

**Shamattawa First Nation
Consolidated Financial Statements**
March 31, 2017

Shamattawa First Nation Contents

For the year ended March 31, 2017

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Management's Responsibility

To the Members of Shamattawa First Nation:

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

Management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the fair preparation of consolidated financial statements.

The Shamattawa First Nation Chief and Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Chief and Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Chief and Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by the Chief and Council, on behalf of the Members, to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Chief and Council and management to discuss their audit findings.

August 8, 2018



Independent Auditors' Report

To the Members of Shamattawa First Nation:

We have audited the accompanying consolidated financial statements of Shamattawa First Nation, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations and accumulated surplus, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies, supporting schedules and other explanatory information.

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 consolidated 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 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 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

We were unable to observe the counting of inventory at Kisemattawa Pimukamik Gas Bar at the beginning and end of the year or satisfy ourselves concerning inventory by alternative means. Since inventory enters into the determination of the results of operations, changes in net debt and cash flows, we were unable to determine whether adjustments to inventory, expenses, annual surplus, accumulated surplus, net debt and cash provided from operations might be necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Shamattawa First Nation as at March 31, 2017 and the results of its operations, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba

August 8, 2018

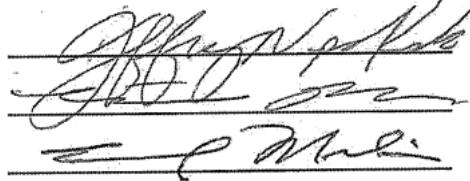
MNP LLP

Chartered Professional Accountants

Shamattawa First Nation
Consolidated Statement of Financial Position
As at March 31, 2017

	2017	2016
Financial assets		
Accounts receivable (Note 3)	4,078,003	946,222
Inventory for resale	578,246	499,112
Restricted cash (Note 4)	1,500,945	3,321,782
Investment in GIC	98,008	-
	6,255,202	4,767,116
Liabilities		
Bank indebtedness (Note 5)	306,097	886,362
Accounts payable and accruals	12,495,552	15,100,871
Payable to INAC	738,325	738,325
Long-term debt (Note 6)	6,958,365	7,625,765
Deferred revenue (Note 7)	2,131,590	1,304,669
	22,629,929	25,655,992
Net debt	(16,374,727)	(20,888,876)
Contingencies (Note 8)		
Subsequent event (Note 9)		
Non-financial assets		
Tangible capital assets (Schedule 1)	91,665,134	37,944,222
Inventories of supplies	943,454	531,288
Construction in progress (Note 10)	2,176,081	57,902,985
	94,784,669	96,378,495
Accumulated surplus (Note 13)	78,409,942	75,489,619

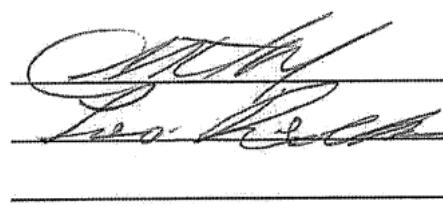
Approved on behalf of the First Nation



Chief

Councillor

Councillor



Councillor

Councillor

Councillor

Shamattawa First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2017

	<i>Schedules</i>	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
Revenue				
Indigenous and Northern Affairs Canada (INAC) (Note 11)		11,223,186	22,235,858	13,823,147
First Nations and Inuit Health (FNIH) (Note 12)		1,381,719	1,834,494	6,182,127
Canada Mortgage and Housing Corporation (CMHC)		-	481,882	549,430
Human Resources and Skills Development Canada		-	497,964	477,349
		12,604,905	25,050,198	21,032,053
Gas and diesel sales		-	896,981	1,276,651
Rental income		-	45,375	57,562
Other revenue		496,120	5,864,528	340,370
Repayment of funding		-	(334,209)	(293,824)
Deferred revenue from prior year (Note 7)		-	1,304,669	11,395,824
Deferred revenue to subsequent year (Note 7)		-	(2,131,590)	(1,304,669)
		13,101,025	30,695,952	32,503,967
Expenses				
Health	4	1,381,719	2,224,810	1,437,008
Education	5	4,477,406	7,455,191	4,757,316
Social	6	3,965,458	3,391,867	3,503,396
Public Works	7	1,088,722	8,067,713	7,264,662
Housing	8	-	1,262,949	1,282,320
Band Government	9	1,220,562	2,735,220	2,891,250
Employment and Training	10	-	651,563	353,514
Economic Development	11	109,565	535,132	324,080
Gar Bar	12	-	1,451,184	2,449,346
		12,243,432	27,775,629	24,262,892
Annual surplus		857,593	2,920,323	8,241,075
Accumulated surplus, beginning of year		75,489,619	75,489,619	67,248,544
Accumulated surplus, end of year		76,347,212	78,409,942	75,489,619

Shamattawa First Nation
Consolidated Statement of Changes in Net Debt
For the year ended March 31, 2017

	2017 Budget	2017	2016
Annual surplus	857,593	2,920,323	8,241,075
Purchases of tangible capital assets, net	-	(2,010,409)	(3,353,456)
Amortization of tangible capital assets	-	6,192,482	4,917,281
Change in supplies inventory	-	(412,166)	118,712
Purchases of construction in progress	-	(2,176,081)	(13,927,628)
Decrease (increase) in net debt	857,593	4,514,149	(4,004,016)
Net debt, beginning of year	(20,888,876)	(20,888,876)	(16,884,860)
Net debt, end of year	(20,031,283)	(16,374,727)	(20,888,876)

Shamattawa First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2017

2017 **2016**

Cash provided by (used for) the following activities

Operating activities

Annual surplus	2,920,323	8,241,075
Non-cash items		
Amortization	6,192,482	4,917,281
	9,112,805	13,158,356
Changes in working capital accounts		
Accounts receivable	(3,131,781)	12,175,716
Accounts payable and accruals	(2,605,319)	2,862,204
Payable to INAC	-	7,115
Deferred revenue	826,921	(10,091,155)
Inventory	(491,300)	819,600
	3,711,326	18,931,836

Financing activities

Repayment of long-term debt	(667,400)	(652,671)
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Capital activities

Purchases of tangible capital assets, net	(2,010,409)	(3,353,456)
Purchases of construction in progress	(2,176,081)	(13,927,628)
	(4,186,490)	(17,281,084)

Investing activities

Change in restricted cash	1,820,837	(1,561,961)
Purchase of GIC	(98,008)	-
	1,722,829	(1,561,961)

Decrease (increase) in cash deficiency

Cash deficiency, beginning of year	580,265	(563,880)
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Cash deficiency, end of year

Cash deficiency, end of year	(306,097)	(886,362)
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Shamattawa First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

1. Operations

The Shamattawa First Nation (the "First Nation") is located in the Province of Manitoba, and provides various services to its Members. Shamattawa First Nation includes the First Nation's government and all related entities that are accountable to the First Nation and are either owned or controlled by the First Nation.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity. Trusts administered on behalf of third parties by Shamattawa First Nation are excluded from the First Nation reporting entity.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Shamattawa First Nation Administration
- Kisemattawa Pimukamik
- Shamattawa First Nation Health Authority
- Shamattawa First Nation Employment and Training
- Shamattawa First Nation Education Authority

All inter-entity balances have been eliminated on consolidation.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses 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.

Cash resources

Cash resources include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation Members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position as a component of restricted cash. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

Shamattawa First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

2. Significant accounting policies *(Continued from previous page)*

Amortization

Tangible capital assets are amortized annually using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Buildings	straight-line	15-40 years
Housing	straight-line	25 years
Infrastructure	straight-line	25 years
Equipment	straight-line	5 years
Vehicles	straight-line	3-5 years

Long-lived assets and discontinued operations

Long-lived assets consist of 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 is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in operations for the year.

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 normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets, inventories of supplies and construction in progress.

Net debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its financial assets less its liabilities. Net debt combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

Revenue recognition

Government Transfers

Government transfer revenue, including, but not limited to, Indigenous and Northern Affairs Canada, First Nations and Inuit Health, Human Resources and Skills Development Canada and Canada Mortgage and Housing Corporation funding, is recognized as the funding becomes receivable under the terms of applicable funding agreements. Funding received under the funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue on the consolidated statement of financial position in the year of receipt, and is matched with related department expenses in the year of their occurrence. Funding that is restricted for particular purposes is deferred and recognized when the eligible expenses have been incurred.

Rent and resident fees is recorded in the year it is earned. At the end of each year, management evaluates the extent of the collectability of its rent revenue and records a bad debt expense and an allowance for doubtful accounts for amounts designated as unlikely to be collected.

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

Shamattawa First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

2. Significant accounting policies *(Continued from previous page)*

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, 2017.

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.

Measurement uncertainty

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

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Provisions are made for slow moving and obsolete inventory. Deferred revenue is recorded based on management's analysis of the extent to which eligibility requirements have been met on government transfer revenue.

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

Employee future benefits

The First Nation's employee future benefit programs consist of defined contribution pension plans. The First Nation's contributions to the defined contribution plans are expensed as incurred.

Shamattawa First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

2. Significant accounting policies *(Continued from previous page)*

Financial instruments

Amortized cost

The First Nation has classified the following financial assets in the amortized cost category: restricted cash and accounts receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Restricted cash and accounts receivable are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal payments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability.

The First Nation has classified the following liabilities in the amortized cost category: bank indebtedness, payable to INAC, accounts payable and accruals and long-term debt. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Bank indebtedness, payable to INAC, accounts payable and accruals and long-term debt are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to their net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

Fair value

The First Nation has classified investments in the fair value category. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Investments are subsequently measured at their fair value. Investments in equity instruments that do not have quoted market prices in an active market are measured at fair value using alternative means of estimation.

Shamattawa First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

2. Significant accounting policies *(Continued from previous page)*

Segments

The First Nation conducts its business through nine reportable segments as identified below. 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. For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. These segments are differentiated by the major activities or services they provide. The First Nation's segments are as follows:

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

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

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

Public Works - activities include the development and maintenance of the community's infrastructure, buildings, roads, bridges and related equipment and the provision of other more specialized community services.

Housing - activities include the management and maintenance of Band owned and CMHC houses for community members.

Band Government - activities include the governance function relating to decisions that define expectations, grant power or verify performance consisting of decision-making and leadership processes.

Employment and Training - 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.

Economic Development - business opportunities within the community and creating a better economic environment.

Kisemattawa Pimukamik (Gas bar) - operates a gas bar and convenience store on reserve.

3. Accounts receivable

	2017	2016
INAC	1,550,191	148,001
Human Resource and Skills Development Canada	50,426	194,583
Canada Mortgage and Housing Corporation	40,157	305,811
FNIH	53,705	255,405
Payroll advances	85,364	53,099
Insurance proceeds	1,866,433	-
Arnason Industries Ltd.	368,033	-
Other	92,859	8,016
Less: allowance for doubtful accounts	(29,165)	(18,693)
	4,078,003	946,222

Shamattawa First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

4. Restricted cash

	2017	2016
Ottawa Trust Fund	4,084	4,008
Soil remediation project - PM Associates	48,969	49,088
Nursing station project	129,370	3,201,172
New school project	57,025	67,514
Soil remediation project - Ayshukum Engineering	1,261,497	-
	1,500,945	3,321,782

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. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. The management of these funds is similarly governed by Sections 63 to 69 of the Indian Act. Revenue from the Ottawa Trust Fund is recognized in the year in which it is earned, when it is measurable and when collection is reasonably assured. Capital and Revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with consent of the First Nation's Chief and Council.

Capital trust \$1,426 (2016 - \$1,426); 2016 interest revenue - \$0 (2016 - \$0)
 Revenue trust \$2,658 (2016 - \$2,582); 2015 interest revenue - \$76 (2016 - \$81);

External cash held in restricted accounts

External cash held in restricted accounts (2017 - \$1,496,861 / 2016 - \$3,317,774) consists of funding received that must be spent on particular capital projects and is held in bank accounts that require a co-signature from the general construction contractor in order to release funds.

CMHC replacement reserve

As required as part of the First Nation's Canada Mortgage and Housing Corporation ("CMHC") Housing program, a separate bank account has been established for replacement of capital equipment and for major repairs to the houses. Under the terms of the agreements with CMHC, the replacement reserve must either be held in a separate bank account or invested in accounts or instruments secured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. At March 31, 2017, the replacement reserve bank account was underfunded by \$1,042,302 (2016 - \$1,106,604).

CMHC operating surplus reserve

Under the terms of the agreements with CMHC, excess federal assistance payments received may be retained in an operating surplus reserve. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants. As at March 31, 2017, a separate bank account has not been maintained for this reserve. The operating surplus reserve requirement is \$nil (2016 - underfunded by \$82).

5. Bank indebtedness

Bank indebtedness includes accounts overdrawn at year end as well as cheques issued in excess of cash on hand.

Shamattawa First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

6. Long-term debt

	2017	2016
Mortgage repayable in monthly payments of \$6,117 including interest at 3.25%, maturing August 1, 2017, secured by a Ministerial guarantee and assignment of fire insurance.	30,313	101,689
Mortgage repayable in monthly payments of \$4,812 including interest at 1.83%, with a scheduled renewal on December 1, 2019, maturing November 1, 2024, secured by a Ministerial guarantee and assignment of fire insurance.	412,850	462,592
Mortgage repayable in monthly payments of \$933 including interest at 1.83%, with a scheduled renewal on December 1, 2019, maturing November 1, 2024, secured by a Ministerial guarantee and assignment of fire insurance.	80,011	89,652
Mortgage repayable in monthly payments of \$3,533 including interest at 1.53%, with a scheduled renewal on December 1, 2017, maturing August 1, 2020, secured by a Ministerial guarantee and assignment of fire insurance.	141,037	180,953
Mortgage repayable in monthly payments of \$3,250 including interest at 2.02%, with a scheduled renewal on August 1, 2019, maturing June 1, 2033, secured by a Ministerial guarantee and assignment of fire insurance.	540,163	568,015
Mortgage repayable in monthly payments of \$3,065 including interest at 2.35%, with a scheduled renewal on September 1, 2018, maturing August 1, 2033, secured by a Ministerial guarantee and assignment of fire insurance.	500,976	525,751
Mortgage repayable in monthly payments of \$4,597 including interest at 2.35%, with a scheduled renewal on September 1, 2018, maturing August 1, 2033, secured by a Ministerial guarantee and assignment of fire insurance.	751,346	788,504
Peace Hills Trust mortgage payable in blended monthly installments of \$14,956 including interest at prime (3.25%) plus 2%, with a maturity date of January 2023, secured by a Band Council Resolution. If a payment is missed, the full amount of delinquent interest (\$827,563) which was written-down would immediately become due and payable.	1,038,558	1,217,997
Mortgage repayable in monthly payments of \$6,461 including interest at 1.97%, maturing September 1, 2019, secured by a Ministerial guarantee and assignment of fire insurance.	139,494	213,504
Mortgage repayable in monthly payments of \$6,210 including interest at 1.83%, with the next scheduled renewal on December 1, 2019, maturing December 1, 2034, secured by a Ministerial guarantee and assignment of fire insurance.	1,129,314	1,182,766
Mortgage repayable in monthly payments of \$5,607 including interest at 1.30%, with the next scheduled renewal on December 1, 2020, maturing March 1, 2035, secured by a Ministerial guarantee and assignment of fire insurance.	1,079,632	1,132,578
Mortgage repayable in monthly payments of \$5,286 including interest at 1.44%, with the next scheduled renewal on December 1, 2017, maturing July 1, 2037, secured by a Ministerial guarantee and assignment of fire insurance.	<u>1,114,670</u>	1,161,764
	6,958,365	7,625,765

Shamattawa First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

6. Long-term debt *(Continued from previous page)*

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

2018	578,000
2019	543,000
2020	499,000
2021	488,100
2022	443,000

7. Deferred revenue

	<i>Contributor</i>	2017	2016
Nursing station - Schedule 4	FNIH	100,163	1,295,011
Soil remediation - Schedule 7	INAC	2,021,769	-
Rent - Schedule 9	Northern Store	9,658	9,658
		2,131,590	1,304,669

8. Contingent liabilities

Funding recoveries

The First Nation is subject to funding recoveries according to their agreements with federal government agencies. It has not yet been determined to what extent any funding amounts related to the year ended March 31, 2017 might be recovered.

First Nations Financial Transparency Act

The First Nation is required to post its consolidated financial statements on a website and submit the consolidated financial statements to INAC by July 29, 2017. Since the audit report is dated after this date, the First Nation has not complied with this requirement. The possible effect of this non-compliance has not yet been determined.

Peace Hills Trust Loan

If the First Nation becomes delinquent on their debt consolidation loan of \$1,038,558 noted in Note 6, \$827,563 of interest charges which have been previously written off would become due immediately. As at the report date, the loan is in good standing.

9. Subsequent event

Subsequent to year-end, building materials for a 5 bedroom duplex and a quonset were destroyed in a fire. An insurance claim was made for the amount of \$741,844.

10. Construction in progress

	2017	2016
New school project	-	43,690,680
Housing	1,017,108	-
Teacherages	520,351	-
Nursing station project	-	14,212,305
Band Office	638,622	-
	2,176,081	57,902,985

Shamattawa First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

11. Indigenous and Northern Affairs Canada funding

	2017	2016
Indigenous and Northern Affairs Canada confirmation balance	22,235,858	13,823,147
Indigenous and Northern Affairs Canada per consolidated financial statements	22,235,858	13,823,147

12. First Nations and Inuit Health Funding

	2017	2016
First Nations and Inuit Health confirmation balance	1,834,494	6,182,127
First Nations and Inuit Health per consolidated financial statements	1,834,494	6,182,127

13. Accumulated surplus

Accumulated surplus is comprised of the following:

	2017	2016
Equity in tangible capital assets and construction in progress	87,921,408	86,533,486
CMHC replacement reserve	1,042,302	1,106,604
CMHC operating surplus reserve	-	82
Unrestricted accumulated deficit	(10,553,768)	(12,150,553)
	78,409,942	75,489,619

14. Economic dependence

Shamattawa First Nation receives substantially all of its revenue from Indigenous and Northern Affairs Canada (INAC) and First Nations and Inuit Health (FNIH) as a result of Treaties entered into with the Government of Canada. These Treaties are administered by INAC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these Treaties.

15. Budget information

The disclosed budget information has been approved by the Chief and Council of the Shamattawa First Nation.

16. Comparative figures

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

Shamattawa First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

17. Financial Instruments

The First Nation as part of its operations carries a number of financial instruments. It is management's opinion that the First Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit risk

The First Nation believes that it is not exposed to significant credit risk from its accounts receivable. Accounts receivable balances from government funding sources at March 31, 2017 (42% of total accounts receivable; 2016 - 96%) are deemed to have minimal risk associated with collection pursuant to the terms of the related funding agreements.

Liquidity risk

The First Nation manages its liquidity risks by maintaining adequate cash and credit facilities and by updating and reviewing multi-year cash flow projections on a regular basis.

Price risk

Foreign currency risk:

The First Nation's functional currency is the Canadian dollar and virtually all purchases and revenue receipts are transacted in Canadian dollars. Management believes that foreign exchange risk from currency conversions is negligible.

Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the First Nation manages exposure through its normal operating and financing activities. All loans except one are at fixed rates.

18. Provision for site rehabilitation

The Manitoba Environmental Protection Act sets out the 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 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.

At year-end, 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.

Shamattawa First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2017

	<i>Infrastructure</i>	<i>Housing</i>	<i>Buildings</i>	<i>Vehicles and equipment</i>	<i>2017</i>	<i>2016</i>
Cost						
Balance, beginning of year	40,222,960	19,572,112	53,127,501	4,022,625	116,945,198	113,591,742
Acquisition of tangible capital assets	-	-	1,642,790	367,619	2,010,409	3,353,456
Construction-in-progress	-	-	57,902,985	-	57,902,985	-
Disposal of tangible capital assets	-	(818,500)	(1,366,200)	-	(2,184,700)	-
Balance, end of year	40,222,960	18,753,612	111,307,076	4,390,244	174,673,892	116,945,198
Accumulated amortization						
Balance, beginning of year	21,205,832	9,967,113	44,125,023	3,703,008	79,000,976	74,083,695
Annual amortization	2,724,185	780,432	2,462,455	225,410	6,192,482	4,917,281
Accumulated amortization on disposals	-	(818,500)	(1,366,200)	-	(2,184,700)	-
Balance, end of year	23,930,017	9,929,045	45,221,278	3,928,418	83,008,758	79,000,976
Net book value of tangible capital assets	16,292,943	8,824,567	66,085,798	461,826	91,665,134	37,944,222
2016 Net book value of tangible capital assets	19,017,128	9,604,999	9,002,478	319,617	37,944,222	

Shamattawa First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2017

	2017 Budget	2017	2016
Consolidated expenses by object			
Amortization	-	6,192,482	4,917,281
Bank charges and interest	22,525	46,239	61,419
Community donations and assistance	77,521	153,026	193,677
Funeral	5,000	115,960	64,554
Gas and diesel	731,592	1,506,916	2,608,260
Graduation expenses	4,875	14,663	5,253
Honouraria	103,150	410,157	404,812
Insurance	17,788	439,394	312,397
Interest on long-term debt	-	126,959	176,823
Office supplies and other	102,687	388,429	325,721
Professional development	118,377	194,771	19,108
Professional fees	516,333	904,981	1,104,888
Programming and activities	104,610	289,343	282,620
Rent	-	10,800	69,400
Repairs and maintenance	469,022	410,907	456,757
Salaries and benefits	4,765,948	6,667,967	5,348,640
Social assistance	3,599,831	2,720,304	2,886,398
Soil remediation	-	2,911,321	2,016,533
Special needs	101,066	128,683	139,370
Student and training allowances	59,249	129,652	130,087
Supplies	286,684	697,383	293,407
Telephone	52,366	93,033	101,429
Training	8,161	82,199	15,225
Travel	276,749	908,571	893,945
Tuition	23,123	123,812	32,694
User fees	-	26,187	26,645
Utilities	796,775	2,081,490	1,375,549
	12,243,432	27,775,629	24,262,892

Shamattawa First Nation
Schedule 3 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	<i>Total Revenue</i>	<i>Total Expenses</i>	<i>Current Surplus (Deficit)</i>	<i>Prior Year Surplus (Deficit)</i>
Health	2,668,593	2,224,810	443,783	13,520,994
Education	8,865,399	7,455,191	1,410,208	732,328
Social	3,252,409	3,391,867	(139,458)	(95,187)
Public Works	6,938,443	8,067,713	(1,129,270)	(4,110,318)
Housing	1,003,354	1,262,949	(259,595)	(499,483)
Band Government	1,630,221	2,735,220	(1,104,999)	(1,367,408)
Employment and Training	651,563	651,563	-	(52,749)
Economic Development	3,305,110	535,132	2,769,978	(73,360)
Gar Bar	2,380,857	1,451,184	929,673	186,256
	30,695,952	27,775,629	2,920,323	8,241,075

Shamattawa First Nation
Health
Schedule 4 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget	2017	2016
Revenue			
First Nations and Inuit Health (FNIH)	1,381,719	1,834,494	6,182,127
Deferred revenue from prior year	-	1,295,011	10,112,810
Deferred revenue to subsequent year	-	(100,163)	(1,295,011)
Repayment of funding	-	(317,879)	-
	1,381,719	2,711,463	14,999,926
Expenses			
Amortization	-	431,810	36,772
Bank charges and interest	3,025	7,617	8,733
Community donations and assistance	32,521	14,335	120,944
Gas and diesel	4,980	13,708	32,169
Honouraria	3,000	150	960
Insurance	14,377	-	-
Office supplies and other	24,105	87,741	54,861
Professional development	21,000	-	-
Professional fees	14,500	95,326	(47,375)
Programming and activities	68,191	8,598	28,318
Rent	-	10,500	57,400
Repairs and maintenance	54,687	5,873	100
Salaries and benefits	1,062,733	982,186	842,056
Telephone	-	15,351	-
Travel	14,600	67,401	81,783
Utilities	64,000	484,214	220,287
	1,381,719	2,224,810	1,437,008
Surplus (deficit) before transfers	-	486,653	13,562,918
Transfers between segments	-	(42,870)	(41,924)
Surplus (deficit)	-	443,783	13,520,994

Shamattawa First Nation
Education
Schedule 5 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget	2017	2016
Revenue			
Indigenous and Northern Affairs Canada (INAC)	5,141,706	6,959,573	5,429,048
Repayment of funding	-	(7,493)	(84,985)
Deferred revenue from prior year	-	-	559,513
Rental income	-	45,375	57,562
Other revenue	-	2,339,830	-
	5,141,706	9,337,285	5,961,138
Expenses			
Amortization	-	1,126,089	2,517
Bank charges and interest	1,500	5,753	4,495
Gas and diesel	420,797	65,200	21,975
Graduation expenses	4,875	14,663	5,253
Honouraria	32,500	142,367	86,526
Insurance	3,411	14,027	2,697
Office supplies and other	48,412	80,702	72,114
Professional development	97,377	194,771	19,108
Professional fees	60,096	274,907	18,357
Programming and activities	32,019	231,474	251,921
Repairs and maintenance	223,492	180,512	195,371
Salaries and benefits	2,609,300	3,407,184	2,768,209
Student and training allowances	59,249	123,802	104,064
Supplies	89,716	145,189	7,161
Telephone	12,000	19,649	16,902
Travel	193,564	154,050	155,976
Tuition	23,123	107,626	32,694
Utilities	565,975	1,167,226	991,976
	4,477,406	7,455,191	4,757,316
Surplus (deficit) before transfers	664,300	1,882,094	1,203,822
Transfers between segments	-	(471,886)	(471,494)
Surplus (deficit)	664,300	1,410,208	732,328

Shamattawa First Nation
Social
Schedule 6 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget	2017	2016
Revenue			
Indigenous and Northern Affairs Canada (INAC)	4,230,428	4,461,838	4,519,405
Repayment of funding	-	(8,837)	(32,255)
	4,230,428	4,453,001	4,487,150
Expenses			
Bank charges and interest	-	-	2,205
Funeral	-	90,882	42,559
Gas and diesel	19,021	86,155	171,518
Office supplies and other	1,327	61,332	4,212
Professional fees	115,731	-	-
Salaries and benefits	127,633	114,188	150,791
Social assistance	3,599,831	2,720,304	2,886,398
Special needs	101,066	128,683	139,370
Training	-	-	6,176
Travel	849	30	6,768
User fees	-	26,187	26,645
Utilities	-	164,106	66,754
	3,965,458	3,391,867	3,503,396
Surplus (deficit) before transfers	264,970	1,061,134	983,754
Transfers between segments	-	(1,200,592)	(1,078,941)
Surplus (deficit)	264,970	(139,458)	(95,187)

Shamattawa First Nation
Public Works
Schedule 7 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget	2017	2016
Revenue			
Indigenous and Northern Affairs Canada (INAC)	1,073,790	8,903,796	2,339,870
Other revenue	-	56,416	100,631
Deferred revenue from prior year	-	-	713,843
Deferred revenue to subsequent year	-	(2,021,769)	-
	1,073,790	6,938,443	3,154,344
Expenses			
Amortization	-	3,849,419	4,142,512
Community donations and assistance	20,000	32,288	10,525
Gas and diesel	252,024	68,149	105,435
Office supplies and other	5,475	9,208	73,549
Professional fees	35,000	-	-
Programming and activities	4,400	(21,010)	-
Repairs and maintenance	58,600	181,760	206,062
Salaries and benefits	347,586	563,106	476,511
Soil remediation	-	2,911,321	2,016,533
Supplies	196,968	216,544	137,448
Travel	1,869	1,998	1,600
Utilities	166,800	254,930	94,487
	1,088,722	8,067,713	7,264,662
Surplus (deficit)	(14,932)	(1,129,270)	(4,110,318)

Shamattawa First Nation
Housing
Schedule 8 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget	2017	2016
Revenue			
Canada Mortgage and Housing Corporation (CMHC)	-	481,882	549,430
Indigenous and Northern Affairs Canada (INAC)	-	290,000	-
	-	771,882	549,430
Expenses			
Amortization	-	780,432	729,564
Gas and diesel	-	1,800	1,900
Insurance	-	324,184	309,700
Interest on long-term debt	-	93,959	143,166
Office supplies and other	-	1,589	4,761
Professional fees	-	19,400	48,083
Repairs and maintenance	-	6,840	28,123
Salaries and benefits	-	18,974	15,914
Supplies	-	1,147	1,109
Training	-	14,624	-
	-	1,262,949	1,282,320
Surplus (deficit) before transfers	-	(491,067)	(732,890)
Transfers between segments	-	231,472	233,407
Surplus (deficit)	-	(259,595)	(499,483)

Shamattawa First Nation
Band Government
Schedule 9 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget	2017	2016
Revenue			
Indigenous and Northern Affairs Canada (INAC)	667,697	1,511,085	1,425,258
Other revenue	496,120	119,136	98,584
Deferred revenue from prior year	-	9,658	9,658
Deferred revenue to subsequent year	-	(9,658)	(9,658)
	1,163,817	1,630,221	1,523,842
Expenses			
Bank charges and interest	18,000	20,472	3,702
Community donations and assistance	25,000	104,622	51,190
Funeral	5,000	8,954	8,019
Gas and diesel	34,770	17,800	33,418
Honouraria	67,650	197,840	254,246
Insurance	-	101,183	-
Office supplies and other	23,368	135,111	84,408
Professional fees	291,006	489,293	1,075,824
Programming and activities	-	12,331	-
Rent	-	-	12,000
Repairs and maintenance	22,678	10,413	14,202
Salaries and benefits	618,696	778,602	633,150
Supplies	-	257,407	86,640
Telephone	40,366	55,407	84,527
Training	8,161	66,660	8,027
Travel	65,867	479,125	541,897
	1,220,562	2,735,220	2,891,250
Surplus (deficit)	(56,745)	(1,104,999)	(1,367,408)

Shamattawa First Nation
Employment and Training
Schedule 10 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget	2017	2016
Revenue			
Human Resources and Skills Development Canada	-	497,963	477,349
Other revenue	-	153,600	-
Repayment of funding	-	-	(176,584)
	-	651,563	300,765
Expenses			
Bank charges and interest	-	9,910	-
Gas and diesel	-	-	7,857
Honouraria	-	-	5,500
Office supplies and other	-	11,452	31,818
Professional fees	-	8,138	10,000
Rent	-	300	-
Salaries and benefits	-	534,983	217,016
Student and training allowances	-	5,850	26,023
Supplies	-	20,933	16,004
Training	-	915	1,022
Travel	-	42,896	38,274
Tuition	-	16,186	-
	-	651,563	353,514
Surplus (deficit)	-	-	(52,749)

Shamattawa First Nation
Economic Development
Schedule 11 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget	2017	2016
Revenue			
Indigenous and Northern Affairs Canada (INAC)	109,565	109,565	109,565
Other revenue	-	3,195,545	141,155
	109,565	3,305,110	250,720
Expenses			
Bank charges and interest	-	-	39,605
Community donations and assistance	-	1,781	11,018
Funeral	-	16,123	13,975
Gas and diesel	-	85,538	-
Honouraria	-	69,800	57,580
Interest on long-term debt	-	33,000	33,657
Office supplies and other	-	1,295	-
Professional fees	-	17,917	-
Programming and activities	-	57,950	2,381
Repairs and maintenance	109,565	25,509	12,898
Salaries and benefits	-	39,673	48,460
Supplies	-	29,999	40,059
Travel	-	154,874	64,447
Utilities	-	1,673	-
	109,565	535,132	324,080
Surplus (deficit)	-	2,769,978	(73,360)

Shamattawa First Nation
Gar Bar
Schedule 12 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 <i>Budget</i>	2017	2016
Revenue			
Gas and diesel sales	-	896,981	1,276,651
Expenses			
Amortization	-	4,732	5,915
Bank charges and interest	-	2,486	2,679
Gas and diesel	-	1,168,566	2,233,988
Salaries and benefits	-	229,071	196,534
Supplies	-	26,164	4,987
Telephone	-	2,626	-
Travel	-	8,196	3,200
Utilities	-	9,343	2,043
	-	1,451,184	2,449,346
Surplus (deficit) before transfers	-	(554,203)	(1,172,695)
Transfers to segments	-	1,483,876	1,358,951
Surplus (deficit)	-	929,673	186,256