in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfer revenue which includes Indigenous and Northern Affairs Canada, First Nations and Inuit Health Branch, Employment and Social Development Canada and Canada Mortgage and Housing Corporation is recognized as the revenue becomes receivable under the terms of applicable funding agreements. Revenue received under funding agreements that relate to subsequent fiscal periods is reflected as deferred revenue on the consolidated statement of financial position in the year of receipt and is recognized as revenue in the year to which it was designated. Revenue that is restricted for particular purposes is deferred and recognized when the eligible expenditures have been incurred.

The First Nation recognizes video lottery terminal revenue as the net win from gaming activities (the difference between gaming wins and gaming losses), consisting of slot machines, on a daily basis. Gaming revenue is net of commissions paid to the Manitoba Liquor and Lotteries Corporation. Management believes that it is appropriate to present gaming revenue (net of commissions), as these amounts are fixed as per their agreement with the Manitoba Liquor and Lotteries Corporation.

Sales are recognized when the services are provided or the goods are shipped and subsequent collection is reasonably assured.

Rents are recorded in the year they are earned.

Tobacco and fuel tax rebates are recognized when the rebates have been earned from the Province of Manitoba.

Interest revenue is recognized on an accrual basis in the period that it is earned.

All other types of revenue are recognized by the First Nation when the services are provided or the goods are shipped and subsequent collection is reasonably assured.

EMPLOYEE FUTURE BENEFITS

The First Nation's employee future benefit program consists of a defined contribution pension plan. The First Nation's contributions to the defined contribution plan are expensed as incurred.

SEGMENTS

The First Nation conducts its business through ten reportable segments as identified in Note 20. These operating segments are established by senior management to facilitate the achievement of the First Nation's long term objectives to aid in resource allocation decisions, and to assess operational performance.

FINANCIAL INSTRUMENTS

Financial instruments include cash, restricted cash, accounts receivable, investments, operating line of credit, accounts payable and accrued liabilities, deferred revenue, due to federal government agencies and long term debt. Unless otherwise stated, it is management's opinion that the First Nation is not exposed to significant interest, currency or credit risk arising from these financial instruments and the carrying values of the First Nation's financial assets and liabilities approximates their fair values.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

FAIR VALUE

Due to the short term nature of all financial instruments other than investments in guaranteed investment certificates and long term debt, the carrying values as presented in the consolidated financial statements are reasonable estimates of fair values. Management has estimated fair value by reference to established financial markets. As is true for all estimates, actual fair value could differ from this estimate, and if so any difference would be accounted for in the year in which it becomes known. For investments in guaranteed investment certificates and long term debt it is not practicable within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of certain revenue and expenditures during the reporting year.

Accounts receivable are stated after estimates as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

These estimates are reviewed periodically and, as adjustments become necessary, they are reported in the statement of operations and accumulated surplus in the year in which they become known.

LIABILITY FOR CONTAMINATED SITE

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2018.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

3. CASH

Cash consists of the following:

	2 0 1 8	2 0 1 7
Little Saskatchewan First Nation	\$ 1,112,991	\$ 1,766,855
Little Saskatchewan First Nation Health Authority	158,454	178,949
Little Saskatchewan First Nation Smoke Shop	9,945	11,373
Little Saskatchewan First Nation Video Lotto	<u>69,894</u>	<u>43,136</u>
	<u><u>\$ 1,351,284</u></u>	<u><u>\$ 2,000,313</u></u>

LITTLE SASKATCHEWAN FIRST NATION

PAGE 5

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

4. RESTRICTED CASH

CMHC Replacement Reserve

Under the terms of the operating agreements with Canada Mortgage and Housing Corporation (CMHC), the replacement reserve is to be credited with an annual allocation of \$20,145 (March 31, 2017 - \$23,445). These funds, along with accumulated interest, must be held in a separate bank account and/or invested in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Expenditures are charged to accumulated interest first and then to principal. As of March 31, 2018, there was an accumulated balance of \$246,457 (March 31, 2017 - \$235,162) for this reserve, \$53,474 (March 31, 2017 - \$53,474) in the replacement reserve bank account and \$192,983 (March 31, 2017 - \$181,688) remains unfunded and due from operating.

Ottawa Trust Fund

The Ottawa Trust Fund arises from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. Capital trust monies are derived from non-renewable resource transactions on the sale of lands or other First Nation tangible capital assets. Capital trust monies are expended on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of the First Nation's Chief and Council. Revenue trust monies are generated primarily through land-leasing transactions or interest earned on deposits in the Consolidated Revenue Fund of the Government of Canada. Revenue trust monies are, in most cases, managed and expended under the provisions of Sections 63 to 69 of the Indian Act.

	2 0 1 8	2 0 1 7
CMHC Replacement Reserve	\$ 53,474	\$ 53,474
Ottawa Trust Fund	<u>6,344</u>	<u>5,879</u>
	\$ 59,818	\$ 59,353

5. ACCOUNTS RECEIVABLE

	2 0 1 8	2 0 1 7
Indigenous and Northern Affairs Canada:		
AS960 - piped water and sewer servicing	\$ 288,000	\$
Band support funding - administration		9,000
Band support funding - third party manager		35,927
Community buildings		225,000
Community economic development	5,133	5,133
Flood mitigation 2018	93,907	
Flood response 2017	3,615	
New community access road - set contribution		110
Replacement housing project - phase 1		520,000
Replacement housing project - phase 2	3,422,654	
Response		38,136
Special purpose allotment		679
Tuition agreements	118,719	39,185
Tuition - extra		3,763
Water sewage project AS716	284,110	
First Nations and Inuit Health Branch	70,119	54,086
Province of Manitoba	113,922	172,422
Trade and other	<u>254,910</u>	<u>18,978</u>
	\$ 4,655,089	\$ 1,122,419

LITTLE SASKATCHEWAN FIRST NATION

PAGE 6

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

6. INVESTMENTS

	2 0 1 8	2 0 1 7
Guaranteed investment certificate, First Nations Bank of Canada, redeemed May 24, 2018	\$ 2,600,000	\$ 2,600,000
Guaranteed investment certificate, First Nations Bank of Canada, redeemed July 23, 2018	<u>2,600,000</u>	<u>2,600,000</u>
	<u><u>\$ 5,200,000</u></u>	<u><u>\$ 5,200,000</u></u>

7. OPERATING LINE OF CREDIT

The operating line of credit with First Nations Bank of Canada has a limit of \$2,700,000, bearing interest at the rate of prime plus 0.50% which is to be collected monthly, secured by a general security agreement, a Band Council Resolution authorizing the borrowing, guaranteed investment certificates held by the First Nation and builder's all-risk fire insurance that is required to be in place during the construction phase of the Multiplex project. Principal of \$1,250,000 to be repaid from loan proceeds that will be received from First Peoples Economic Growth Fund during the construction phase. The remaining principal up to a maximum of \$1,450,000 to be either repaid in full or converted into a term loan upon completion of the construction phase.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2 0 1 8	2 0 1 7
Accrued interest	\$ 469	\$ 681
Accrued and payroll liabilities	217,825	216,562
Due to First Peoples Development Inc.	44,056	44,056
Trade payables	<u>395,583</u>	<u>451,272</u>
	<u><u>\$ 657,933</u></u>	<u><u>\$ 712,571</u></u>

9. DUE TO FEDERAL GOVERNMENT AGENCIES

	2 0 1 8	2 0 1 7
Indigenous and Northern Affairs Canada:		
Social services	<u>\$ -</u>	<u>\$ 379,165</u>

LITTLE SASKATCHEWAN FIRST NATION

PAGE 7

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

10. DEFERRED REVENUE

	2 0 1 8	2 0 1 7
Indigenous and Northern Affairs Canada:		
AS960 - piped water and sewer servicing	\$ 288,000	\$
Band support funding - administration	9,000	
Band support funding - third party manager	35,927	
Community buildings	225,000	
Flood mitigation 2018	93,907	
Flood negotiations	10,169	
Flood response 2017	3,615	
Governance capacity development	26,844	
New community access road - set contribution	110	
Replacement housing project - phase 1	967,221	
Replacement housing project - phase 2	3,422,654	
Response	1,266	
Water sewage project AS716	284,110	-
	4,092,286	1,275,537
First Nations and Inuit Health Branch	10,290	235,500
Province of Manitoba	-	276,529
	<u>\$ 4,102,576</u>	<u>\$ 1,787,566</u>

LITTLE SASKATCHEWAN FIRST NATION

PAGE 8

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

11. LONG TERM DEBT

2018 2017

Canadian Imperial Bank of Commerce mortgage, repayable in monthly installments of \$2,519 including interest at the rate of 4.79% per annum, renews April 1, 2021, matures October 1, 2023.	\$ 148,041	\$ 170,667
Canada Mortgage and Housing Corporation mortgage, repayable in monthly installments of \$3,597 including interest at the rate of 2.04% per annum, renews January 1, 2023, matures September 1, 2027.	372,615	408,639
Canada Mortgage and Housing Corporation mortgage, repayable in monthly installments of \$902 including interest at the rate of 2.49% per annum, renews May 1, 2023, matures March 1, 2028.	98,245	250,577
Canada Mortgage and Housing Corporation mortgage, repayable in monthly installments of \$1,871 including interest at the rate of 1.83% per annum, renews December 1, 2019, matures November 1, 2029.	235,724	253,694
	<u>\$ 854,625</u>	<u>\$ 1,083,577</u>

All mortgages are secured by a ministerial guarantee from the Minister of Indigenous and Northern Affairs Canada and an assignment of fire insurance and are insured by CMHC.

The scheduled principal payments within the next five years to meet retirement provisions are estimated to be as follows:

2019	\$ 88,851
2020	88,826
2021	91,359
2022	93,980
2023	96,690
Thereafter	<u>394,919</u>
	<u>\$ 854,625</u>

LITTLE SASKATCHEWAN FIRST NATION

PAGE 9

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

12. TANGIBLE CAPITAL ASSETS

	Cost				Accumulated Amortization				Net Book Value	
	Opening Balance	Additions	Disposals,	Write-offs & Adjustments	Opening Balance	Amortization	Disposals,	Write-offs & Adjustments	Total 2018	Total 2017
			Write-offs	Adjustments			Write-offs	Adjustments		
Buildings	\$ 5,651,990	\$	\$	\$ 5,651,990	\$ 3,757,108	\$ 224,572	\$	\$ 3,981,680	\$ 1,670,310	\$ 1,894,882
Computers and furniture	165,386			165,386	165,386			165,386		
Equipment	380,834	260,000		640,834	314,859	32,975		347,834	293,000	65,975
Housing	4,644,981			4,644,981	2,939,358	245,244		3,184,602	1,460,379	1,705,623
Land	1,439,333			1,439,333					1,439,333	1,439,333
Vehicles	472,869	191,804	-	664,673	398,420	35,724	-	434,144	230,529	74,449
	<u>\$ 12,755,393</u>	<u>\$ 451,804</u>	<u>\$ -</u>	<u>\$ 13,207,197</u>	<u>\$ 7,575,131</u>	<u>\$ 538,515</u>	<u>\$ -</u>	<u>\$ 8,113,646</u>	<u>\$ 5,093,551</u>	<u>\$ 5,180,262</u>

LITTLE SASKATCHEWAN FIRST NATION

PAGE 10

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

13. CONSTRUCTION IN PROGRESS

	2 0 1 8	2 0 1 7
Multiplex construction project	\$ 1,487,142	\$
New and replacement community housing project	19,570,667	8,136,918
Water and sewage truck garage	<u>5,127,056</u>	<u>1,390,998</u>
	<u><u>\$ 26,184,865</u></u>	<u><u>\$ 9,527,916</u></u>

The costs of construction in progress for these three projects will be transferred to tangible capital assets upon completion and subsequently amortized accordingly.

14. ACCUMULATED SURPLUS

	2 0 1 8	2 0 1 7
Accumulated surplus consists of the following:		
Accumulated surplus from operations	\$ 1,116,870	\$ 58,208
Equity in tangible capital assets and construction in progress	28,876,649	13,624,601
Equity in investments	5,200,000	5,200,000
Equity in funds held in trust	6,344	5,879
Replacement reserve	246,457	235,162
Moveable assets reserve	<u>-</u>	<u>27,691</u>
	<u><u>\$ 35,446,320</u></u>	<u><u>\$ 19,151,541</u></u>

15. RECONCILIATION OF INDIGENOUS AND NORTHERN AFFAIRS CANADA REVENUE

	2 0 1 8	2 0 1 7
Agreement: #1718-MB-000040	\$ 23,818,540	\$
Agreement: #1617-MB-000042		10,949,929
Tuition Agreements - 2016/2017	<u>-</u>	<u>24,321</u>
Total INAC revenue per financial statements	<u><u>\$ 23,818,540</u></u>	<u><u>\$ 10,974,250</u></u>

16. RECONCILIATION OF FIRST NATION AND INUIT HEALTH BRANCH REVENUE

	2 0 1 8	2 0 1 7
Agreement: #1516-MB-000063	<u><u>\$ 1,322,900</u></u>	<u><u>\$ 1,119,859</u></u>
Total FNIH revenue per financial statements	<u><u>\$ 1,322,900</u></u>	<u><u>\$ 1,119,859</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

17. CONTINGENT LIABILITIES

FUNDING RECOVERIES

The First Nation receives funding from various government agencies based on specified program needs and budgets and allocates certain expenditures to the various programs. In many cases the funding agent has the right to review the accounting records to ensure compliance with the terms and conditions of their funding agreements. At this time, it was not yet determined to what extent any funding amounts related to the fiscal year ended March 31, 2018 might be recovered.

For accounting purposes, any amounts assessed or claims paid will be accounted for in the year of determination.

PROVISION FOR SITE REHABILITATION

The Manitoba Environmental Protection Act sets out regulatory requirements to properly close and maintain active and inactive landfill sites. Under this environmental law, there is a requirement for closure and post-closure care of solid waste sites including final covering and landscaping and ongoing environmental monitoring, site inspection and maintenance.

As directed by PS 3270, a liability must be recognized beginning when the landfill first accepts waste to the date the landfill stops accepting waste. The liability for closure and post-closure care is recognized as the site capacity is used to the extent of the proportion of site capacity used compared to the estimated total expenditure required for closure and post-closure care.

The estimated total expenditure represents the sum of discounted future cash flows associated with closure and post-closure care considering current technology, the length of the post-closure care period and current environmental regulations. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to future asset service potential, are expensed in the current year.

As at the audit report date, the extent to which the First Nation is bound by environmental laws of The Manitoba Environmental Protection Act was not determinable, and therefore, no liability has been recorded in these consolidated financial statements.

18. SUBSEQUENT EVENT

One of the two \$2,600,000 guaranteed investment certificates held in trust for the First Nation was redeemed on May 24, 2018 with proceeds of \$2,027,909 from the redemption used to fully repay the operating line of credit balance at that date with First Nations Bank of Canada associated with the Mutliplex construction project.

19. ECONOMIC DEPENDENCE

Little Saskatchewan First Nation receives the majority of its revenue from Indigenous and Northern Affairs Canada (INAC) and First Nations and Inuit Health Branch (FNIHB) pursuant to funding arrangements with the Government of Canada. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these funding agreements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

20. RELATED PARTY TRANSACTIONS

In the normal course of business the First Nation enters into transactions with related parties. Related party transactions are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Due to the significant volume of transactions between the First Nation and related parties, aggregate revenue and expenditures derived from related parties is not determinable.

21. SEGMENTS

The First Nation has ten reportable segments. These segments are differentiated by the major activities or services they provide. The First Nation's segments are as follows:

Economic Development - benefits include better access to more and larger businesses and business opportunities both within and beyond the community and a better economic environment.

Education Authority - activities include overseeing many aspects of educational opportunities for community members at all levels of learning both within the community and externally.

Employment, Training and Daycare - activities include the delivery of culturally sensitive employment services to assist community members in identifying and overcoming potential barriers to employment and to find and maintain meaningful employment.

Governance and Administration - includes the governance and administration function relating to decisions that define expectations, grant power or verify performance consisting of decision-making and leadership processes.

Health Authority - activities include the delivery of programs to promote community health and to address environmental issues and non-insured health benefits.

Housing Authority - activities include the development and sustainment of residential housing opportunities for community members.

Public Works - activities include the maintenance of the community and its infrastructure.

Smoke Shop - includes activities related to tobacco product sales which are not funded by either Indigenous and Northern Affairs Canada or First Nations and Inuit Health Branch.

Social Services - activities include satisfying the economic, social, or health related needs of community members who require assistance.

Video Lotto - activities include providing a form of gaming entertainment for community members which generates revenue for the discretionary needs of community members.

Inter-segment transfers are recorded at their exchange amount.

22. COMPARATIVE FIGURES

Certain prior year comparative amounts have been reclassified where necessary to conform to the financial statement presentation adopted for the current year.

23. BUDGET INFORMATION

The disclosed budget information has been approved by the Chief and Council of Little Saskatchewan First Nation. The budget figures have not been audited, reviewed or otherwise verified and consequently we do not express an opinion on them.

LITTLE SASKATCHEWAN FIRST NATION

PAGE 13

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

24. EXPENSES BY OBJECT

	2 0 1 8	2 0 1 7
Administration	\$ 295,861	\$ 231,747
Amortization	538,515	393,783
Bank charges and interest	15,791	17,043
Contracts and fees	314,177	110,468
Cost of sales - Smoke Shop	269,521	282,794
Cultural and community events	83,328	33,890
Employment and training - Child Care	168,005	197,110
Employment and training - Consolidated Revenue Fund	48,498	45,668
Employment and training - Employment Insurance	178,024	134,144
Flood costs	52,259	403,537
Insurance	79,386	82,158
Material and supplies	413,502	354,724
MLLC administration fees	132,617	119,006
Mortgage interest	22,053	24,962
Other	490,660	358,929
Professional fees	468,890	315,325
Rental	199,779	2,793
Repairs and maintenance	696,635	417,598
Salaries, wages and benefits	2,722,724	2,450,693
Social assistance	1,373,201	1,228,901
Staff development	93,205	111,188
Student support	587,757	362,746
Telephone	60,493	27,979
Travel	375,545	497,645
Utilities	53,033	289,408
	<hr/> <u>\$ 9,733,459</u>	<hr/> <u>\$ 8,494,239</u>

LITTLE SASKATCHEWAN FIRST NATION

PAGE 14

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

25. SEGMENT DISCLOSURE

Little Saskatchewan First Nation provides a range of services to its community members. For management reporting purposes, operations and activities are reported by department. For each segment separately reported, the segment revenue and expenditures represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the Basis of Presentation and Summary of Significant Accounting Policies as described in Note 2. The segment results for the year are as follows:

	Governance and Administration		Education Authority		Social Services		Economic Development		Public Works	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Revenue:										
Federal Government										
INAC	\$ 680,676	\$ 676,837	\$ 1,983,747	\$ 1,654,002	\$ 1,293,437	\$ 1,324,748	\$ 90,472	\$ 58,967	\$ 19,770,208	\$ 7,259,696
FNIHB								40,000	238,050	
CMHC										27,176
ESDC	—	—	—	—	—	—	—	—	—	—
Subtotal	680,676	676,837	1,983,747	1,654,002	1,293,437	1,324,748	130,472	297,017	19,770,208	7,286,872
Forgiveness of INAC debt										
INAC funding recoveries										
(39,039)										
(9,601)										
(56,451)										
(18,523)										
(55,074)										
Deferred from prior year	71,770									1,480,296
Deferred to following year		(71,770)								(4,092,286)
Other	364,284	333,646	18,000	—	—	—	—	—	523,926	908,330
Total revenue	1,116,730	899,674	2,001,747	1,644,401	1,672,602	1,268,297	130,472	297,017	17,663,621	6,659,832
Expenditures:										
Amortization	224,310	252,536	11,680						26,000	16,009
Mortgage interest										
Other	800,967	509,765	906,250	898,032	1,144,642	1,345,786	98,644	297,017	1,470,322	949,923
Salaries and benefits	234,274	268,808	693,142	705,098	113,012	100,476	31,828	—	853,840	692,132
Total expenditures	1,259,551	1,031,109	1,611,072	1,603,130	1,257,654	1,446,262	130,472	297,017	2,350,162	1,658,064
Transfers to/from other segments	(113,527)	(41,055)	—	—	—	—	—	—	(2,000)	(11,541)
Annual surplus (deficit)	<u>\$ (256,348)</u>	<u>(172,490)</u>	<u>\$ 390,675</u>	<u>\$ 41,271</u>	<u>\$ 414,948</u>	<u>\$ (177,965)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 15,311,459</u>	<u>\$ 4,990,227</u>

LITTLE SASKATCHEWAN FIRST NATION

PAGE 15

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

25. SEGMENT DISCLOSURE *(continued)*

	Health Authority		Housing Authority		Video Lotto		Employment, Training and Daycare		Smoke Shop	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenue:										
Federal Government										
INAC	\$ 1,322,900	\$ 1,119,859	\$ 78,616	\$ 97,828	\$ -	\$ -	\$ 362,504	\$ 376,922	\$ -	\$ -
FNIHB										
CMHC										
ESDC										
Subtotal	1,322,900	1,119,859	78,616	97,828	-	-	362,504	376,922	-	-
Forgiveness of INAC debt										
INAC funding recoveries										
Deferred from prior year	235,500									
Deferred to following year	(10,290)	(235,500)								
Other	70,741	99,181	266,734	125,761	842,599	710,571	-	-	273,762	294,551
Total revenue	1,618,851	983,540	345,350	223,589	842,599	710,571	362,504	376,922	273,762	294,551
Expenditures:										
Amortization	45,620	29,848	230,905	95,390						
Mortgage interest			22,053	24,962						
Other	775,640	464,777	81,329	81,295	534,679	411,348	362,504	376,922	275,190	289,936
Salaries and benefits	522,589	435,886	-	-	274,039	248,293	-	-	-	-
Total expenditures	1,343,849	930,511	334,287	201,647	808,718	659,641	362,504	376,922	275,190	289,936
Transfers to/from other programs	-	-	115,527	52,596	-	-	-	-	-	-
Annual surplus (deficit)	\$ 275,002	\$ 53,029	\$ 126,590	\$ 74,538	\$ 33,881	\$ 50,930	\$ -	\$ -	\$ (1,428)	\$ 4,615

LITTLE SASKATCHEWAN FIRST NATION

PAGE 16

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

25. SEGMENT DISCLOSURE *(continued)*

	TOTAL	
	<u>2018</u>	<u>2017</u>
Revenue:		
Federal Government		
INAC	\$ 23,818,540	\$ 10,974,250
FNIHB	1,322,900	1,119,859
CMHC	118,616	363,054
ESDC	<u>362,504</u>	<u>376,922</u>
Subtotal	<u>25,622,560</u>	12,834,085
Forgiveness of INAC debt	379,165	
INAC funding recoveries	(18,523)	(160,165)
Deferred from prior year	1,787,566	
Deferred to following year	(4,102,576)	(1,787,566)
Other	<u>2,360,046</u>	<u>2,472,040</u>
Total revenue	<u>26,028,238</u>	<u>13,358,394</u>
Expenditures:		
Amortization	538,515	393,783
Mortgage interest	22,053	24,962
Other	<u>6,450,167</u>	5,624,801
Salaries and benefits	<u>2,722,724</u>	<u>2,450,693</u>
Total expenditures	<u>9,733,459</u>	<u>8,494,239</u>
Transfers to/from other programs	<u>-</u>	<u>-</u>
Annual surplus (deficit)	<u>\$ 16,294,779</u>	<u>\$ 4,864,155</u>