

**LAKE ST. MARTIN FIRST NATION
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015**

LAKE ST. MARTIN FIRST NATION

MANAGEMENT'S REPORT

March 31, 2015

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Lake St. Martin First Nation and all the information in this annual report are the responsibility of management and have been approved by the 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 Canadian Institute of Chartered Accountants and 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.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements.

The 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 part is properly discharging their responsibilities, and to review the financial statements and the external auditor's report.

The external auditors, Heartland Chartered Accountants 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 the financial management of Lake St. Martin First Nation and meet when required.

On behalf of Lake St. Martin First Nation:



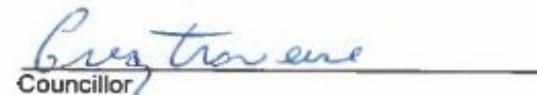
Chief



Councillor



Councillor



Councillor

November 16, 2015



INDEPENDENT AUDITOR'S REPORT

To the Members of Lake St. Martin First Nation:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lake St. Martin First Nation, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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.

Auditor's 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 an audit to obtain reasonable assurance about whether the consolidated financial statements are free from 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 auditor's 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

We were unable to obtain sufficient appropriate audit evidence for a material amount of assets, liabilities and accumulated surplus in the Flood Services segment. Management explained that this was the result of flooding and looting at the band office that resulted in records being destroyed and stolen and staff turnover that resulted in a lack of continuity in stewardship of the Flood Services operations. As a result, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded revenue and expenses and the elements making up the statement of revenues and expenditures of the Flood Services segment (schedule 30) and recorded or unrecorded assets and liabilities making up the statement of financial position of the Flood Services segment (schedule 31).

Similarly, we were unable to obtain sufficient appropriate audit evidence regarding the valuation of tangible capital assets due to management's inability to quantify the effect of the flood on the tangible capital assets. As a result, we were unable to determine whether any adjustments might have been found necessary in respect to the tangible capital assets.



Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the consolidated financial statements present fairly, in all material aspects, the consolidated financial position of Lake St. Martin First Nation as at March 31, 2015 and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Heartland

Winnipeg, Manitoba
November 16, 2015

CHARTERED ACCOUNTANTS

LAKE ST. MARTIN FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT MARCH 31, 2015

	<u>2015</u>	<u>2014</u>
FINANCIAL ASSETS		
Cash (Note 2)	\$ 1,191,902	962,984
Accounts receivable (Note 3)	2,030,506	1,840,022
Trust funds held by federal government (Note 4)	11,761	11,030
	<u>3,234,169</u>	<u>2,814,036</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,645,896	2,734,715
Unexpended funding (Note 7)	1,532,375	693,533
Long-term debt (Note 8)	1,161,628	1,206,401
	<u>4,339,899</u>	<u>4,634,649</u>
NET DEBT	<u>(1,105,730)</u>	<u>(1,820,613)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 5)	6,066,546	6,140,920
Prepaid expenses	62,038	29,186
	<u>6,128,584</u>	<u>6,170,106</u>
ACCUMULATED SURPLUS	<u>\$ 5,022,854</u>	<u>4,349,493</u>

APPROVED ON BEHALF OF THE FIRST NATION:

CHIEF



COUNCILLOR



COUNCILLOR



COUNCILLOR



LAKE ST. MARTIN FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

YEAR ENDED MARCH 31, 2015

	2015	2014
REVENUES		
Aboriginal Affairs and Northern Development Canada	\$ 12,516,279	10,491,673
Health Canada	1,568,226	1,590,352
Human Resources and Social Development Canada	523,910	515,403
Canada Mortgage and Housing Corporation	38,991	40,347
Other revenues, interest and sundry	203,397	205,257
Province of Manitoba Emergency Measures Organization	361,651	304,768
Net transfer to unexpended funding	<u>(838,842)</u>	<u>(124)</u>
	<u>14,373,612</u>	<u>13,147,676</u>
EXPENDITURES		
Education	3,338,100	3,433,155
Capital	590,550	88,477
Health	1,471,561	1,773,072
Housing	69,963	77,599
Community services	156,840	1,842,382
Social services	2,911,385	3,157,395
Band government	597,528	570,747
Employment programs	444,923	447,669
Public works	3,676,627	956,968
Emergency measures	323,489	286,020
Other	<u>119,285</u>	<u>220,714</u>
	<u>13,700,251</u>	<u>12,854,198</u>
ANNUAL SURPLUS	673,361	293,478
Accumulated Surplus at beginning of year	<u>4,349,493</u>	<u>4,056,015</u>
ACCUMULATED SURPLUS at end of year	<u>\$ 5,022,854</u>	<u>4,349,493</u>

LAKE ST. MARTIN FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

YEAR ENDED MARCH 31, 2015

	2015	2014
Annual Surplus	\$ 673,361	293,478
Acquisition of tangible capital assets	-	(641,404)
Amortization of tangible capital assets	74,374	169,471
(Increase) use of prepaid expenses	(32,852)	(20,984)
CHANGE IN NET DEBT	714,883	(199,439)
Net debt at beginning of year	1,820,613	1,621,174
NET DEBT AT END OF YEAR	\$ 1,105,730	1,820,613

LAKE ST. MARTIN FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

	2015	2014
OPERATING TRANSACTIONS		
Annual surplus	\$ 673,361	293,478
Item not affecting cash:		
Amortization of tangible capital assets	<u>74,374</u>	<u>169,471</u>
	<u>747,735</u>	<u>462,949</u>
Changes in non-cash charges to operations:		
Accounts receivable	(190,484)	525,815
Prepaid expenses	(32,852)	(20,984)
Trust funds held by federal government	(731)	(442)
Accounts payable and accrued liabilities	(1,088,819)	329,623
Unexpended funding	<u>838,842</u>	<u>124</u>
	<u>273,691</u>	<u>1,297,085</u>
FINANCING TRANSACTIONS		
Repayment of long-term debt	(44,773)	(49,210)
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	<u>-</u>	<u>(641,404)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	228,918	606,471
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	962,984	356,513
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,191,902	<u>962,984</u>

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

b) Reporting entity

The Lake St. Martin First Nation reporting entity includes the Lake St. Martin First Nation government and all related entities that are controlled by the First Nation.

c) Principles of consolidation

All controlled entities are fully consolidated on a line-by-line basis. Inter-organizational balances and transactions are eliminated upon consolidation.

d) Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks net of bank overdrafts.

e) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset.

Amortization is provided at the following rates and methods:

Buildings	3% declining balance
Teacherages and classrooms	3% declining balance
Houses	5% declining balance
House trailers	5% declining balance
Furniture and equipment	15% declining balance
Automotive equipment	15% declining balance
School buses	20% declining balance

Tangible capital assets are written down when conditions indicate that they no longer contribute to Lake St. Martin First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Tangible capital assets (continued)

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

f) Revenue recognition

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are 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 transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

g) Measurement uncertainty

In preparing the consolidated financial statements for Lake St. Martin First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include the allowance for doubtful accounts and the estimated life of tangible capital assets. Actual results could differ from these estimates.

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

2) CASH AND CASH EQUIVALENTS

The Lake St. Martin First Nation - CMHC housing program does not maintain a separate bank account. The First Nation funds any operating deficit. The agreement with Canada Mortgage and Housing provides for the accumulation of a replacement reserve in a separate bank account. The reserve was underfunded in 2015 by \$142,374 (2014 - \$133,874). Cash and cash equivalents is comprised of the following:

	2015	2014
Third Party Manager	\$ 1,228,106	1,109,967
Health Services	(36,204)	(146,983)
Total cash and cash equivalents	\$ 1,191,902	962,984

3) ACCOUNTS RECEIVABLE

	2015	2014
Trade receivables	\$ 584,008	325,889
Due from government and other government organizations		
Federal government		
Aboriginal Affairs and Northern Development Canada	1,260,485	1,369,557
Canada Mortgage and Housing Corporation	186,013	144,576
Health Canada	-	29,739
Province of Manitoba		
EMO	115,195	115,195
Total Accounts Receivable	\$ 2,030,506	1,840,022

4) TRUST FUNDS HELD BY THE FEDERAL GOVERNMENT

	March 31, 2014	Additions 2015	Withdrawals 2015	March 31, 2015
Revenue	\$ 10,516	731	-	11,247
Capital	514	-	-	514
\$ 11,030	\$ 731			\$ 11,761

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

5) TANGIBLE CAPITAL ASSETS

	2015		2014	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Building	\$ 2,659,034	655,586	2,659,034	655,586
Teacherages and classrooms	924,008	446,989	924,008	446,989
Houses	3,173,289	971,568	3,173,289	926,795
House trailers	1,471,669	926,676	1,471,669	926,676
Furniture & equipment	1,322,775	685,881	1,322,775	656,280
School buses	243,344	241,199	243,344	241,199
Automotive equipment	1,970,343	1,770,017	1,970,343	1,770,017
	<hr/> <u>\$ 11,764,462</u>	<hr/> <u>5,697,916</u>	<hr/> <u>\$ 11,764,462</u>	<hr/> <u>5,623,542</u>
Net book value	<hr/> <u>\$ 6,066,546</u>		<hr/> <u>\$ 6,140,920</u>	

In the Spring of 2011, the community of Lake St. Martin First Nation was subject to severe flooding. The effects of this flooding on the value of tangible capital assets has not yet been determined and these adjustments may be material.

6) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade payables	\$ 736,100	922,376
Due to government and other government organizations		
Aboriginal Affairs and Northern Development Canada	909,796	1,812,339
Contributions repayable to Health Canada	-	-
	<hr/> <u>\$ 1,645,896</u>	<hr/> <u>2,734,715</u>

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

7) UNEXPENDED FUNDING

Aboriginal Affairs and Northern Development Canada

	Balance March 31, 2014	Funding Received 2015	Revenue Recognized 2015	Balance March 31, 2015
Capital Projects	\$ 430,723	523,971	590,550	364,144
Electrical systems	-	771,882	-	771,882
Education	21,970	1,109,577	1,121,774	9,773
Private Home Placement	2,930	363,781	363,669	3,042
Post Secondary	8,370	584,482	584,482	8,370
Student Transportation	100,784	206,694	206,694	100,784
Public Works	81,121	402,388	402,376	81,133
Service Delivery	21,262	82,378	118,482	-
Community Economic Development	37	112,287	112,287	37
	<hr/> <u>\$ 667,197</u>	<hr/> <u>4,157,440</u>	<hr/> <u>3,500,314</u>	<hr/> <u>1,339,165</u>

Other Unexpended Funds - FNIHB

Brighter Futures Initiative	\$ -	119,808	86,050	33,758
Aboriginal Diabetes Initiative	2,281	37,963	27,001	13,243
Canada Prenatal Nutrition	-	37,296	18,935	18,361
Home Community Care	3,111	314,492	291,249	26,354
HIV / AIDS Strategy	482	8,620	3,640	5,462
Home Care Nursing	11,466	20,160	25,186	6,440
Community Health Plan	4,679	49,856	86,022	-
Community Mental Health	4,317	100,942	80,491	24,768
National Native Alcohol and Drug Abuse	-	53,605	48,238	5,367
Solvent Abuse	-	20,256	16,241	4,015
Health Careers	-	62,157	6,716	55,441
	<hr/> <u>\$ 26,336</u>	<hr/> <u>742,742</u>	<hr/> <u>666,811</u>	<hr/> <u>193,210</u>
Total Unexpended Funds	<hr/> <u>\$ 693,533</u>	<hr/> <u>4,900,182</u>	<hr/> <u>4,167,125</u>	<hr/> <u>1,532,375</u>

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2015

8) LONG-TERM DEBT

	2015	2014
Tribal Wi Chi Way Win Corporation	\$ 316,452	316,452
Accrued interest	<u>376,388</u>	<u>376,488</u>
	<u>692,840</u>	<u>692,940</u>
Peace Hills Trust, on demand; interest calculated at prime plus 2%; secured by assignment of AANDC funding.	155,000	155,000
CMHC mortgage with Peace Hills Trust; secured by a Ministerial Guarantee from the department of Aboriginal Affairs and Northern Development Canada; bearing an interest rate of 6%; repayable in blended monthly payments of \$5,671; matures July 1, 2028	<u>313,788</u>	<u>358,461</u>
	<u>\$ 1,161,628</u>	<u>1,206,401</u>

Anticipated annual principal payments over the next five years are as follows:

March 31, 2016	\$ 50,708
March 31, 2017	53,836
March 31, 2018	57,156
March 31, 2019	60,682

LAKE ST. MARTIN FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2015

9) AANDC FUNDING RECONCILIATION

	2015	2014
AANDC revenue per financial statements	\$ 12,516,279	\$ 10,491,673
AANDC funding per funding confirmation	<u>\$ 12,516,279</u>	<u>\$ 10,491,673</u>

10) CONTINGENCIES

Lake St. Martin First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

11) ECONOMIC DEPENDENCE

The government of Lake St. Martin First Nation receives a major portion of its revenue from Aboriginal Affairs and Northern Development Canada and Health Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

12) COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year's method of presentation.

LAKE ST. MARTIN FIRST NATION

SUMMARY OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31, 2015

(Unaudited)

	AANDC	OTHER	TRANSFER (TO) FROM UNEXPENDED FUNDING	TOTAL	TOTAL EXPENDITURES	TRANSFER (TO) FROM PROGRAMS	NET SURPLUS (DEFICIT)
Band Support (schedule 1)	\$ 502,698	102,255	-	604,953	570,788	-	34,165
Indian Registry (schedule 2)	18,740	-	-	18,740	18,740	-	-
Urban reserve business plan (schedule 3)	8,000	-	-	8,000	8,000	-	-
Capital (schedule 4)	523,971	66,240	66,579	656,790	590,550	-	66,240
CMHC Housing (schedule 5)	-	38,991	-	38,991	69,963	-	(30,972)
Education							
High Cost (schedule 6)	146,755	-	-	146,755	146,755	-	-
Education (schedule 7)	1,109,577	2,138	12,197	1,123,912	1,121,774	-	2,138
Employer contributions (schedule 8)	12,188	-	-	12,188	17,895	-	(5,707)
Management governance (schedule 9)	3,500	-	-	3,500	3,500	-	-
PHP (schedule 10)	363,781	-	(112)	363,669	363,669	-	-
Tuition (schedule 11 and 12)	883,319	-	-	883,319	765,250	-	118,069
Post Secondary (schedule 13)	584,482	-	-	584,482	584,482	-	-
Student Transportation (schedule 14)	206,694	-	-	206,694	206,694	-	-
Teacher Enhancements (schedule 15)	15,160	-	-	15,160	15,160	-	-
School Effectiveness (schedule 16)	20,129	-	-	20,129	20,129	-	-
Family Violence (schedule 17)	14,000	-	-	14,000	14,000	-	-
Community Planning Project (schedule 20)	16,748	-	-	16,748	16,748	-	-
Public Works (schedule 21)	402,388	-	(12)	402,376	402,376	-	-
Water Wastewater > \$1.5M (schedule 22)	792,148	-	-	792,148	717,078	-	75,070
Roads and bridges (schedule 23)	2,159,630	-	-	2,159,630	2,188,821	-	(29,191)
Electrical systems (schedule 24)	771,882	-	(771,882)	-	-	-	-
Water Wastewater < \$1.5M (schedule 25)	368,352	-	-	368,352	368,352	-	-
School Feasibility Study (schedule 26)	50,000	-	-	50,000	50,000	-	-
Social Assistance							
Basic Needs (schedule 27)	2,975,795	-	-	2,975,795	2,597,354	-	378,441
In Home Care (schedule 28)	115,813	-	-	115,813	116,140	-	(327)
Service Delivery (schedule 29)	82,378	32,000	21,262	135,640	118,482	-	17,158
Special Needs (schedule 30)	66,667	-	-	66,667	65,409	-	1,258
Negotiations (schedule 31)	118,600	-	-	118,600	118,600	-	-
Skills Link - Program (schedule 32)	13,427	-	-	13,427	13,427	-	-
Skills Link - Technology (schedule 33)	29,365	-	-	29,365	29,365	-	-
Summer Work Experience (schedule 34)	27,805	-	-	27,805	27,805	-	-
Community Development (schedule 36)	112,287	-	-	112,287	112,287	-	-
TOTAL AANDC FUNDING	12,516,279	241,624	(671,968)	12,085,935	11,459,593	-	626,342
Other Programs (schedule 38)	-	-	-	-	685	-	(685)
Health (schedule 39)	-	1,568,990	(166,874)	1,402,116	1,471,561	-	(69,445)
Employment and Training (schedule 36)	-	523,910	-	523,910	444,923	-	78,987
Flood Services (schedule 37)	-	361,651	-	361,651	323,489	-	38,162
	-	2,454,551	(166,874)	2,287,677	2,240,658	-	47,019
	\$ 12,516,279	2,696,175	(838,842)	14,373,612	13,700,251	-	673,361