

**DAUPHIN RIVER FIRST NATION  
INDEPENDENT AUDITORS' REPORT  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2015**

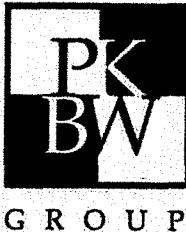
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**DAUPHIN RIVER FIRST NATION**

**MARCH 31, 2015**

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## 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.

G R O U P

CHARTERED ACCOUNTANTS  
& BUSINESS ADVISORS INC.

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.

A handwritten signature in black ink, appearing to read 'John Stagg', is written over a horizontal line.

Chief John Stagg

## INDEPENDENT AUDITORS' REPORT

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, 2015, 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, 2015, 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.

Winnipeg, Manitoba  
July 29, 2015

*PKBW Group*  
CHARTERED ACCOUNTANTS  
& BUSINESS ADVISORS INC.

**DAUPHIN RIVER FIRST NATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**MARCH 31, 2015**

	<u>2015</u>	<u>2014</u>
<b>FINANCIAL ASSETS</b>		
Cash (Note 2)	\$ 2,050,441	-
Cash in Ottawa Trusts (Note 3)	11,244	10,819
Accounts receivable and advances (Note 4)	2,863	7,171
Due from government and other government organizations (Note 5)	<u>6,414,003</u>	<u>7,528,896</u>
	<u>8,478,551</u>	<u>7,546,886</u>
<b>LIABILITIES</b>		
Bank indebtedness (Note 2)	-	238,441
Accounts payable and accrued liabilities (Note 6)	2,341,452	293,345
Due to government and other government organizations (Note 7)	1,376,458	1,370,745
Deferred revenue (Note 8)	4,594,482	5,658,008
Long-term debt (Note 9)	<u>1,703,526</u>	<u>1,795,115</u>
	<u>10,015,918</u>	<u>9,355,654</u>
<b>NET DEBT</b>	(1,537,367)	(1,808,768)
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	600	4,478
Tangible capital assets (Note 10)	4,156,344	4,761,927
Construction in progress (Note 10 and 11)	<u>6,340,324</u>	<u>479,210</u>
	<u>10,497,268</u>	<u>5,245,615</u>
<b>ACCUMULATED SURPLUS (Note 12)</b>	<u>\$ 8,959,901</u>	<u>3,436,847</u>

APPROVED BY THE FIRST NATION:

Chief John Stagg

Councillor

Councillor

**DAUPHIN RIVER FIRST NATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**YEAR ENDED MARCH 31, 2015**

	<b>2015</b>		<b>2014</b>
	<b>Budget</b>	<b>Actual</b>	<b>Actual</b>
<b>REVENUES</b>			
Federal government			
Operating transfers (Note 13)	\$ 1,894,896	2,032,626	1,800,317
Capital transfers (Note 13)	106,000	2,443,575	1,322,986
Provincial government			
Operating transfers (Note 13)	-	1,450,637	1,027,043
Capital transfers (Note 13)	-	3,752,392	-
Other revenue	<u>43,200</u>	<u>96,899</u>	<u>29,313</u>
	<b><u>2,044,096</u></b>	<b><u>9,776,129</u></b>	<b><u>4,179,659</u></b>
<b>EXPENSES</b>			
Education	363,578	406,489	389,398
Health	434,984	446,442	439,253
Housing	32,041	25,174	33,966
Public works	118,950	121,390	155,768
Social services	617,997	563,836	469,678
Band government	348,972	2,372,044	1,665,889
Reoccupation project	-	5,000	-
Interest	126,014	50,481	47,419
Amortization	-	<u>262,219</u>	<u>239,052</u>
	<b><u>2,042,536</u></b>	<b><u>4,253,075</u></b>	<b><u>3,440,423</u></b>
<b>ANNUAL SURPLUS</b>			
	<b><u>1,560</u></b>	<b><u>5,523,054</u></b>	<b><u>739,236</u></b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY STATED</b>			
	<b><u>-</u></b>	<b><u>3,436,847</u></b>	<b><u>2,522,611</u></b>
<b>CORRECTION OF ERROR (Note 15)</b>			
	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>175,000</u></b>
<b>ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS RESTATED</b>			
	<b><u>-</u></b>	<b><u>3,436,847</u></b>	<b><u>2,697,611</u></b>
<b>ACCUMULATED SURPLUS, END OF YEAR</b>			
	<b><u>\$ 1,560</u></b>	<b><u>8,959,901</u></b>	<b><u>3,436,847</u></b>

**DAUPHIN RIVER FIRST NATION**  
**CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT**  
**YEAR ENDED MARCH 31, 2015**

	<b>2015</b>		<b>2014</b>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<b>ANNUAL SURPLUS</b>	<b>\$ 1,560</b>	<b>5,523,054</b>	<b>739,236</b>
Tangible capital assets			
Acquisition of tangible capital assets	-	(245,894)	(2,550,814)
Amortization of tangible capital assets	-	262,219	239,052
Loss on disposal of tangible capital assets	-	589,258	-
	<hr/>	<hr/>	<hr/>
	-	605,583	(2,311,762)
Other non-financial assets			
Consumption (acquisition) of construction in progress	-	(5,861,114)	831,724
Consumption (acquisition) of prepaid expenses	-	3,878	(4,478)
	<hr/>	<hr/>	<hr/>
	-	(5,857,236)	827,246
<b>INCREASE (DECREASE) IN NET DEBT</b>	<b>1,560</b>	<b>271,401</b>	<b>(745,280)</b>
<b>NET DEBT, BEGINNING OF YEAR</b>	<b><u>(1,804,291)</u></b>	<b><u>(1,808,768)</u></b>	<b><u>(1,063,488)</u></b>
<b>NET DEBT, END OF YEAR</b>	<b><u>\$ (1,802,731)</u></b>	<b><u>(1,537,367)</u></b>	<b><u>(1,808,768)</u></b>

**DAUPHIN RIVER FIRST NATION  
CONSOLIDATED STATEMENT OF CASH FLOW  
YEAR ENDED MARCH 31, 2015**

	<b>2015</b>	<b>2014</b>
<b>CASH PROVIDED BY (USED IN):</b>		
<b>OPERATING ACTIVITIES</b>		
Annual surplus	\$ 5,523,054	739,236
Add non-cash item(s):		
Amortization of tangible capital assets	262,219	239,052
Loss on disposals of tangible capital assets	<u>589,258</u>	-
	6,374,531	978,288
Change in non-cash working capital:		
Accounts receivable and advances	4,308	66,398
Due from government and other government organizations	1,114,893	(5,783,235)
Prepaid expenses	3,878	1,330
Accounts payable and accrued liabilities	2,048,107	(325,044)
Due to government and other government organizations	5,713	13,095
Deferred revenue	<u>(1,063,526)</u>	<u>5,531,635</u>
	<u>8,487,904</u>	<u>482,467</u>
<b>CAPITAL ACTIVITIES</b>		
Construction in progress	(5,861,114)	831,724
Purchase of tangible capital assets	<u>(245,894)</u>	<u>(2,550,814)</u>
	<u>(6,107,008)</u>	<u>(1,719,090)</u>
<b>FINANCING ACTIVITIES</b>		
Loan advances	46,768	615,139
Long-term debt repayment	<u>(138,357)</u>	<u>(72,608)</u>
	<u>(91,589)</u>	<u>542,531</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>2,289,307</b>	<b>(694,092)</b>
<b>CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR</b>	<b>(227,622)</b>	<b>466,470</b>
<b>CASH (BANK INDEBTEDNESS), END OF YEAR</b>	<b>\$ 2,061,685</b>	<b>(227,622)</b>
<b>CASH (BANK INDEBTEDNESS) IS REPRESENTED BY:</b>		
Bank indebtedness	\$ -	(238,441)
Cash	2,050,441	-
Cash in Ottawa Trust	<u>11,244</u>	<u>10,819</u>
	<u>\$ 2,061,685</u>	<u>(227,622)</u>

**DAUPHIN RIVER FIRST NATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2015**

**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 2014-2015" 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 \$17,196 (2014 - \$12,647) 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, 2015 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, 2015**

**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 less accumulated amortization. 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
Equipment	5 years
Vehicles	5 years

**(h) 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, 2015**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(i) 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 identified by the contributor.

Fee and service revenue is deferred when received in advance of the fee being earned or the service being performed. The revenue is recognized when the fee is earned or the service is performed.

**(j) Segmented Information**

The First Nation discloses segmented results of operations for the year in note 22 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

*Reoccupation Project*

**(k) 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. Estimates include amounts payable for services not billed yet at the time these financial statements were approved and amortization. Actual results could differ from these estimates.

**DAUPHIN RIVER FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2015**

**1. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(k) Financial Instruments**

Financial instruments held by the First Nation include cash, 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**

	<b>2015</b>	<b>2014</b>
Unrestricted - operating	1,994,033	(277,653)
Externally restricted - CMHC	<u>56,408</u>	<u>39,212</u>
	<b>\$ 2,050,441</b>	<b>(238,441)</b>

The First Nation has a demand line of credit for \$50,000 (2014 - \$50,000) available from Royal Bank of Canada, of which \$nil (2014 - \$nil) 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, 2015, \$56,408 (2014 - \$39,212) was restricted for expenditures to be approved by CMHC.

**3. TRUST FUNDS HELD BY THE FEDERAL GOVERNMENT**

	<b>March 31, 2014</b>	<b>Additions 2015</b>	<b>Withdrawals 2015</b>	<b>March 31, 2015</b>
Revenue	\$ 10,459	425	-	10,884
Capital	<u>360</u>	<u>-</u>	<u>-</u>	<u>360</u>
	<b>\$ 10,819</b>	<b>425</b>	<b>-</b>	<b>11,244</b>

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**

	<b>2015</b>	<b>2014</b>
Employee advances receivable	\$ 2,863	7,171

**DAUPHIN RIVER FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2015**

**5. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS**

	<b>2015</b>	<b>2014</b>
<b>AANDC</b>		
Capital Planning Projects - Infrastructure (NTKB)	\$ 478,200	-
Planning, Design, and Construction (08625)	-	71,625
Planning, Design, and Construction - Education (NTH9)	300,000	-
Consultation and Policy Development (01045)	877	877
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
A&C Water >1.5M (NTF5)	500,000	-
CMHC mortgage advance	-	69,439
CMHC subsidy	88,299	-
First Peoples Development Inc.	13,911	-
Health Canada - Medical Transportation	9,787	-
Interlake Regional Tribal Council	-	35,801
Province of Manitoba - Reoccupation project	3,337,625	-
Province of Manitoba Emergency Measures Organization	<u>1,685,304</u>	<u>1,506,594</u>
	<u>\$ 6,414,003</u>	<u>7,528,896</u>

**6. ACCOUNTS PAYABLE**

	<b>2015</b>	<b>2014</b>
Trade payables	\$ 2,235,777	210,406
Accrued salaries and benefits payable	63,675	41,439
Other accrued liabilities	<u>42,000</u>	<u>41,500</u>
	<u>\$ 2,341,452</u>	<u>293,345</u>

**7. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS**

	<b>2015</b>	<b>2014</b>
<b>AANDC</b>		
Accountable Advance - Flood	\$ 1,336,284	1,336,284
In-home Care (NPC5)	466	-
<b>Health Canada</b>		
2012/13 Medical Transportation	3,581	3,581
2013/14 Medical Transportation	21,719	30,880
2014/15 Medical Transportation	<u>14,408</u>	<u>-</u>
	<u>\$ 1,376,458</u>	<u>1,370,745</u>

**DAUPHIN RIVER FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2015**

<b>8. DEFERRED REVENUE</b>		<b>Balance March 31, 2014</b>	<b>Funding Received 2015</b>	<b>Revenue Recognized 2015</b>	<b>Balance March 31, 2015</b>
<b><u>Federal Government</u></b>					
CMHC RRAP Forgivable Loans	\$ 20,861	-		19,279	1,582
<b>AANDC - Other</b>					
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)	3,518	-		-	3,518
Basic needs (02305 - SET)	70,017	-		54,866	15,151
Skills link - information & communication technology work placement (02703 - SET)	28	-		-	28
Planning, design and construction (02681 - SET)	2,017	-		-	2,017
<b>AANDC - Capital</b>					
Capital Planning Projects - Infrastructure (08753 - SET)	89,095	-		89,095	-
Community Buildings (08751 - SET)	300,000	-		300,000	-
Planning, Design and Construction - Education (NTH9 - FIXED)	125,112	-		125,112	-
Planning, Design and Construction - Education (NTH9 - SET)	-	255,811		-	255,811
A&C Water >1.5M (NTF5 - SET)	-	16,500		-	16,500
Planning, Design and Construction (08681 - FLEXIBLE)	<u>5,040,148</u>	<u>-</u>	<u>747,485</u>	<u>4,292,663</u>	
	<u>\$ 5,658,008</u>	<u>272,311</u>	<u>1,335,837</u>	<u>4,594,482</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, 2015**

9. LONG-TERM DEBT	<u>2015</u>	<u>2014</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.	\$ - 69,067	
CMHC Mortgage, bearing interest at 2.00%, repayable in blended monthly installments of \$4,616, maturing - November 1, 2038, secured by a Ministerial Guarantee	1,045,535	1,080,036
CMHC Mortgage, bearing interest at 1.05%, repayable in blended monthly installments of \$3,802, maturing - August 1, 2029, secured by a Ministerial Guarantee.	611,223	646,012
Royal Bank of Canada loan, interest at prime plus 3.00%, repayable in irregular installments, due July 31, 2015, secured by the equipment purchased.	<u>46,768</u>	<u>-</u>
	<u>\$ 1,703,526</u>	<u>1,795,115</u>

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

March 31, 2016	\$ 120,962
2017	75,313
2018	76,449
2019	77,605
2020	78,780
Thereafter	<u>1,274,417</u>
	<u>\$ 1,703,526</u>

**DAUPHIN RIVER FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2015**

**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 2015	Total 2014
<b>Tangible Capital Assets</b>										
Infrastructure	\$ 269,061	-	-	269,061	2,705	5,381	-	8,086	260,975	266,356
Buildings	2,592,886	81,937	(120,090)	2,554,733	551,063	72,164	(78,981)	544,246	2,010,487	2,041,823
CMHC housing	2,386,703	-	(923,807)	1,462,896	399,152	64,279	(375,658)	87,773	1,375,123	1,987,551
Docks	112,000	41,748	-	153,748	3,360	2,657	-	6,017	147,731	108,640
Computers	48,446	7,498	-	55,944	22,361	6,547	-	28,908	27,036	26,085
Computer software	8,075	-	-	8,075	6,056	2,019	-	8,075	-	2,019
Equipment	144,869	114,711	-	259,580	72,435	40,445	-	112,880	146,700	72,434
Health equipment	3,638	-	-	3,638	1,819	727	-	2,546	1,092	1,819
Vehicles	369,346	-	-	369,346	114,146	68,000	-	182,146	187,200	255,200
	<u>5,935,024</u>	<u>245,894</u>	<u>(1,043,897)</u>	<u>5,137,021</u>	<u>1,173,097</u>	<u>262,219</u>	<u>(454,639)</u>	<u>980,677</u>	<u>4,156,344</u>	<u>4,761,927</u>
<b>Assets Under Construction</b>										
Water and Sewer	-	483,500	-	483,500	-	-	-	-	483,500	-
New School	-	44,189	-	44,189	-	-	-	-	44,189	-
Reoccupation	<u>479,210</u>	<u>5,333,425</u>	<u>-</u>	<u>5,812,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,812,635</u>	<u>479,210</u>
	<u>479,210</u>	<u>5,861,114</u>	<u>-</u>	<u>6,340,324</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,340,324</u>	<u>479,210</u>
<b>TOTAL</b>	<b>\$6,414,234</b>	<b>6,107,008</b>	<b>(1,043,897)</b>	<b>1,477,345</b>	<b>1,173,097</b>	<b>262,219</b>	<b>(454,639)</b>	<b>980,677</b>	<b>10,496,668</b>	<b>5,241,137</b>

**DAUPHIN RIVER FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2015**

**11. CONSTRUCTION IN PROGRESS**

The First Nation is in the process of completing Phase 1 and 2 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 \$6,086,681. As of March 31, 2015 land drainage improvements of \$269,046 have been completed and capitalized as part of tangible capital assets. The remaining \$5,812,635 is construction in progress.

The First Nation is also started construction of a new school and a new water and sewer project in the 2014/15 fiscal year. As of March 31, 2015 construction cost of \$44,189 for the new school and \$483,500 for the water and sewer project have been included in construction in progress.

**12. ACCUMULATED SURPLUS**

	<b>2015</b>	<b>2014</b>
<b>Accumulated Surplus in Replacement Reserve</b>		
Balance, beginning of year	39,212	26,565
Transfer allocation from operating fund	<u>17,196</u>	<u>12,647</u>
Balance, end of year	<u>56,408</u>	<u>39,212</u>
<b>Accumulated Surplus in Trust Funds</b>		
Balance, beginning of year	10,819	10,675
Transfer Ottawa Trust interest received	<u>425</u>	<u>144</u>
Balance, end of year	<u>11,244</u>	<u>10,819</u>
<b>Accumulated Surplus in Tangible Capital Asset Fund</b>		
Balance, beginning of year	3,035,878	1,770,220
Loan advances	(46,768)	(1,080,036)
Debt repayments	69,292	33,932
Tangible capital asset additions	245,894	2,550,814
Tangible capital asset disposals	(589,258)	-
Transfer amortization from operating fund	<u>(262,219)</u>	<u>(239,052)</u>
Balance, end of year	<u>2,452,819</u>	<u>3,035,878</u>
<b>Accumulated Surplus in Operating Fund</b>		
Balance, beginning of year	350,938	890,151
Excess of revenue over expenditures	5,523,054	739,236
Transfer allocation to replacement reserve fund	(17,196)	(12,647)
Transfer Ottawa Trust interest received	(425)	(144)
Transfer loan advances	46,768	1,080,036
Transfer debt repayment	(69,292)	(33,932)
Transfer tangible capital asset additions	(245,894)	(2,550,814)
Transfer amortization to capital fund	262,219	239,052
Transfer tangible capital asset disposals	589,258	-
Balance, end of year	<u>6,439,430</u>	<u>350,938</u>
<b>Total Accumulated Surplus</b>	<b>\$ 8,959,901</b>	<b><u>3,436,847</u></b>

**DAUPHIN RIVER FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2015**

**13. GOVERNMENT TRANSFERS**

	<u>Operating</u>	<u>Capital</u>	<u>Total 2015</u>
<b>Federal government transfers:</b>			
Aboriginal Affairs and Northern Development Canada	\$ 1,434,283	2,443,575	3,877,858
Health Canada	445,503	-	445,503
Canada Mortgage and Housing Corporation	96,326	-	96,326
Interlake Regional Tribal Council	35,801	-	35,801
First Peoples Development Inc.	<u>20,713</u>	<u>-</u>	<u>20,713</u>
<b>Total</b>	<b>2,032,626</b>	<b>2,443,575</b>	<b>4,476,201</b>
<b>Provincial government transfers:</b>			
Manitoba Emergency Measures Organization	1,378,638	-	1,378,638
Province of Manitoba Department of Infrastructure and Transport	54,152	28,748	82,900
Province of Manitoba - Other	<u>17,847</u>	<u>3,723,644</u>	<u>3,741,491</u>
<b>Total</b>	<b>1,450,637</b>	<b>3,752,392</b>	<b>5,203,029</b>
	<b>\$ 3,483,263</b>	<b>9,948,359</b>	<b>9,679,230</b>

	<u>Operating</u>	<u>Capital</u>	<u>Total 2014</u>
<b>Federal government transfers:</b>			
Aboriginal Affairs and Northern Development Canada	\$ 1,288,383	1,322,986	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.	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>1,800,317</b>	<b>1,322,986</b>	<b>3,123,303</b>
<b>Provincial government transfers:</b>			
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	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>1,027,043</b>	<b>-</b>	<b>1,027,043</b>
	<b>\$ 2,827,360</b>	<b>1,322,986</b>	<b>4,150,346</b>

**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, 2015, the First Nation is current with its payroll remittances to the Receiver General and has government remittances payable of \$27,262 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, 2015**

**15. CORRECTION OF ERROR**

In the current year it was determined that \$238,500 received from AANDC for erosion and flood control was incorrectly included in the flood program when it was revenue related to the reoccupation project. As a result the accounts receivable balance from the Province of Manitoba was understated by \$238,500 and deferred revenue from AANDC was understated by the same amount. There was no effect on accumulated surplus.

**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 Royal Bank of Canada 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, 2015**

**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, 2015, the First Nation has a bank balance of \$2,061,685 (2014 - \$(227,622)), receivables of \$6,416,867 (2014 - \$7,536,067) a demand line of credit for \$50,000 (2014 - \$50,000) and a net debt position of \$(1,537,367) (2014 - \$1,808,768). As at March 31, 2015, the First Nation has utilized \$nil (2014 - \$nil) 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**

	<b>2015</b>	<b>2014</b>
Amortization	\$ 262,219	239,052
Bank charges and interest	50,481	47,419
Consulting fees	177,243	160,138
Government transfers	14,408	-
Insurance	36,261	46,607
Loss on disposal of assets	589,258	-
Meeting costs	18,608	6,743
Office supplies	12,210	12,688
Other	-	1,331
Professional services	52,327	86,681
Recoveries	(823)	-
Rental	116,169	88,188
Salaries and benefits	1,496,480	1,407,570
Supplies and services	665,605	810,780
Telephone	21,920	18,840
Travel	599,979	368,551
Utilities	140,730	145,835
	<hr/>	<hr/>
	\$ 4,253,075	3,440,423

**20. COMPARATIVE FIGURES**

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

**21. CONTINGENT LIABILITY**

Dauphin River First Nation, Government of Canada and the Province of Manitoba are negotiating a Comprehensive Settlement Agreement (CSA) which will include all parties dropping all legal action taken against each other as a result of flooding on the First Nation. The CSA has been agreed to in principal in December of 2014 and will be signed once the document is complete.

**DAUPHIN RIVER FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2015**

**22. SEGMENTED INFORMATION**

	HEALTH			EDUCATION			SOCIAL		
	Budget 2015	2015	2014	Budget 2015	2015	2014	Budget 2015	2015	2014
<b>REVENUES</b>									
Federal Government									
Operating Transfers	\$ 434,984	445,503	418,003	372,781	402,025	409,466	661,778	591,178	530,058
Capital Transfers	-	-	-	-	176,103	199,888	-	-	-
Provincial Government									
Operating Transfers	-	-	-	-	-	-	-	-	-
Capital Transfers	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
	<b>434,984</b>	<b>445,503</b>	<b>418,003</b>	<b>372,781</b>	<b>578,128</b>	<b>609,354</b>	<b>661,778</b>	<b>591,178</b>	<b>530,058</b>
<b>EXPENSES</b>									
Salaries and benefits	263,910	278,815	276,036	260,875	291,440	246,450	-	26,752	24,724
Debt servicing	-	-	-	-	-	-	-	1,643	1,444
Amortization	-	727	727	-	26,787	5,846	-	-	3,867
Other	171,074	167,627	163,217	102,703	115,049	142,948	617,997	565,619	504,214
	<b>434,984</b>	<b>447,169</b>	<b>439,980</b>	<b>363,578</b>	<b>433,276</b>	<b>395,244</b>	<b>617,997</b>	<b>594,014</b>	<b>534,249</b>
ANNUAL SURPLUS (DEFICIT)	\$ -	(1,666)	(21,977)	9,203	144,852	214,110	43,781	(2,836)	(4,191)

**ADJUSTMENTS**

The adjustments eliminate rent of \$76,116 charged by CMHC under the Social Segment to Social in the amount of \$28,535 and charged to Band Government in the amount of \$47,581.

**DAUPHIN RIVER FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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**22. SEGMENTED INFORMATION**

	ECONOMIC DEVELOPMENT			PUBLIC WORKS			HOUSING		
	Budget 2015	2015	2014	Budget 2015	2015	2014	Budget 2015	2015	2014
<b>REVENUES</b>									
Federal Government									
Operating Transfers	\$ -	35,801	35,801	117,938	117,938	117,938	96,324	96,326	58,130
Capital Transfers		-	-	483,500	-	-	-	-	-
Provincial Government									
Operating Transfers	-	-	-	-	7,000	5,000	-	-	-
Capital Transfers	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	43,200	76,116	59,260
		<b>35,801</b>	<b>35,801</b>	<b>117,938</b>	<b>608,438</b>	<b>122,938</b>	<b>139,524</b>	<b>172,442</b>	<b>117,390</b>
<b>EXPENSES</b>									
Salaries and benefits	-	-	-	26,684	28,150	19,640	-	-	-
Debt servicing	-	-	-	-	-	-	121,814	36,530	25,915
Amortization	-	-	-	-	150,294	138,866	-	64,279	67,593
Other	-	-	-	92,266	93,240	136,128	32,041	25,174	33,966
		<b>-</b>	<b>-</b>	<b>118,950</b>	<b>271,684</b>	<b>294,634</b>	<b>153,855</b>	<b>125,983</b>	<b>127,474</b>
ANNUAL SURPLUS (DEFICIT)	\$ -	<b>35,801</b>	<b>35,801</b>	<b>(1,012)</b>	<b>336,754</b>	<b>(171,696)</b>	<b>(14,331)</b>	<b>46,459</b>	<b>(10,084)</b>

**DAUPHIN RIVER FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2015**

**22. SEGMENTED INFORMATION**

	BAND GOVERNMENT			REOCCUPATION PROJECT			ADJUSTMENTS		
	Budget 2015	2015	2014	Budget 2015	2015	2014	Budget 2015	2015	2014
<b>REVENUES</b>									
Federal Government									
Operating Transfers	\$ 211,091	343,855	230,921	-	1,614,781	748,256	-	-	-
Capital Transfers	106,000	169,191	374,842	-	-	-	-	-	-
Provincial Government									
Operating Transfers	-	1,443,637	1,022,043	-	-	-	-	-	-
Capital Transfers	-	28,748	-	-	3,723,644	-	-	-	-
Other	-	96,899	29,313	-	-	-	-	(76,116)	(59,260)
	<b>317,091</b>	<b>2,082,330</b>	<b>1,657,119</b>	<b>-</b>	<b>5,338,425</b>	<b>748,256</b>	<b>-</b>	<b>(76,116)</b>	<b>(59,260)</b>
<b>EXPENSES</b>									
Salaries and benefits	99,552	871,323	840,720	-	-	-	-	-	-
Debt servicing	4,200	12,308	20,060	-	-	-	-	-	-
Amortization	-	20,132	22,153	-	-	-	-	-	-
Other	249,420	1,548,302	825,169	-	5,000	-	-	(76,116)	(59,260)
	<b>353,172</b>	<b>2,452,065</b>	<b>1,708,102</b>	<b>-</b>	<b>5,000</b>	<b>-</b>	<b>-</b>	<b>(76,116)</b>	<b>(59,260)</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>\$ (36,081)</b>	<b>(369,735)</b>	<b>(50,983)</b>	<b>-</b>	<b>5,333,425</b>	<b>748,256</b>	<b>-</b>	<b>-</b>	<b>-</b>

**ADJUSTMENTS**

The adjustments eliminate rent of \$76,116 charged by CMHC under the Social Segment to Social in the amount of \$28,535 and charged to Band Government in the amount of \$47,581.

**DAUPHIN RIVER FIRST NATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2015**

**22. SEGMENTED INFORMATION**

	<b>CONSOLIDATED TOTAL</b>		
	<b>Budget</b>	<b>2015</b>	<b>2014</b>
<b>REVENUES</b>			
Federal Government			
Operating Transfers	1,894,896	2,032,626	1,800,317
Capital Transfers	106,000	2,443,575	1,322,986
Provincial Government			
Operating Transfers	-	1,450,637	1,027,043
Capital Transfers	-	3,752,392	-
Other	43,200	96,899	29,313
	<b>2,044,096</b>	<b>9,776,129</b>	<b>4,179,659</b>
<b>EXPENSES</b>			
Salaries and benefits			
Debt servicing	651,021	1,496,480	1,407,570
Amortization	126,014	50,481	47,419
Other	-	262,219	239,052
	<b>1,265,501</b>	<b>2,443,895</b>	<b>1,746,382</b>
<b>ANNUAL SURPLUS (DEFICIT)</b>	<b>2,042,536</b>	<b>4,253,075</b>	<b>3,440,423</b>
	<b>1,560</b>	<b>5,523,054</b>	<b>739,236</b>