

**DAUPHIN RIVER FIRST NATION
INDEPENDENT AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2014**

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DAUPHIN RIVER FIRST NATION

MARCH 31, 2014

INDEX

	Page
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING	1
INDEPENDENT AUDITORS' REPORT	2
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	3
Consolidated Statement of Operations	4
Consolidated Statement of Change in Net Debt	5
Consolidated Statement of Cash Flow	6
Notes to Consolidated Financial Statements	7 - 21
SUPPLEMENTARY INFORMATION	
Schedule of Individual Program Operations	22 - 79
AANDC Funding Reconciliation	80
SCHEDULE OF SALARIES, HONORARIA, TRAVEL EXPENSES AND OTHER REMUNERATION CHIEFS AND COUNCILLORS	
Review Engagement Report	82
Schedule of Salaries, Honoraria, Travel Expenses and Other Remuneration for Chiefs and Councillors	83
SCHEDULE OF SALARIES, HONORARIA, TRAVEL EXPENSES AND OTHER REMUNERATION UNELECTED SENIOR OFFICIALS	
Review Engagement Report	85
Schedule of Salaries, Honoraria, Travel Expenses and Other Remuneration for Unelected Senior Officials	86

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Dauphin River First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates or judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material respects.

The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The First Nation 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 Chief and Council review the First Nation's consolidated financial statements and recommends their approval to the membership. Chief and Council meet 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 annual report, the consolidated financial statements and the external auditors' report. The Chief and Council also consider and submit for approval by the Members, the engagement of the external auditors.

The consolidated financial statements have been audited by PKBW GROUP Chartered Accountants & Business Advisors Inc. in accordance with Canadian generally accepted auditing standards on behalf of the members. PKBW GROUP Chartered Accountants & Business Advisors Inc. have full and free access to Chief and Council.



Chief John Stagg

INDEPENDENT AUDITORS' REPORT



GROUP

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

To The Members of Dauphin River First Nation, Chief and Council:

We have audited the accompanying consolidated financial statements of Dauphin River First Nation, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statements of operations, changes in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and the 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 organization'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 organization'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

The First Nation has not retroactively applied its accounting policy implemented April 1, 2008 for tangible capital assets as described in Note 1(f) to the consolidated financial statements, due to the fact that the First Nation was unable to determine the cost and accumulated amortization of all assets it controlled at April 1, 2008. Accordingly, we were unable to determine the adjustments necessary to tangible capital assets, amortization and accumulated deficit.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dauphin River First Nation as at March 31, 2014, and the consolidated statements of operations, changes in net debt, and cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Other matters

Supplementary information contained in schedules on pages 22 - 79 are unaudited.

PKBW Group

Winnipeg, Manitoba
August 26, 2014

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014**

	<u>2014</u>	<u>2013</u>
FINANCIAL ASSETS		
Cash (Note 2)	\$ -	499,852
Cash in Ottawa Trusts (Note 3)	10,819	10,676
Accounts receivable and advances (Note 4)	7,171	73,569
Due from government and other government organizations (Note 5)	7,290,396	1,745,661
Prepaid expenses	<u>4,478</u>	<u>5,808</u>
	<u>7,312,864</u>	<u>2,335,566</u>
LIABILITIES		
Bank indebtedness (Note 2)	238,441	44,058
Accounts payable and accrued liabilities (Note 6)	293,345	618,389
Due to government and other government organizations (Note 7)	1,370,745	1,357,650
Deferred revenue (Note 8)	5,419,508	126,373
Long-term debt (Note 9)	<u>1,795,115</u>	<u>1,252,584</u>
	<u>9,117,154</u>	<u>3,399,054</u>
NET DEBT	(1,804,290)	(1,063,488)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	4,761,927	2,450,165
Construction in progress (Note 10 and 11)	<u>479,210</u>	<u>1,310,934</u>
	<u>5,241,137</u>	<u>3,761,099</u>
ACCUMULATED SURPLUS (Note 12)	<u>\$ 3,436,847</u>	<u>2,697,611</u>

APPROVED BY THE FIRST NATION:



Councillor


 Chief John Stagg

Councillor

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2014**

	2014		2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
			(restated)
REVENUES			
Federal government transfers for operating	\$ 1,726,710	2,051,817	1,938,772
Federal government transfers for capital	106,000	1,071,486	1,455,073
Provincial government transfers for operating	-	1,027,043	1,369,501
Other revenue	<u>33,300</u>	<u>29,313</u>	<u>322,083</u>
	<u>1,866,010</u>	<u>4,179,659</u>	<u>5,085,429</u>
EXPENSES			
Education	346,805	389,592	394,351
Health	420,125	439,253	443,989
Housing	25,598	33,966	24,439
Public works	117,128	155,573	148,927
Social services	518,787	496,157	619,341
Band government	347,242	1,639,411	2,900,421
Interest	61,224	47,419	35,523
Amortization	<u>-</u>	<u>239,052</u>	<u>157,143</u>
	<u>1,836,909</u>	<u>3,440,423</u>	<u>4,724,134</u>
ANNUAL SURPLUS	<u>29,101</u>	<u>739,236</u>	<u>361,295</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY STATED	-	2,522,611	2,350,418
RETROSPECTIVE RESTATEMENT (Note 15)	<u>-</u>	<u>175,000</u>	<u>(14,102)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS RESTATED	<u>-</u>	<u>2,697,611</u>	<u>2,336,316</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 29,101</u>	<u>3,436,847</u>	<u>2,697,611</u>

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2014**

	2014		2013
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
ANNUAL SURPLUS	\$ 29,101	739,236	361,295
Tangible capital assets			
Acquisition of tangible capital assets	-	(2,550,814)	(920,611)
Amortization of tangible capital assets	-	239,052	157,143
Loss on disposal of tangible capital assets	-	-	1,440,431
	-	(2,311,762)	676,963
Other non-financial assets			
Consumption (acquisition) of construction in progress	-	831,724	(1,135,934)
DECREASE IN NET DEBT	29,101	(740,802)	(97,676)
NET DEBT, BEGINNING OF YEAR	(1,074,829)	(1,063,488)	(965,812)
NET DEBT, END OF YEAR	\$ (1,045,728)	(1,804,290)	(1,063,488)

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2014**

	<u>2014</u>	<u>2013</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	\$ 739,236	361,295
Add non-cash item(s):		
Amortization of tangible capital assets	239,052	157,143
Loss on disposals of tangible capital assets	-	1,440,431
	<u>978,288</u>	<u>1,958,869</u>
Change in non-cash working capital:		
Accounts receivable and advances	66,398	(72,329)
Due from government and other government organizations	(5,544,735)	(213,448)
Prepaid expenses	1,330	-
Accounts payable and accrued liabilities	(325,044)	400,180
Due to government and other government organizations	13,095	14,175
Deferred revenue	<u>5,293,135</u>	<u>41,533</u>
	<u>482,467</u>	<u>2,128,980</u>
CAPITAL ACTIVITIES		
Construction in progress	831,724	(1,135,934)
Purchase of tangible capital assets	<u>(2,550,814)</u>	<u>(920,611)</u>
	<u>(1,719,090)</u>	<u>(2,056,545)</u>
FINANCING ACTIVITIES		
Loan advances	615,139	475,000
Long-term debt repayment	<u>(72,608)</u>	<u>(36,220)</u>
	<u>542,531</u>	<u>438,780</u>
INCREASE (DECREASE) IN CASH	(694,092)	511,215
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	<u>466,470</u>	<u>(44,745)</u>
CASH (BANK INDEBTEDNESS), END OF YEAR	\$ <u>(227,622)</u>	<u>466,470</u>
CASH (BANK INDEBTEDNESS) IS REPRESENTED BY:		
Bank indebtedness	\$ (238,441)	(44,058)
Cash	-	499,852
Cash in Ottawa Trust	<u>10,819</u>	<u>10,676</u>
	<u>\$ (227,622)</u>	<u>466,470</u>
SUPPLEMENTARY CASH FLOW INFORMATION:		
Interest received in year	\$ 587	425
Interest paid in year	47,419	35,523

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The First Nation follows the AANDC accounting guidelines as set out in the "Year End Reporting Handbook for funding agreements covering fiscal year period 2013-2014" which requires that the consolidated financial statements be prepared in accordance with Canadian generally accepted accounting principles for governments, as defined in the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting Handbook.

(b) Reporting Entity

Dauphin River First Nation is a non-profit Indian Band as defined by the Indian Act (Canada). The objective of the First Nation is to operate as the governing entity in providing services on the reserve in all areas.

(c) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis. This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization. These financial statements include the financial assets, liabilities, net debt, non-financial assets and results of operations for the following entities controlled or owned by the First Nation:

Dauphin River First Nation

Dauphin River First Nation Health Authority

Dauphin River First Nation CMHC Housing Authority

(d) Replacement Reserve Fund

The Replacement Reserve Fund represents amount that have been restricted in compliance with and agreement with the Canada Mortgage and Housing Corporation (CMHC). Under the terms of the agreement with CMHC, the replacement reserve account is to be credited with an amount of \$12,647 (2013 - \$8,855) annually. These funds, along with accumulated interest, must be held 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 the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. At March 31, 2014 the Replacement Reserve Fund was not held in a separate interest bearing account.

(e) 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, prepaid expenses and inventories of supplies.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and term deposits having a maturity of three months or less at acquisition which are held for the purpose of meeting short-term cash commitments.

(g) Tangible Capital Assets

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

Tangible capital assets are reported at gross cost. Contributions received to assist in the acquisition of tangible capital assets are reported as deferred revenue and amortized to income at the same rate as the related asset.

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.

In previous years, certain tangible capital assets acquired subsequent to April 1, 1996 by the First Nation have been recorded on the statement of financial position at acquisition cost less amortization. Commencing April 1, 2009, all tangible capital assets in use have been included in the statement of financial position. This includes infrastructure assets which have not previously been recognized. Where historical cost records did not exist and historical cost estimates could not reliably be made, such tangible capital assets have been recorded at a nominal value of \$1. Such accounting treatment violates CICA Public Sector Accounting Handbook standards and therefore has resulted in a qualification in the auditors' report. Amortization of tangible capital assets is recognized as an expense in the statement of operations.

Amortization is provided for on a straight line basis at the rates in the table that follows. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

Infrastructure	50 years
Buildings	12 to 50 years
CMHC Housing Authority	19 to 25 years
Computer equipment	5 years
Computer software	2 years
Health equipment	5 years
Vehicles	5 years

(h) Deferred Revenue

Deferred revenue represents unspent government transfers for programs where eligibility criteria have not been met at year end. The unspent revenue is carried forward to be recognized as eligibility criteria is met or until the funder deems the surplus to be repayable at which time an amount payable is recognized.

(i) 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 liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Revenue Recognition

Government transfers

Transfers from the Government of Canada are recognized as revenue in the year the entitlement has been authorized, when any eligibility criteria have been met and when the amount can be reasonably estimated.

Other revenue

Restricted other revenue is recognized as revenue in the year in which the related expenses are incurred and when the amount can be reasonably estimated and collection is reasonably assured.

Unrestricted other revenue is recognized when:

- services have been performed, or
- goods have been delivered, or
- the amount has been received or receivable, and
- when the amount can be reasonably estimated and collection is reasonably assured.

(k) Segmented Information

The First Nation discloses segmented results of operations for the year in note 21 to the consolidated financial statements. The First Nation has segregated its activities into the following segments based on distinguishable groups of activities;

Health

Dauphin River Health Authority

Education

Dauphin River Education

Social

Social services
CMHC housing

Economic Development

Economic development program
Training and employment program

Public Works

Community services
Fire protection

Band Government

Band administration
Capital projects

(l) Use of estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial Instruments

Financial instruments held by the First Nation include cash, bank indebtedness, accounts receivable and advances, accounts payable and accrued liabilities, amounts due to/from government and other government organizations and long term debt. The First Nation initially measures its financial instruments at fair value when the asset or liability is first recognized. The First Nation subsequently measures its financial instruments at cost or amortized cost. Amortized cost is the amount at which the financial instrument is measured at initial recognition less principal repayments, plus or minus the cumulative of any difference between that initial amount and the maturity amount, and minus any reduction for impairment.

2. CASH AND BANK INDEBTEDNESS

	<u>2014</u>	<u>2013</u>
Unrestricted - operating	(277,653)	429,229
Externally restricted - CMHC	<u>39,212</u>	<u>26,565</u>
	<u>\$ (238,441)</u>	<u>455,794</u>

The First Nation has a demand line of credit for \$50,000 (2013 - \$50,000) available from Royal Bank of Canada, of which \$nil (2013 - \$24,472) was utilized at the year-end. This line of credit bears interest at prime plus 2% and is secured by future funding of Aboriginal and Northern Development Canada.

Restrictions on cash

The First Nation is subject to restrictions placed on its cash due to an agreement with CMHC as disclosed in note 1(d) to these consolidated financial statements. As at March 31, 2014, \$39,212 (2013 - \$26,565) was restricted for expenditures to be approved by CMHC.

3. TRUST FUNDS HELD BY THE FEDERAL GOVERNMENT

	<u>March 31, 2013</u>	<u>Additions 2014</u>	<u>Withdrawals 2014</u>	<u>March 31, 2014</u>
Revenue	\$ 10,316	143	-	10,459
Capital	<u>360</u>	<u>-</u>	<u>-</u>	<u>360</u>
	<u>10,676</u>	<u>143</u>	<u>-</u>	<u>10,819</u>

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 Section 63 to 69 of the Indian Act.

4. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Arnason Industries - Joint venture income	\$ -	72,429
Employee advances receivable	<u>7,171</u>	<u>1,140</u>
	<u>\$ 7,171</u>	<u>73,569</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

5. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	<u>2014</u>	<u>2013</u>
AANDC		
Band Operated School Direct Services (02246)	\$ -	2,500
Planning, Design, and Construction (08625)	71,625	500,000
Planning, Design, and Construction (08626)	-	70,303
Consultation and Policy Development (01045)	877	8,777
Planning, Design and Construction (08681)	5,048,650	-
Flood and Erosion Control (08759)	238,500	-
Capital Planning Projects - Infrastructure (08753)	257,410	-
Community Buildings (08751)	300,000	-
First Nations and Inuit Health Branch	-	11,273
CMHC mortgage advance	69,439	-
Interlake Regional Tribal Council	35,801	35,801
Province of Manitoba Emergency Measures Organization	1,268,094	1,117,007
	<u>\$ 7,290,396</u>	<u>1,745,661</u>

6. ACCOUNTS PAYABLE

	<u>2014</u>	<u>2013</u>
Trade payables	\$ 210,406	564,557
Accrued salaries and benefits payable	41,439	19,232
Other accrued liabilities	41,500	34,600
	<u>\$ 293,345</u>	<u>618,389</u>

7. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	<u>2014</u>	<u>2013</u>
AANDC - Accountable advance	\$ 1,336,284	1,336,284
Health Canada		
2011/12 Non-Insured Health Benefits	-	7,191
2011/12 Nursing	-	195
2011/12 Community Health Representative	-	6
2011/12 Health Management	-	2,874
2011/12 Drinking Water	-	19
2012/13 Medical Transportation	3,581	11,081
2013/14 Medical Transportation	30,880	-
	<u>\$ 1,370,745</u>	<u>1,357,650</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

8. DEFERRED REVENUE	Balance March 31, <u>2013</u>	Funding Received <u>2014</u>	Revenue Recognized <u>2014</u>	Balance March 31, <u>2014</u>
<u>Federal Government</u>				
CMHC RRAP Forgivable Loans	\$ 46,297	-	25,436	20,861
<u>AANDC - Other</u>				
Band operated school direct services (02246 - SET)	7,152	-	-	7,152
New paths teacher recruitment & retention (02163 - SET)	60	-	-	60
Skills Link Program (02702 - SET)	4,785	-	1,267	3,518
Basic needs (02305 - SET)	37,507	484,400	451,890	70,017
Consultation and policy development (01045 - SET)	8,777	-	8,777	-
Skills link - information & communication technology work placement (02703 - SET)	28	-	-	28
Planning, design and construction (02681 - SET)	21,767	-	19,750	2,017
<u>AANDC - Capital</u>				
Capital Planning Projects - Infrastructure (08753 - SET)	-	590,350	501,255	89,095
Community Buildings (08751 - SET)	-	300,000	-	300,000
Planning, Design and Construction - Education (08625 - FIXED)	-	325,000	199,888	125,112
Planning, Design and Construction (08681 - FLEXIBLE)	-	5,048,650	247,002	4,801,648
	<u>\$ 126,373</u>	<u>1,074,750</u>	<u>1,455,265</u>	<u>5,419,508</u>

Unspent AANDC set contribution funding for operations and unspent AANDC capital funds for construction projects that are in progress at year end have been deferred.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

9. LONG-TERM DEBT

	<u>2014</u>	<u>2013</u>
Tribal Wi-Chi-Way-Win Capital Corporation loan, bearing interest at 11%, repayable in blended monthly installments of \$6,630, secured by a promissory note signed by Chief, Council and Daryl Cote, a general security agreement over all assets and a first payout of insurance. The loan has been past due since January 1, 2005.	\$ 69,067	97,640
CMHC Mortgage, bearing interest at 2.00%, repayable in blended monthly installments of \$4,616, maturing - November 1, 2038, secured by a Ministerial Guarantee	1,080,036	475,000
CMHC Mortgage, bearing interest at 2.51%, repayable in blended monthly installments of \$4,202, maturing - August 1, 2029, secured by a Ministerial Guarantee.	<u>646,012</u>	<u>679,944</u>
	<u>\$ 1,795,115</u>	<u>1,252,584</u>

The estimated principal repayment for the years ended is as follows:

March 31, 2015	\$ 137,776
2016	70,275
2017	71,878
2018	73,519
2019	75,198
Thereafter	<u>1,366,469</u>
	<u>\$ 1,795,115</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

10. TANGIBLE CAPITAL ASSETS

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Opening Balance	Additions	Disposals	Closing Balance	Opening Balance	Amortization	Disposals and write offs	Closing Balance	Total 2014	Total 2013
Tangible Capital Assets										
Infrastructure	\$ 15	269,046	-	269,061	15	2,690	-	2,705	266,356	-
Buildings	1,895,998	696,888	-	2,592,886	479,871	71,192	-	551,063	2,041,823	1,416,127
CMHC housing	923,807	1,462,896	-	2,386,703	331,559	67,593	-	399,152	1,987,551	592,248
Docks	112,000	-	-	112,000	1,120	2,240	-	3,360	108,640	110,880
Computers	19,462	28,984	-	48,446	19,462	2,899	-	22,361	26,085	-
Computer software	8,075	-	-	8,075	2,019	4,037	-	6,056	2,019	6,056
Equipment	144,869	-	-	144,869	43,461	28,974	-	72,435	72,434	101,408
Health equipment	3,638	-	-	3,638	1,092	727	-	1,819	1,819	2,546
Vehicles	276,346	93,000	-	369,346	55,446	58,700	-	114,146	255,200	220,900
	<u>3,384,210</u>	<u>2,550,814</u>	<u>-</u>	<u>5,935,024</u>	<u>934,045</u>	<u>239,052</u>	<u>-</u>	<u>1,173,097</u>	<u>4,761,927</u>	<u>2,450,165</u>
Assets Under Construction										
CMHC 7 unit project	809,309	653,587	(1,462,896)	-	-	-	-	-	-	809,309
Temporary school	501,625	195,263	(696,888)	-	-	-	-	-	-	501,625
Reoccupation	-	748,256	(269,046)	479,210	-	-	-	-	479,210	-
	<u>1,310,934</u>	<u>1,597,106</u>	<u>(2,428,830)</u>	<u>479,210</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>479,210</u>	<u>1,310,934</u>
TOTAL	<u>\$4,695,144</u>	<u>4,147,920</u>	<u>(2,428,830)</u>	<u>6,414,234</u>	<u>934,045</u>	<u>239,052</u>	<u>-</u>	<u>1,173,097</u>	<u>5,241,137</u>	<u>3,761,099</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

11. CONSTRUCTION IN PROGRESS

The First Nation is in the process of completing Phase 1 of the Reoccupation Project. This project is funded by AANDC and includes land drainage improvements and the construction of new houses as well as a new band office. The First Nation has incurred project costs of \$748,256. As of March 31, 2014 land drainage improvements of \$269,046 have been completed and capitalized as part of tangible capital assets. The remaining \$479,210 is construction in progress.

12. ACCUMULATED SURPLUS

	<u>2014</u>	<u>2013</u>
Accumulated Surplus in Replacement Reserve		
Balance, beginning of year	26,565	17,710
Transfer allocation from operating fund	<u>12,647</u>	<u>8,855</u>
Balance, end of year	<u>39,212</u>	<u>26,565</u>
Accumulated Surplus in Trust Funds		
Balance, beginning of year	10,675	10,431
Transfer Ottawa Trust interest received	<u>144</u>	<u>244</u>
Balance, end of year	<u>10,819</u>	<u>10,675</u>
Accumulated Surplus in Tangible Capital Asset Fund		
Balance, beginning of year	1,770,220	2,414,053
Loan advances	(1,080,036)	-
Debt repayments	33,932	33,130
Tangible capital asset additions	2,550,814	920,611
Tangible capital asset disposals	-	(1,440,431)
Transfer amortization from operating fund	<u>(239,052)</u>	<u>(157,143)</u>
Balance, end of year	<u>3,035,878</u>	<u>1,770,220</u>
Accumulated Surplus in Operating Fund		
Balance, beginning of year	890,151	(105,878)
Excess of revenue over expenditures	739,236	361,295
Transfer allocation to replacement reserve fund	(12,647)	(8,855)
Transfer Ottawa Trust interest received	(144)	(244)
Transfer loan advances	1,080,036	-
Transfer debt repayment	(33,932)	(33,130)
Transfer tangible capital asset additions	(2,550,814)	(920,611)
Transfer amortization to capital fund	239,052	157,143
Transfer tangible capital asset disposals	<u>-</u>	<u>1,440,431</u>
Balance, end of year	<u>350,938</u>	<u>890,151</u>
Total Accumulated Surplus	\$ <u>3,436,847</u>	<u>2,697,611</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

13. GOVERNMENT TRANSFERS

	<u>Operating</u>	<u>Capital</u>	<u>Total 2014</u>
Federal government transfers:			
Aboriginal Affairs and Northern Development Canada	\$ 1,539,883	1,071,486	2,611,369
Health Canada	418,003	-	418,003
Canada Mortgage and Housing Corporation	58,130	-	58,130
Interlake Regional Tribal Council	35,801	-	35,801
First Peoples Development Inc.	-	-	-
Total	<u>2,051,817</u>	<u>1,071,486</u>	<u>3,123,303</u>
Provincial government transfers:			
Manitoba Emergency Measures Organization	1,022,043	-	1,022,043
Province of Manitoba Department of Infrastructure and Transport	5,000	-	5,000
Province of Manitoba - Other	-	-	-
Total	<u>1,027,043</u>	<u>-</u>	<u>1,027,043</u>
	<u>\$ 3,078,860</u>	<u>1,071,486</u>	<u>4,150,346</u>

	<u>Operating</u>	<u>Capital</u>	<u>Total 2013</u>
Federal government transfers:			
Aboriginal Affairs and Northern Development Canada	\$ 1,406,611	1,455,073	2,861,684
Health Canada	442,413	-	442,413
Canada Mortgage and Housing Corporation	39,027	-	39,027
Interlake Regional Tribal Council	50,721	-	50,721
First Peoples Development Inc.	-	-	-
Total	<u>1,938,772</u>	<u>1,455,073</u>	<u>3,393,845</u>
Provincial government transfers:			
Manitoba Emergency Measures Organization	1,340,920	-	1,340,920
Province of Manitoba Department of Infrastructure and Transport	20,210	-	20,210
Province of Manitoba - Other	8,371	-	8,371
Total	<u>1,369,501</u>	<u>-</u>	<u>1,369,501</u>
	<u>\$ 3,308,273</u>	<u>1,455,073</u>	<u>4,763,346</u>

14. BAND EMPLOYEE BENEFITS

It is a requirement of both the Pension Benefits Standards Act, 1985 and the Income Tax Act that payroll deductions (employee and employer share) be held in a separate trust bank account by the First Nation pending remittance to the appropriate institution and that the First Nation be current with its remittances. Under the Income Tax Act (EI, CPP, and tax, where applicable), remittances deducted in a month must be remitted by the 15th of the next month to the Receiver General.

At March 31, 2014, the First Nation is current with its payroll remittances to the Receiver General and has government remittances payable of \$10,907 included in accounts payable and accrued liabilities. However, payroll deductions are not being held in a separate trust bank account by the First Nation.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

15. RETROSPECTIVE RESTATEMENT

In the current year it was determined that \$175,000 for the cost of the septic system of the seven unit CMHC housing project was capitalized in 2011 as part of the cost of new infrastructure when it should have been recorded under construction in progress. It was then written off in the 2012 as part of the loss on the disposal of tangible capital assets due to the flooding that occurred in the spring of 2011. This resulted in an overstatement of 2011 tangible capital assets and an understatement of construction in progress for 2011 of \$175,000. In addition, the net assets of 2012 were overstated by \$14,102 due to amounts incorrectly capitalized and amortized and 2013 net asset were understated by \$175,000 due to the loss on the disposal of damaged assets recorded.

16. CONTINGENT LIABILITY

The First Nation is contingently liable to repay AANDC \$93,736 of social development funding received between 1996 and 2001 for which reports concerning the use of these funds were either not submitted or were rejected. This amount is being treated as a contingent liability pending AANDC's decision whether or not to pursue collection.

17. BUDGETED FIGURES

The unaudited budget figures have been provided for comparison purposes and have been derived from the estimates approved by Chief and Council.

18. RISK MANAGEMENT

(a) Credit risk

Credit risk is the risk that a counterparty will default on its financial liabilities.

Financial assets which potentially subject the First Nation to credit risk and concentrations of credit risk consist principally of accounts receivable.

Management manages credit risk associated with accounts receivable by pursuing collections when they are due.

(b) Interest rate risk

Interest rate risk is the risk that debt servicing costs will vary unfavourably according to interest rate fluctuations.

It is management's opinion that the First Nation is exposed to interest rate cash flow risk due to the Tribal Wi Chi Way Win loan being at the First Nation's risk adjusted variable rate and interest rate price risk due to the CMHC loans being at a fixed interest rate.

(c) Liquidity risk

Liquidity risk is the risk that the First Nation will not be able to meet its financial obligations related to financial liabilities as they come due. Financial liabilities consist of accounts payable and accrued liabilities, deferred revenue, loan advances, long term debt, and a severance liability. Accounts payable and accrued liabilities are paid in the normal course of operations and except under certain exceptions, no later than three months.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

18. VALUATION AND RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES (continued)

(d) Liquidity risk (continued)

The First Nation's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet liabilities when due. As at March 31, 2014, the First Nation has a bank overdraft balance of \$(227,622) (2013 - cash position of \$466,470), receivables of \$7,290,396 (2013 - \$1,745,661), a demand line of credit for \$50,000 (2013 - \$50,000) and a net debt position of \$(1,804,290) (2013 - \$1,063,488). As at March 31, 2014, the First Nation has utilized \$nil (2013 - \$24,472) under its demand line of credit. Management of the First Nation are working to reduce the net debt through maximization of revenues and careful management of expenditures.

19. EXPENSES BY OBJECT

	<u>2014</u>	<u>2013</u>
Amortization	\$ 239,052	157,143
Bank charges and interest	47,419	35,523
Consulting fees	160,138	165,164
Insurance	46,607	39,902
Loss on disposal of assets	-	1,440,431
Meeting costs	6,743	8,439
Office supplies	12,688	15,888
Other	1,331	601
Professional services	86,681	71,512
Rental	88,188	76,676
Salaries and benefits	1,407,970	1,483,085
Supplies and services	810,380	844,742
Telephone	18,840	21,710
Travel	368,551	300,449
Utilities	<u>145,835</u>	<u>62,869</u>
	<u>\$ 3,440,423</u>	<u>4,724,134</u>

20. COMPARATIVE FIGURES

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

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

21. SEGMENTED INFORMATION

	HEALTH			EDUCATION			SOCIAL		
	Budget 2014	2014	2013	Budget 2014	2014	2013	Budget 2014	2014	2013
REVENUES									
Federal Government									
Operating Transfers	\$ 426,534	418,003	442,413	369,500	409,466	415,003	562,568	530,058	670,519
Capital Transfers	-	-	-	-	199,888	500,000	-	-	-
Provincial Government									
Operating Transfers	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
	<u>426,534</u>	<u>418,003</u>	<u>442,413</u>	<u>369,500</u>	<u>609,354</u>	<u>915,003</u>	<u>562,568</u>	<u>530,058</u>	<u>670,519</u>
EXPENSES									
Salaries and benefits	246,521	276,036	258,319	213,502	247,044	287,080	-	24,724	25,080
Debt servicing	-	-	-	-	-	-	-	1,444	-
Amortization	-	727	727	-	5,846	2,947	-	3,867	3,867
Other	<u>173,604</u>	<u>163,217</u>	<u>185,670</u>	<u>133,303</u>	<u>142,548</u>	<u>107,271</u>	<u>518,787</u>	<u>504,214</u>	<u>641,481</u>
	<u>420,125</u>	<u>439,980</u>	<u>444,716</u>	<u>346,805</u>	<u>395,438</u>	<u>397,298</u>	<u>518,787</u>	<u>534,249</u>	<u>670,428</u>
ANNUAL SURPLUS (DEFECIT)	\$ <u>6,409</u>	<u>(21,977)</u>	<u>(2,303)</u>	<u>22,695</u>	<u>213,916</u>	<u>517,705</u>	<u>43,781</u>	<u>(4,191)</u>	<u>91</u>

ADJUSTMENTS

The adjustments eliminate rent of \$59,260 charged by CMHC under the Social Segment to Social in the amount of \$32,781 and charged to Band Government in the amount of \$26,479.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

21. SEGMENTED INFORMATION

	<u>ECONOMIC DEVELOPMENT</u>			<u>PUBLIC WORKS</u>			<u>HOUSING</u>		
	<u>Budget 2014</u>	<u>2014</u>	<u>2013</u>	<u>Budget 2014</u>	<u>2014</u>	<u>2013</u>	<u>Budget 2014</u>	<u>2014</u>	<u>2013</u>
REVENUES									
Federal Government									
Operating Transfers	\$ -	35,801	50,721	117,938	130,938	112,157	39,000	58,130	39,027
Capital Transfers	-	-	-	-	-	-	-	-	106,000
Provincial Government									
Operating Transfers	-	-	-	-	5,000	20,210	-	-	-
Other	-	-	-	-	-	-	33,300	59,260	47,220
	<u>-</u>	<u>35,801</u>	<u>50,721</u>	<u>117,938</u>	<u>135,938</u>	<u>132,367</u>	<u>72,300</u>	<u>117,390</u>	<u>192,247</u>
EXPENSES									
Salaries and benefits	-	-	-	26,670	19,445	19,159	-	-	-
Debt servicing	-	-	-	-	-	-	50,424	25,915	17,288
Amortization	-	-	-	-	138,866	89,182	-	67,593	40,287
Other	-	-	-	90,458	136,128	129,768	25,598	33,966	24,439
	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,128</u>	<u>294,439</u>	<u>238,109</u>	<u>76,022</u>	<u>127,474</u>	<u>82,014</u>
ANNUAL SURPLUS (DEFECIT)	<u>\$ -</u>	<u>35,801</u>	<u>50,721</u>	<u>810</u>	<u>(158,501)</u>	<u>(105,742)</u>	<u>(3,722)</u>	<u>(10,084)</u>	<u>110,233</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2014**

21. SEGMENTED INFORMATION

	BAND GOVERNMENT			ADJUSTMENTS			CONSOLIDATED TOTAL		
	Budget 2014	2014	2013	Budget 2014	2014	2013	Budget 2014	2014	2013
REVENUES									
Federal Government									
Operating Transfers	\$ 211,170	469,421	208,932	-	-	-	1,726,710	2,051,817	1,938,772
Capital Transfers	106,000	871,598	849,073	-	-	-	106,000	1,071,486	1,455,073
Provincial Government									
Operating Transfers	-	1,022,043	1,349,291	-	-	-	-	1,027,043	1,369,501
Other	-	29,313	322,083	-	(59,260)	(47,220)	33,300	29,313	322,083
	<u>317,170</u>	<u>2,392,375</u>	<u>2,729,379</u>	<u>-</u>	<u>(59,260)</u>	<u>(47,220)</u>	<u>1,866,010</u>	<u>4,179,659</u>	<u>5,085,429</u>
EXPENSES									
Salaries and benefits	71,843	840,721	893,447	-	-	-	558,536	1,407,970	1,483,085
Debt servicing	10,800	20,060	18,235	-	-	-	61,224	47,419	35,523
Amortization	-	22,153	20,133	-	-	-	-	239,052	157,143
Other	275,399	825,169	2,006,974	-	(59,260)	(47,220)	1,217,149	1,745,982	3,048,383
	<u>358,042</u>	<u>1,708,103</u>	<u>2,938,789</u>	<u>-</u>	<u>(59,260)</u>	<u>(47,220)</u>	<u>1,836,909</u>	<u>3,440,423</u>	<u>4,724,134</u>
ANNUAL SURPLUS (DEFECIT)	<u>\$ (40,872)</u>	<u>684,272</u>	<u>(209,410)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,101</u>	<u>739,236</u>	<u>361,295</u>