

**DAUPHIN RIVER FIRST NATION
INDEPENDENT AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2016**

DAUPHIN RIVER FIRST NATION

MARCH 31, 2016

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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.

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 'J. Stagg', is written over a horizontal line.

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, 2016, 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 audit opinion.

Opinion

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of Dauphin River First Nation as at March 31, 2016, 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
August 11, 2016


CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash (Note 2)	\$ 3,814,851	2,050,441
Cash in Ottawa Trusts (Note 3)	11,475	11,244
Accounts receivable and advances (Note 4)	31,135	2,863
Due from government and other government organizations (Note 5)	<u>4,481,335</u>	<u>6,414,003</u>
	<u>8,338,796</u>	<u>8,478,551</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	772,226	2,396,401
Due to government and other government organizations (Note 7)	1,434,967	1,376,458
Deferred revenue (Note 8)	6,049,120	4,594,482
Long-term debt (Note 9)	<u>1,703,976</u>	<u>1,703,526</u>
	<u>9,960,289</u>	<u>10,070,867</u>
NET DEBT	(1,621,493)	(1,592,316)
NON-FINANCIAL ASSETS		
Prepaid expenses	2,894	600
Tangible capital assets (Note 10)	4,509,518	4,156,344
Construction in progress (Note 10 and 11)	<u>16,525,146</u>	<u>6,340,324</u>
	<u>21,037,558</u>	<u>10,497,268</u>
ACCUMULATED SURPLUS (Note 12)	<u>\$ 19,416,065</u>	<u>8,904,952</u>

APPROVED BY THE FIRST NATION:


Councillor


Chief John Stagg

Councillor

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016**

	2016	2015
	<u>Budget</u>	<u>Actual</u>
		<u>Actual</u>
REVENUES		
Federal government		
Operating transfers (Note 13)	\$ 1,727,970	1,763,627
Capital transfers (Note 13)	106,000	9,374,912
Provincial government		
Operating transfers (Note 13)	-	1,287,327
Capital transfers (Note 13)	-	1,526,274
Other revenue	<u>43,200</u>	<u>321,286</u>
	<u>1,877,170</u>	<u>14,273,426</u>
		<u>9,776,129</u>
EXPENSES		
Education	157,821	386,919
Health	474,036	465,851
Economic development	-	38,808
Housing	32,041	22,814
Public works	100,950	110,249
Social services	508,722	578,029
Band government	469,331	1,839,596
Reoccupation project	-	5,000
Interest	126,014	29,246
Amortization	<u>-</u>	<u>285,801</u>
	<u>1,868,915</u>	<u>3,762,313</u>
		<u>4,308,024</u>
ANNUAL SURPLUS	<u>8,255</u>	<u>10,511,113</u>
		<u>5,468,105</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY STATED	8,904,952	8,959,901
		3,436,847
CORRECTION OF ERROR (Note 15)	<u>-</u>	<u>(54,949)</u>
		<u>-</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS RESTATED	<u>8,904,952</u>	<u>8,904,952</u>
		<u>3,436,847</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 8,913,207</u>	<u>19,416,065</u>
		<u>8,904,952</u>

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2016**

	2016	2015
	<u>Budget</u>	<u>Actual</u>
		<u>Actual</u>
ANNUAL SURPLUS	\$ <u>8,255</u>	<u>10,511,113</u>
Tangible capital assets		
Acquisition of tangible capital assets	-	(638,974)
Amortization of tangible capital assets	-	285,800
Loss on disposal of tangible capital assets	<u>-</u>	<u>589,258</u>
	<u>-</u>	<u>605,583</u>
Other non-financial assets		
Consumption (acquisition) of construction in progress	-	(10,184,822)
Consumption (acquisition) of prepaid expenses	<u>-</u>	<u>3,878</u>
	<u>-</u>	<u>(5,857,236)</u>
DECREASE (INCREASE) IN NET DEBT	8,255	216,452
NET DEBT, BEGINNING OF YEAR	<u>(1,537,367)</u>	<u>(1,592,316)</u>
NET DEBT, END OF YEAR	\$ <u>(1,529,112)</u>	<u>(1,592,316)</u>

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	\$ 10,511,113	5,468,105
Add non-cash item(s):		
Amortization of tangible capital assets	285,801	262,219
Loss on disposals of tangible capital assets	<u>-</u>	<u>589,258</u>
	10,796,914	6,319,582
Change in non-cash working capital:		
Accounts receivable and advances	(28,272)	4,308
Due from government and other government organizations	1,932,668	1,114,893
Prepaid expenses	(2,294)	3,878
Accounts payable and accrued liabilities	(1,624,176)	2,103,056
Due to government and other government organizations	58,509	5,713
Deferred revenue	<u>1,454,638</u>	<u>(1,063,526)</u>
	<u>12,587,987</u>	<u>8,487,904</u>
CAPITAL ACTIVITIES		
Construction in progress	(10,184,822)	(5,861,114)
Purchase of tangible capital assets	<u>(638,974)</u>	<u>(245,894)</u>
	<u>(10,823,796)</u>	<u>(6,107,008)</u>
FINANCING ACTIVITIES		
Loan advances	75,233	46,768
Long-term debt repayment	<u>(74,783)</u>	<u>(138,357)</u>
	<u>450</u>	<u>(91,589)</u>
INCREASE IN CASH	1,764,641	2,289,307
CASH (BANK INDEBTEDNESS), BEGINNING OF YEAR	<u>2,061,685</u>	<u>(227,622)</u>
CASH, END OF YEAR	<u>\$ 3,826,326</u>	<u>2,061,685</u>
CASH IS REPRESENTED BY:		
Cash	\$ 3,814,851	2,050,441
Cash in Ottawa Trust	<u>11,475</u>	<u>11,244</u>
	<u>\$ 3,826,326</u>	<u>2,061,685</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The First Nation follows the INAC accounting guidelines as set out in the "Year End Reporting Handbook for funding agreements covering fiscal year period 2015-2016" which requires that the consolidated financial statements be prepared in accordance with Canadian generally accepted accounting principles for governments, as defined in the Chartered Professional Accountants of Canada (CPA Canada) 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 \$17,955 (2015 - \$17,196) 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, 2016 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, 2016**

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.

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.

(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.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) 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

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 amortization and 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, 2016**

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

	<u>2016</u>	<u>2015</u>
Unrestricted - operating	\$ 3,740,487	1,994,033
Externally restricted - CMHC	<u>74,363</u>	<u>56,408</u>
	<u>\$ 3,814,850</u>	<u>2,050,441</u>

The First Nation has a demand line of credit for \$50,000 (2015 - \$50,000) available from Royal Bank of Canada, of which \$nil (2015 - \$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, 2016, \$74,363 (2015 - \$56,408) was restricted for expenditures to be approved by CMHC.

3. TRUST FUNDS HELD BY THE FEDERAL GOVERNMENT

	<u>March 31, 2015</u>	<u>Additions 2016</u>	<u>Withdrawals 2016</u>	<u>March 31, 2016</u>
Revenue	\$ 10,884	231	-	11,115
Capital	<u>360</u>	<u>-</u>	<u>-</u>	<u>360</u>
	<u>\$ 11,244</u>	<u>231</u>	<u>-</u>	<u>11,475</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>2016</u>	<u>2015</u>
Employee advances receivable	\$ 5,790	2,863
Other	<u>25,345</u>	<u>-</u>
	<u>\$ 31,135</u>	<u>2,863</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

5. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	<u>2016</u>	<u>2015</u>
INAC		
Capital Planning Projects - Infrastructure (NTKB)	\$ 1,063,418	478,200
Instructional Services (NPO5)	189,012	-
Planning, Design, and Construction - Education (NTH9)	-	300,000
Consultation and Policy Development (01045)	-	877
Admin Instructional Services (NPO6)	5,000	-
Low Cost Special Education (NPO8)	26,526	-
A&C Water >1.5M (NTF5)	-	500,000
Interlake Regional Tribal Council	24,801	-
CMHC subsidy	7,628	88,299
First Peoples Development Inc.	-	13,911
Health Canada		
Medical Transportation	9,787	9,787
Capital	495,001	-
Province of Manitoba - Reoccupation project	1,218,574	3,337,625
Province of Manitoba Emergency Measures Organization	<u>1,441,588</u>	<u>1,685,304</u>
	<u>\$ 4,481,335</u>	<u>6,414,003</u>

6. ACCOUNTS PAYABLE

	<u>2016</u>	<u>2015</u>
Trade payables	\$ 666,635	2,290,726
Accrued salaries and benefits payable	63,591	63,675
Other accrued liabilities	<u>42,000</u>	<u>42,000</u>
	<u>\$ 772,226</u>	<u>2,396,401</u>

7. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	<u>2016</u>	<u>2015</u>
INAC		
Accountable Advance - Flood	\$ 1,336,284	1,336,284
In-home Care (NPC5)	466	466
Negotiations (NGBA)	25,294	-
Water O&M (NTFZ)	15,969	-
Health Canada		
2012/13 Medical Transportation	3,581	3,581
2013/14 Medical Transportation	21,719	21,719
2014/15 Medical Transportation	14,408	14,408
2015/16 Home and Community Care	<u>17,246</u>	<u>-</u>
	<u>\$ 1,434,967</u>	<u>1,376,458</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

8. DEFERRED REVENUE

	Balance March 31, <u>2015</u>	Funding Received <u>2016</u>	Revenue Recognized <u>2016</u>	Balance March 31, <u>2016</u>
<u>Federal Government</u>				
CMHC RRAP Forgivable Loans	\$ 1,582	-	1,582	-
Health Canada Capital	-	500,000	162	499,838
<u>INAC - Other</u>				
Band operated school direct services	7,152	-	-	7,152
New paths teacher recruitment & retention	60	-	-	60
Skills Link Program	3,518	-	-	3,518
Basic needs	15,151	-	15,151	-
Skills link - information & communication technology work placement	28	-	-	28
Planning, design and construction	2,017	-	-	2,017
<u>INAC - Capital</u>				
Planning, Design and Construction - Education	255,811	874,000	344,124	785,687
A&C Water >1.5M	16,500	7,471,018	6,180,062	1,307,456
Planning, Design and Construction	<u>4,292,663</u>	<u>1,063,418</u>	<u>1,912,717</u>	<u>3,443,364</u>
	\$ <u>4,594,482</u>	<u>8,845,018</u>	<u>8,453,798</u>	<u>6,049,120</u>

Unspent INAC set contribution funding for operations and unspent INAC flexible 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, 2016**

9. LONG-TERM DEBT

	<u>2016</u>	<u>2015</u>
CMHC Mortgage, bearing interest at 2.00%, repayable in blended monthly installments of \$4,616, maturing - November 1, 2038, secured by a Ministerial Guarantee	\$ 1,010,597	1,045,535
CMHC Mortgage, bearing interest at 1.05%, repayable in blended monthly installments of \$3,802, maturing - August 1, 2029, secured by a Ministerial Guarantee.	571,379	611,223
Royal Bank of Canada loan, interest at prime plus 1.55%, repayable in full on June 30, 2016, secured by the equipment purchased.	<u>122,000</u>	<u>46,768</u>
	<u>\$ 1,703,976</u>	<u>1,703,526</u>

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

March 31, 2017	\$ 197,320
2018	76,457
2019	77,612
2020	78,787
2021	79,982
Thereafter	<u>1,193,818</u>
	<u>\$ 1,703,976</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

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 2016	Total 2015
Tangible Capital Assets										
Infrastructure	\$ 269,061	-	-	269,061	8,086	5,381	-	13,467	255,594	260,975
Buildings	2,554,733	423,494	-	2,978,227	544,246	77,219	-	621,465	2,356,762	2,010,487
CMHC housing	1,462,896	-	-	1,462,896	87,773	58,516	-	146,289	1,316,607	1,375,123
Docks	153,748	87,525	-	241,273	6,017	3,950	-	9,967	231,306	147,731
Computers	55,944	-	-	55,944	28,908	7,296	-	36,204	19,740	27,036
Computer software	8,075	-	-	8,075	8,075	-	-	8,075	-	-
Equipment	259,580	127,955	-	387,535	112,880	64,711	-	177,591	209,944	146,700
Health equipment	3,638	-	-	3,638	2,546	727	-	3,273	365	1,092
Vehicles	369,346	-	-	369,346	182,146	68,000	-	250,146	119,200	187,200
	<u>5,137,021</u>	<u>638,974</u>	<u>-</u>	<u>5,775,995</u>	<u>980,677</u>	<u>285,800</u>	<u>-</u>	<u>1,266,477</u>	<u>4,509,518</u>	<u>4,156,344</u>
Construction in progress										
Water and Sewer	483,500	6,907,562	-	7,391,062	-	-	-	-	7,391,062	483,500
New School	44,189	344,125	-	388,314	-	-	-	-	388,314	44,189
Reoccupation	5,812,635	3,356,467	(423,494)	8,745,608	-	-	-	-	8,745,608	5,812,635
Health Centre	-	162	-	162	-	-	-	-	162	-
	<u>6,340,324</u>	<u>10,608,316</u>	<u>(423,494)</u>	<u>16,525,146</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,525,146</u>	<u>6,340,324</u>
TOTAL	<u>\$ 11,477,345</u>	<u>11,247,290</u>	<u>(423,494)</u>	<u>22,301,141</u>	<u>980,677</u>	<u>285,800</u>	<u>-</u>	<u>1,266,477</u>	<u>21,034,664</u>	<u>10,496,668</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

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 INAC, Manitoba Housing and the Province of Manitoba and includes land drainage improvements and the construction of new houses as well as a new band office. The total projected cost for this project is \$17,884,625. The First Nation has incurred project costs of \$9,438,148. As of March 31, 2016 land drainage improvements of \$269,046 and the temporary band office costing \$423,494 have been completed and capitalized as part of tangible capital assets. The remaining \$8,745,608 is construction in progress.

The First Nation has started construction of a new school. The project is expected to cost \$8,443,100. As of March 31, 2016 project cost of \$388,314 for the new school have been incurred.

The First Nation is also working toward completing the water and sewer project. This project will be funded by INAC and the Province of Manitoba. It is expected to cost \$15,314,281 in total. As of March 31, 2016 total project costs of \$7,391,062 have been included in construction in progress.

In the 2015/16 fiscal year the First Nation has received capital funding from Health Canada of \$500,000 for the construction of a new health centre. As of March 31, 2016 total project costs of \$162 have been included in construction in progress.

12. ACCUMULATED SURPLUS

	<u>2016</u>	<u>2015</u>
Accumulated Surplus in Replacement Reserve		
Balance, beginning of year	\$ 56,408	39,212
Transfer allocation from operating fund	<u>17,955</u>	<u>17,196</u>
Balance, end of year	<u>74,363</u>	<u>56,408</u>
Accumulated Surplus in Trust Funds		
Balance, beginning of year	11,244	10,819
Transfer Ottawa Trust interest received	<u>231</u>	<u>425</u>
Balance, end of year	<u>11,475</u>	<u>11,244</u>
Accumulated Surplus in Tangible Capital Asset Fund		
Balance, beginning of year	2,452,819	3,035,878
Loan advances	(75,233)	(46,768)
Debt repayments	74,783	69,292
Tangible capital asset additions	638,974	245,894
Tangible capital asset disposals	-	(589,258)
Transfer amortization from operating fund	<u>(285,800)</u>	<u>(262,219)</u>
Balance, end of year	<u>2,805,543</u>	<u>2,452,819</u>
Sub-total	<u>\$ 2,891,381</u>	<u>2,520,471</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

12. ACCUMULATED SURPLUS (Continued)

Sub-total	\$ 2,891,381	<u>2,520,471</u>
Accumulated Surplus in Operating Fund		
Balance, beginning of year	6,384,481	350,938
Excess of revenue over expenditures	10,511,113	5,468,105
Transfer allocation to replacement reserve fund	(17,955)	(17,196)
Transfer Ottawa Trust interest received	(231)	(425)
Transfer loan advances	75,233	46,768
Transfer debt repayment	(74,783)	(69,292)
Transfer tangible capital asset additions	(638,974)	(245,894)
Transfer amortization to capital fund	285,800	262,219
Transfer tangible capital asset disposals	<u>-</u>	<u>589,258</u>
Balance, end of year	<u>16,524,684</u>	<u>6,384,481</u>
Total Accumulated Surplus	\$ 19,416,065	<u>8,904,952</u>

13. GOVERNMENT TRANSFERS

	<u>Operating</u>	<u>Capital</u>	<u>Total 2016</u>
Federal government transfers:			
Aboriginal Affairs and Northern Development Canada	\$ 1,174,134	9,374,750	10,548,884
Health Canada	470,947	162	471,109
Canada Mortgage and Housing Corporation	91,534	-	91,534
Interlake Regional Tribal Council	24,801	-	24,801
First Peoples Development Inc.	<u>2,211</u>	<u>-</u>	<u>2,211</u>
Total	<u>1,763,627</u>	<u>9,374,912</u>	<u>11,138,539</u>
Provincial government transfers:			
Manitoba Emergency Measures Organization	1,278,404	-	1,278,404
Province of Manitoba Department of Infrastructure and Transport	-	87,525	87,525
Province of Manitoba - Other	<u>8,923</u>	<u>1,438,749</u>	<u>1,447,672</u>
Total	<u>1,287,327</u>	<u>1,526,274</u>	<u>2,813,601</u>
	\$ 3,050,954	<u>12,427,460</u>	<u>13,952,140</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

13. GOVERNMENT TRANSFERS (Continued)

	<u>Operating</u>	<u>Capital</u>	<u>Total 2015</u>
Federal government transfers:			
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>
Total	<u>2,032,626</u>	<u>2,443,575</u>	<u>4,476,201</u>
Provincial government transfers:			
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>
Total	<u>1,450,637</u>	<u>3,752,392</u>	<u>5,203,029</u>
	<u>\$ 3,483,263</u>	<u>9,948,359</u>	<u>9,679,230</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, 2016, the First Nation is current with its payroll remittances to the Receiver General and has government remittances payable of \$38,431 included in accounts payable and accrued liabilities. However, payroll deductions are not being held in a separate trust bank account by the First Nation.

15. CORRECTION OF ERROR

In the current year it was determined that there was an unrecorded payable in the amount of \$54,949 owing for the 2014/15 fiscal year. As a result the prior year accounts payable and accrued liabilities balance was understated by \$54,949 and expenses were understated by the same amount. The accumulated surplus balance was overstated by \$54,949. These balances have now been corrected.

16. CONTINGENT LIABILITY

The First Nation is contingently liable to repay INAC \$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 INAC'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.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

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.

(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, 2016, the First Nation has a bank balance of \$3,826,326 (2015 - \$2,061,685), receivables of \$4,512,470 (2015 - \$6,416,867) a demand line of credit for \$50,000 (2015 - \$50,000) and a net debt position of \$(1,621,493) (2015 - \$1,592,316). As at March 31, 2016, the First Nation has utilized \$nil (2015 - \$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.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

19. EXPENSES BY OBJECT

	<u>2016</u>	<u>2015</u>
Amortization	\$ 285,801	262,219
Bank charges and interest	29,344	50,481
Consulting fees	179,285	177,243
Government transfers	-	14,408
Insurance	21,944	36,261
Loss on disposal of assets	-	589,258
Meeting costs	14,354	18,608
Office supplies	9,239	12,210
Other	-	-
Professional services	83,227	107,276
Recoveries	(1,335)	(823)
Rental	108,595	116,169
Salaries and benefits	1,449,098	1,496,480
Supplies and services	800,401	665,605
Telephone	17,276	21,920
Travel	653,715	599,979
Utilities	<u>111,369</u>	<u>140,730</u>
	<u>\$ 3,762,313</u>	<u>4,308,024</u>

20. 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, 2016**

21. SEGMENTED INFORMATION

	HEALTH			EDUCATION			SOCIAL		
	Budget 2016	2016	2015	Budget 2016	2016	2015	Budget 2016	2016	2015
REVENUES									
Federal Government									
Operating Transfers	\$ 474,036	470,947	445,503	143,103	387,905	402,025	552,503	474,654	591,178
Capital Transfers	-	162	-	-	344,124	176,103	-	-	-
Provincial Government									
Operating Transfers	-	-	-	-	-	-	-	-	-
Capital Transfers	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	19,675	-
	<u>474,036</u>	<u>471,109</u>	<u>445,503</u>	<u>143,103</u>	<u>732,029</u>	<u>578,128</u>	<u>552,503</u>	<u>494,329</u>	<u>591,178</u>
EXPENSES									
Salaries and benefits	310,866	299,549	278,815	133,421	272,925	291,440	-	28,411	26,752
Debt servicing	-	-	-	-	-	-	-	1,492	1,643
Amortization	-	727	727	-	22,873	26,787	-	-	-
Other	<u>163,170</u>	<u>166,302</u>	<u>167,627</u>	<u>24,400</u>	<u>113,994</u>	<u>115,049</u>	<u>508,722</u>	<u>578,153</u>	<u>565,619</u>
	<u>474,036</u>	<u>466,578</u>	<u>447,169</u>	<u>157,821</u>	<u>409,792</u>	<u>433,276</u>	<u>508,722</u>	<u>608,056</u>	<u>594,014</u>
ANNUAL SURPLUS (DEFICIT)	\$ -	4,531	(1,666)	(14,718)	322,237	144,852	43,781	(113,727)	(2,836)

ADJUSTMENTS

The adjustments eliminate rent of \$76,116 charged by CMHC under the Social Segment to Social in the amount of \$29,269 and charged to Band Government in the amount of \$46,847.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

21. SEGMENTED INFORMATION

	ECONOMIC DEVELOPMENT			PUBLIC WORKS			HOUSING		
	Budget 2016	2016	2015	Budget 2016	2016	2015	Budget 2016	2016	2015
REVENUES									
Federal Government									
Operating Transfers	\$ -	24,801	35,801	117,938	101,969	117,938	96,324	91,534	96,326
Capital Transfers	-	-	-	-	6,907,562	483,500	-	-	-
Provincial Government									
Operating Transfers	-	-	-	-	-	7,000	-	-	-
Capital Transfers	-	-	-	-	-	-	-	-	-
Other	-	163,405	-	-	-	-	43,200	76,116	76,116
	<u>-</u>	<u>188,206</u>	<u>35,801</u>	<u>117,938</u>	<u>7,009,531</u>	<u>608,438</u>	<u>139,524</u>	<u>167,650</u>	<u>172,442</u>
EXPENSES									
Salaries and benefits	-	9,362	-	26,684	6,484	28,150	-	-	-
Debt servicing	-	-	-	-	-	-	121,814	18,683	36,530
Amortization	-	-	-	-	181,336	150,294	-	58,516	64,279
Other	-	29,446	-	74,266	103,765	93,240	32,041	22,814	25,174
	<u>-</u>	<u>38,808</u>	<u>-</u>	<u>100,950</u>	<u>291,585</u>	<u>271,684</u>	<u>153,855</u>	<u>100,013</u>	<u>125,983</u>
ANNUAL SURPLUS (DEFICIT)	\$ -	149,398	35,801	16,988	6,717,946	336,754	(14,331)	67,637	46,459

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016**

21. SEGMENTED INFORMATION

	BAND GOVERNMENT			REOCCUPATION PROJECT			ADJUSTMENTS		
	Budget 2016	2016	2015	Budget 2016	2016	2015	Budget 2016	2016	2015
REVENUES									
Federal Government									
Operating Transfers	\$ 344,066	211,817	343,855	-	-	-	-	-	-
Capital Transfers	106,000	210,346	169,191	-	1,912,718	1,614,781	-	-	-
Provincial Government									
Operating Transfers	-	1,287,327	1,443,637	-	-	-	-	-	-
Capital Transfers	-	87,525	28,748	-	1,438,749	3,723,644	-	-	-
Other	-	138,206	96,899	-	-	-	-	(76,116)	(76,116)
	<u>450,066</u>	<u>1,935,221</u>	<u>2,082,330</u>	<u>-</u>	<u>3,351,467</u>	<u>5,338,425</u>	<u>-</u>	<u>(76,116)</u>	<u>(76,116)</u>
EXPENSES									
Salaries and benefits	214,911	832,367	871,323	-	-	-	-	-	-
Debt servicing	4,200	9,071	12,308	-	-	-	-	-	-
Amortization	-	22,349	20,132	-	-	-	-	-	-
Other	254,420	1,054,810	1,603,251	-	5,000	5,000	-	(76,116)	(76,116)
	<u>473,531</u>	<u>1,918,597</u>	<u>2,507,014</u>	<u>-</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>(76,116)</u>	<u>(76,116)</u>
ANNUAL SURPLUS (DEFICIT)	\$ (23,465)	16,624	(424,684)	-	3,346,467	5,333,425	-	-	-

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, 2016**

21. SEGMENTED INFORMATION

	CONSOLIDATED TOTAL		
	Budget 2016	2016	2015
REVENUES			
Federal Government			
Operating Transfers	1,727,970	1,763,627	2,032,626
Capital Transfers	106,000	9,374,912	2,443,575
Provincial Government			
Operating Transfers	-	1,287,327	1,450,637
Capital Transfers	-	1,526,274	3,752,392
Other	<u>43,200</u>	<u>321,286</u>	<u>96,899</u>
	<u>1,877,170</u>	<u>14,273,426</u>	<u>9,776,129</u>
EXPENSES			
Salaries and benefits	685,882	1,449,098	1,496,480
Debt servicing	126,014	29,246	50,481
Amortization	-	285,801	262,219
Other	<u>1,057,019</u>	<u>1,998,168</u>	<u>2,498,844</u>
	<u>1,868,915</u>	<u>3,762,313</u>	<u>4,308,024</u>
ANNUAL SURPLUS (DEFICIT)	<u>8,255</u>	<u>10,511,113</u>	<u>5,468,105</u>