

**DAUPHIN RIVER FIRST NATION
INDEPENDENT AUDITORS' REPORT
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2017**

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DAUPHIN RIVER FIRST NATION

MARCH 31, 2017

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Dauphin River First Nation ("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.

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 Fort Group Chartered Professional Accountants Inc. in accordance with Canadian generally accepted auditing standards on behalf of the members. Fort Group Chartered Professional Accountants Inc. have full and free access to Chief and Council.



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, 2017, 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, 2017, 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.



CHARTERED PROFESSIONAL
ACCOUNTANTS INC.

Winnipeg, Manitoba
October 25, 2017

Your Foundation for the Future.

DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2017

	<u>2017</u>	<u>2016</u>
FINANCIAL ASSETS		
Cash (Note 2)	\$ 3,833,465	3,814,850
Cash in Ottawa Trusts (Note 3)	11,334	11,475
Accounts receivable and advances (Note 4)	17,468	31,135
Due from government and other government organizations (Note 5)	<u>3,364,898</u>	<u>4,481,335</u>
	<u>7,227,165</u>	<u>8,338,795</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	7,479,541	2,313,232
Due to government and other government organizations (Note 7)	1,473,196	1,434,967
Deferred revenue (Note 8)	147,846	5,275,771
Long-term debt (Note 9)	<u>1,504,250</u>	<u>1,703,976</u>
	<u>10,604,833</u>	<u>10,727,946</u>
NET DEBT	(3,377,668)	(2,389,151)
NON-FINANCIAL ASSETS		
Prepaid expenses	600	2,894
Tangible capital assets (Note 10)	9,750,107	4,509,518
Construction in progress (Notes 10 and 11)	<u>32,253,806</u>	<u>17,298,495</u>
	<u>42,004,513</u>	<u>21,810,907</u>
ACCUMULATED SURPLUS (Note 12)	<u>\$ 38,626,845</u>	<u>19,421,756</u>

APPROVED BY THE FIRST NATION:

Chief John Stagg

Councillor

Councillor

DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2017

	2017		2016
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
REVENUES			
Federal government			
Operating transfers (Note 13)	\$ 1,910,966	2,130,363	1,738,826
Capital transfers (Note 13)	106,000	7,454,853	10,148,260
Provincial government			
Operating transfers (Note 13)	-	1,242,467	1,287,327
Capital transfers (Note 13)	-	12,247,318	1,526,274
Other revenue	<u>-</u>	<u>405,789</u>	<u>346,087</u>
	<u>2,016,966</u>	<u>23,480,790</u>	<u>15,046,774</u>
EXPENSES			
Education	363,776	473,412	386,919
Health	464,993	496,700	465,851
Economic development	-	224,069	38,808
Housing	32,041	30,918	23,014
Public works	106,950	134,087	110,248
Social services	487,686	702,856	531,940
Band government	373,973	1,821,121	1,886,977
Reoccupation project	-	5,500	5,000
Interest	110,014	33,888	27,754
Amortization	<u>-</u>	<u>353,150</u>	<u>285,801</u>
	<u>1,939,433</u>	<u>4,275,701</u>	<u>3,762,312</u>
ANNUAL SURPLUS	<u>77,533</u>	<u>19,205,089</u>	<u>11,284,462</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS PREVIOUSLY STATED	<u>19,416,065</u>	<u>19,416,065</u>	<u>8,904,952</u>
ADJUSTMENTS TO ACCUMULATED SURPLUS (Note 15)	<u>-</u>	<u>5,691</u>	<u>(767,658)</u>
ACCUMULATED SURPLUS, BEGINNING OF YEAR, AS RESTATED	<u>19,416,065</u>	<u>19,421,756</u>	<u>8,137,294</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 19,493,598</u>	<u>38,626,845</u>	<u>19,421,756</u>

DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2017

	2017	2016
	Budget	Actual
ANNUAL SURPLUS	\$ 77,533	19,205,089
Tangible capital assets		
Acquisition of tangible capital assets	-	(20,549,050)
Amortization of tangible capital assets	-	353,150
Loss on disposal of tangible capital assets	-	-
	 -	(20,195,900)
	 -	(11,311,345)
Other non-financial assets		
Consumption (acquisition) of prepaid expenses	-	2,294
	 -	(2,294)
DECREASE (INCREASE) IN NET DEBT	77,533	(988,517)
NET DEBT, BEGINNING OF YEAR, AS PREVIOUSLY STATED	(1,621,493)	(1,621,493)
ADJUSTMENT TO ACCUMULATED SURPLUS (Note 15)	-	(767,658)
NET DEBT, BEGINNING OF YEAR, AS RESTATED	(1,621,493)	(2,389,151)
NET DEBT, END OF YEAR	\$ (1,543,960)	(3,377,668)
	 	(2,389,151)

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2017**

	<u>2017</u>	<u>2016</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	\$ 19,205,089	11,284,462
Add non-cash item(s):		
Amortization of tangible capital assets	<u>353,150</u>	<u>285,801</u>
	19,558,239	11,570,263
Change in non-cash working capital:		
Accounts receivable and advances	13,667	(28,272)
Due from government and other government organizations	1,116,437	1,932,668
Prepaid expenses	2,294	(2,294)
Accounts payable and accrued liabilities	5,166,309	(850,378)
Due to government and other government organizations	38,229	58,509
Deferred revenue	<u>(5,127,925)</u>	<u>681,289</u>
	20,767,250	13,361,785
CAPITAL ACTIVITIES		
Construction of tangible capital assets	<u>(20,549,050)</u>	<u>(11,597,145)</u>
FINANCING ACTIVITIES		
Loan advances	-	75,233
Long-term debt repayment	<u>(199,726)</u>	<u>(74,783)</u>
	(199,726)	450
INCREASE IN CASH	18,474	1,764,640
CASH, BEGINNING OF YEAR	<u>3,826,325</u>	<u>2,061,685</u>
CASH, END OF YEAR	<u>\$ 3,844,799</u>	<u>3,826,325</u>
CASH IS REPRESENTED BY:		
Cash	\$ 3,833,465	3,814,850
Cash in Ottawa Trust	<u>11,334</u>	<u>11,475</u>
	\$ 3,844,799	3,826,325

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

Dauphin River First Nation ("Dauphin River") follows the INAC accounting guidelines as set out in the "Year End Reporting Handbook for funding agreements covering fiscal year period 2016-2017" 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

The 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
Health Authority
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 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, 2017 the Replacement Reserve Fund was held in a separate interest bearing account with a balance of \$39,441. This account is underfunded by \$52,877.

(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, 2017

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, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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

Band office

(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, 2017

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Financial instruments

Financial instruments held by the First Nation include cash, cash in Ottawa trusts, 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

	2017	2016
Unrestricted - operating	\$ 3,794,024	3,740,487
Externally restricted - CMHC	<u>39,441</u>	<u>74,363</u>
	<u><u>\$ 3,833,465</u></u>	<u><u>3,814,850</u></u>

The First Nation has a demand line of credit for \$50,000 (2016 - \$50,000) available from Royal Bank of Canada, of which \$nil (2016 - \$nil) was utilized at the year-end. This line of credit bears interest at prime plus 2% and is secured by future funding of INAC.

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, 2017, \$77,046 (2016 - \$74,363) was restricted for expenditures to be approved by CMHC.

3. TRUST FUNDS HELD BY THE FEDERAL GOVERNMENT

	March 31, 2016	Additions 2017	Withdrawals 2017	March 31, 2017
Revenue	\$ 11,115	-	141	10,974
Capital	<u>360</u>	<u>-</u>	<u>-</u>	<u>360</u>
	<u><u>\$ 11,475</u></u>	<u><u>-</u></u>	<u><u>141</u></u>	<u><u>11,334</u></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

	2017	2016
Employee advances receivable	\$ 790	5,790
Trades receivable	<u>16,678</u>	<u>25,345</u>
	<u><u>\$ 17,468</u></u>	<u><u>31,135</u></u>

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

5. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	2017	2016
INAC		
Capital Planning Projects - Infrastructure (NTKB)	\$ 609,536	1,063,418
Instructional Services (NPO5)	-	189,012
Admin Instructional Services (NPO6)	-	5,000
Low Cost Special Education (NPO8)	-	26,526
Risk Management (NTD4)	38,326	-
A&C Water >1.5M (NTF5)	270,595	-
Interlake Regional Tribal Council	-	24,801
CMHC subsidy	7,628	7,628
Health Canada		
Medical Transportation	9,787	9,787
Capital	-	495,001
Province of Manitoba - Reoccupation project	965,261	1,218,574
Province of Manitoba - Emergency Measures Organization	<u>1,463,765</u>	<u>1,441,588</u>
	<u>\$ 3,364,898</u>	<u>4,481,335</u>

6. ACCOUNTS PAYABLE

	2017	2016
Trade payables	\$ 5,434,816	663,635
Accrued salaries and benefits payable	15,878	63,591
Other accrued liabilities	46,500	45,000
Soil remediation	702,684	767,658
Holdbacks payable	<u>1,279,663</u>	<u>773,348</u>
	<u>\$ 7,479,541</u>	<u>2,313,232</u>

7. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	2017	2016
INAC		
Accountable Advance - Flood	\$ 1,336,284	1,336,284
In-home Care (NPC5)	991	466
Negotiations (NGBA)	25,603	25,294
Water O&M (NTFZ)	15,969	15,969
Basic Needs (NP85)	31,313	-
Skill Link - Information & Communication (NP22)	300	-
Health Canada		
2012/13 Medical Transportation	3,622	3,581
2013/14 Medical Transportation	21,719	21,719
2014/15 Medical Transportation	14,408	14,408
2015/16 Home and Community Care	17,246	17,246
2016/17 Client Insured Service	3,622	-
Other	<u>2,119</u>	<u>-</u>
	<u>\$ 1,473,196</u>	<u>1,434,967</u>

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

8. DEFERRED REVENUE	Balance March 31, 2016	Funding Received 2017	Revenue Recognized 2017	Balance March 31, 2017
<u>Federal Government</u>				
Health Canada Capital	499,838	15,000	437,349	77,489
<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
Skills link - information & communication technology work placement	28	-	-	28
Planning, design and construction	2,016	-	-	2,016
Remediation	-	63,300	28,819	34,481
Equipment	-	106,000	82,898	23,102
<u>INAC - Capital</u>				
Planning, Design and Construction				
- Education	785,687	-	785,687	-
A&C Water >1.5M	830,591	523,878	1,354,469	-
Planning, Design and Construction	<u>3,146,881</u>	<u>685,695</u>	<u>3,832,576</u>	<u>-</u>
	<u>\$ 5,275,771</u>	<u>723,178</u>	<u>6,521,798</u>	<u>147,846</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, 2017

9. LONG-TERM DEBT	<u>2017</u>	<u>2016</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	\$ 973,228	1,010,597
CMHC Mortgage, bearing interest at 1.05%, repayable in blended monthly installments of \$3,802, maturing - August 1, 2029, secured by a Ministerial Guarantee.	531,022	571,379
Royal Bank of Canada loan, interest at prime plus 1.55%, repaid in full during 2016/2017. Was secured by equipment purchased.	- <u>\$ 1,504,250</u>	<u>122,000</u> <u>1,703,976</u>

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

March 31, 2018	\$ 76,501
2019	77,656
2020	78,832
2021	80,028
2022	81,243
Thereafter	<u>1,109,990</u>
	 <u>\$ 1,504,250</u>

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

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 2017	Total 2016
Tangible Capital Assets										
Infrastructure	\$ 269,061	-	-	269,061	13,467	5,381	-	18,848	250,213	255,594
Buildings	2,978,227	5,593,739	-	8,571,966	621,465	137,391	-	758,856	7,813,110	2,356,762
CMHC housing	1,462,896	-	-	1,462,896	146,289	58,516	-	204,805	1,258,091	1,316,607
Docks	241,273	-	-	241,273	9,967	4,825	-	14,792	226,481	231,306
Computers	55,944	-	-	55,944	36,204	7,296	-	43,500	12,444	19,740
Computer software	8,075	-	-	8,075	8,075	-	-	8,075	-	-
Equipment	387,535	-	-	387,535	177,591	72,077	-	249,668	137,867	209,944
Health equipment	3,638	-	-	3,638	3,273	364	-	3,637	1	365
Vehicles	369,346	-	-	369,346	250,146	67,300	-	317,446	51,900	119,200
	<u>5,775,995</u>	<u>5,593,739</u>	<u>-</u>	<u>11,369,734</u>	<u>1,266,477</u>	<u>353,150</u>	<u>-</u>	<u>1,619,627</u>	<u>9,750,107</u>	<u>4,509,518</u>
Construction in progress										
Water and Sewer	7,867,927	10,499,913	-	18,367,840	-	-	-	-	18,367,840	7,867,927
New School	388,314	1,475,304	-	1,863,618	-	-	-	-	1,863,618	388,314
Reoccupation	9,042,092	7,169,091	(5,593,739)	10,617,444	-	-	-	-	10,617,444	9,042,092
Health Centre	162	437,349	-	437,511	-	-	-	-	437,511	162
20 Unit Housing	-	967,393	-	967,393	-	-	-	-	967,393	-
	<u>17,298,495</u>	<u>20,549,050</u>	<u>(5,593,739)</u>	<u>32,253,806</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,253,806</u>	<u>17,298,495</u>
TOTAL	\$ 23,074,490	26,142,789	(5,593,739)	43,623,540	1,266,477	353,150	-	1,619,627	42,003,913	21,808,013

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

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 \$16,903,723. As of March 31, 2017 land drainage improvements of \$238,447, the temporary band office costing \$454,185, new housing costing \$4,999,990 and non-construction cost of \$593,749 have been completed and capitalized as part of tangible capital assets. The remaining \$10,617,444 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, 2017 project cost of \$1,863,618 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, 2017 total project costs of \$18,367,841 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, 2017 total project costs of \$437,511 have been included in construction in progress.

During the 2016/17 fiscal year, the First nation received funding for a 20 unit housing project from INAC. As of March 31, 2017, the total construction in progress for this project was \$967,393.

12. ACCUMULATED SURPLUS

Accumulated Surplus in Replacement Reserve

	2017	2016
Balance, beginning of year	\$ 74,363	56,408
Net transfer allocation from operating fund	2,683	17,955
Balance, end of year	<u>77,046</u>	<u>74,363</u>

Accumulated Surplus in Trust Funds

Balance, beginning of year	11,475	11,244
Transfer Ottawa Trust interest received	(141)	231
Balance, end of year	<u>11,334</u>	<u>11,475</u>

Accumulated Surplus in Tangible Capital Asset Fund

Balance, beginning of year, as previously stated	20,104,038	2,452,819
Prior period adjustment (Note 15)	-	<u>6,340,324</u>
Balance, beginning of year, as restated	20,104,038	8,793,143
Loan advances	-	(75,233)
Debt repayments	199,673	74,783
Transfer tangible capital asset and construction in progress additions	20,549,050	11,597,145
Transfer amortization from operating fund	(353,150)	(285,800)
Balance, end of year	<u>40,499,611</u>	<u>20,104,038</u>
Sub-total	<u>\$ 40,587,991</u>	<u>20,189,876</u>

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

12. ACCUMULATED SURPLUS (Continued)

Sub-total	<u>\$ 40,587,991</u>	<u>20,189,876</u>
Accumulated Surplus (Deficit) in Operating Fund		
Balance, beginning of year, as previously stated	(768,120)	6,384,481
Prior period adjustments (Note 15)	-	<u>(7,107,982)</u>
Balance, beginning of year, as restated	(768,120)	(723,501)
Excess of revenue over expenses	19,205,089	11,284,462
Net transfer allocation to replacement reserve fund	(2,683)	(17,955)
Transfer Ottawa Trust interest received	141	(231)
Transfer loan advances	-	75,233
Transfer debt repayment	(199,673)	(74,783)
Transfer tangible capital asset and construction in progress additions	(20,549,050)	(11,597,145)
Transfer amortization to capital fund	<u>353,150</u>	<u>285,800</u>
Balance, end of year	<u>(1,961,146)</u>	<u>(768,120)</u>
Total Accumulated Surplus	<u>\$ 38,626,845</u>	<u>19,421,756</u>

13. GOVERNMENT TRANSFERS

	2017		
	Operating	Capital	Total
Federal government transfers:			
INAC revenue	\$ 1,545,614	7,017,504	8,563,118
Health Canada	493,215	437,349	930,564
Canada Mortgage and Housing Corporation	91,534	-	91,534
Interlake Regional Tribal Council	-	-	-
First Peoples Development Inc.	-	-	-
Total	<u>2,130,363</u>	<u>7,454,853</u>	<u>9,585,216</u>
Provincial government transfers:			
Manitoba Emergency Measures Organization	1,242,467	-	1,242,467
Province of Manitoba - Other	-	12,247,318	12,247,318
Total	<u>1,242,467</u>	<u>12,247,318</u>	<u>13,489,785</u>
	<u><u>\$ 3,372,830</u></u>	<u><u>19,702,171</u></u>	<u><u>23,075,001</u></u>

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

13. GOVERNMENT TRANSFERS (Continued)

	2016		
	Operating	Capital	Total
Federal government transfers:			
INAC revenue	\$ 1,174,134	10,148,098	11,322,232
Health Canada	470,947	162	471,109
Canada Mortgage and Housing Corporation	91,534	-	91,534
Interlake Regional Tribal Council	-	-	-
First Peoples Development Inc.	2,211	-	2,211
	<hr/>	<hr/>	<hr/>
Total	<hr/>	<hr/>	<hr/>
	1,738,826	10,148,260	11,887,086
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	8,923	1,438,749	1,447,672
	<hr/>	<hr/>	<hr/>
Total	<hr/>	<hr/>	<hr/>
	1,287,327	1,526,274	2,813,601
	<hr/>	<hr/>	<hr/>
	\$ 3,026,153	13,200,808	14,700,687

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 so that the First Nation is 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, 2017, the First Nation is current with its payroll remittances to the Receiver General and has government remittances payable of \$15,878 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. PRIOR PERIOD ADJUSTMENTS TO ACCUMULATED SURPLUS AND NET DEBT

(a) Construction holdbacks

During the current year, it was determined that there were unrecorded construction holdbacks payable of \$773,349 for the 2015/16 fiscal year. As a result, a prior period adjustment was made to increase accounts payable and accrued liabilities balance by \$773,349, increase construction in progress by \$773,349, decrease deferred revenue by \$773,349, increase federal government capital transfer revenue by \$773,349 and increase the ending accumulated surplus \$773,349.

(b) Remediation liability

During the current year, it was determined that was an unrecorded soil remediation liability of \$767,758 for the 2015/16 fiscal year. To conform with CPA Canada Public Sector Accounting Standard 3260 - Liability for Contaminated Sites, a prior period adjustment was made to increase accounts payable and accrued liabilities by \$767,758, decrease opening accumulated surplus by \$767,658, and increase opening net debt by \$767,758.

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

15. PRIOR PERIOD ADJUSTMENTS TO ACCUMULATED SURPLUS AND NET DEBT (continued)

(c) Restatement of opening tangible capital assets fund and operating fund accumulated surplus balances

During the current year, it was determined that the prior year opening tangible capital assets fund and operating fund accumulated surplus balances were respectively understated and overstated by \$6,340,324. As a result, a prior period adjustment was made to restate the opening accumulated surplus balances to the proper amount. This prior period adjustment had no effect on total accumulated surplus as originally reported.

16. CONTINGENT LIABILITY PAYABLE TO INAC

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.

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 price risk due to the CMHC loans being at a fixed interest rate.

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

18. RISK MANAGEMENT (continued)

(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.

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, 2017, the First Nation has a bank balance of \$3,844,799 (2016 - \$3,826,326), receivables of \$3,382,366 (2016 - \$4,512,470) a demand line of credit for \$50,000 (2016 - \$50,000) and a net debt position of \$(3,377,668) (2016 - \$2,389,151). As at March 31, 2017, the First Nation has utilized \$nil (2016 - \$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

	2017	2016
Amortization	\$ 353,150	285,801
Bank charges and interest	35,325	29,344
Consulting fees	244,371	179,285
Government transfers	123,529	-
Insurance	19,922	21,944
Meeting costs	33,458	14,354
Office supplies	11,155	9,239
Professional services	68,193	83,227
Recoveries	39,135	(1,335)
Rental	103,320	108,595
Salaries and benefits	1,492,730	1,449,098
Supplies and services	930,750	800,400
Telephone	18,953	17,276
Travel	664,553	653,715
Utilities	<u>137,157</u>	<u>111,369</u>
	<u>\$ 4,275,701</u>	<u>3,762,312</u>

20. LEGAL PROCEEDINGS - FLOODING

Dauphin River First Nation, the 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, 2017**

21. LIABILITY FOR CONTAMINATED SITES

The First Nation recognizes a liability for remediation of contaminated sites when the following criteria have been met: there is evidence that contamination exceeds an environmental standard, the First Nation is directly responsible or accepts responsibility for the contamination, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the First Nation's best estimate of the amount required to remediate the site to the current minimum standard of use prior to contamination, as of the financial statement date. The First Nation will measure the liability using present value techniques when cash flows are expected to occur over extended future periods.

As of March 31, 2017, the First Nation has identified one site that will require remediation from contamination. The contamination arose from the use of an underground fuel tank which leaked and contaminated the surrounding soil. The total expected costs of site remediation are \$767,658. As at March 31, 2017, a liability for \$702,684 has been recorded in accounts payable for the remaining remediation costs.

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

21. SEGMENTED INFORMATION

	HEALTH			EDUCATION			SOCIAL		
	Budget 2017	2017	2016	Budget 2017	2017	2016	Budget 2017	2017	2016
REVENUES									
Federal Government									
Operating Transfers	\$ 481,191	493,215	470,947	380,322	446,162	387,905	531,467	628,235	474,654
Capital Transfers	-	437,349	162	-	785,687	344,124	-	-	-
Provincial Government									
Operating Transfers	-	-	-	-	-	-	-	-	-
Capital Transfers	-	-	-	-	-	-	-	-	-
Other	-	850	-	-	-	-	-	-	19,675
	<u>481,191</u>	<u>931,414</u>	<u>471,109</u>	<u>380,322</u>	<u>1,231,849</u>	<u>732,029</u>	<u>531,467</u>	<u>628,235</u>	<u>494,329</u>
EXPENSES									
Salaries and benefits	298,863	315,541	299,549	204,126	312,498	272,925	-	26,760	28,411
Debt servicing	-	-	-	-	-	-	-	-	-
Amortization	-	363	727	-	22,873	22,873	-	-	-
Other	166,130	181,159	166,302	159,650	160,914	113,994	487,686	704,631	579,645
	<u>464,993</u>	<u>497,063</u>	<u>466,578</u>	<u>363,776</u>	<u>496,285</u>	<u>409,792</u>	<u>487,686</u>	<u>731,391</u>	<u>608,056</u>
ANNUAL SURPLUS	\$ 16,198	434,351	4,531	16,546	735,564	322,237	43,781	(103,156)	(113,727)

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

21. SEGMENTED INFORMATION

	ECONOMIC DEVELOPMENT			PUBLIC WORKS			HOUSING		
	Budget 2017	2017	2016	Budget 2017	2017	2016	Budget 2017	2017	2016
REVENUES									
Federal Government									
Operating Transfers	\$ -	-	-	89,072	129,672	101,969	139,524	91,534	91,534
Capital Transfers	-	853,300	-	-	1,354,469	7,384,427	-	-	-
Provincial Government									
Operating Transfers	-	-	-	-	-	-	-	-	-
Capital Transfers	-	-	-	-	8,951,801	-	-	-	-
Other	-	293,440	188,206	-	600	-	-	76,116	76,116
	-	1,146,740	188,206	89,072	10,436,542	7,486,396	139,524	167,650	167,650
EXPENSES									
Salaries and benefits	-	4,130	9,362	26,684	27,000	6,484	-	-	-
Debt servicing	-	-	-	-	-	-	105,814	25,416	18,683
Amortization	-	-	-	-	188,877	181,336	-	58,516	58,516
Other	-	219,939	29,446	80,266	107,087	103,764	32,041	30,918	23,014
	-	224,069	38,808	106,950	322,964	291,584	137,855	114,850	100,213
ANNUAL SURPLUS	\$ -	922,671	149,398	(17,878)	10,113,578	7,194,812	1,669	52,800	67,437

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

21. SEGMENTED INFORMATION

	BAND GOVERNMENT			REOCCUPATION PROJECT			ADJUSTMENTS		
	Budget 2017	2017	2016	Budget 2017	2017	2016	Budget 2017	2017	2016
REVENUES									
Federal Government									
Operating Transfers	\$ 289,390	341,545	211,817	-	-	-	-	-	-
Capital Transfers	106,000	191,472	210,346	-	3,832,576	2,209,201	-	-	-
Provincial Government									
Operating Transfers	-	1,242,467	1,287,327	-	-	-	-	-	-
Capital Transfers	-	-	87,525	-	3,295,517	1,438,749	-	-	-
Other	-	110,899	138,206	-	-	-	-	(76,116)	(76,116)
	<u>395,390</u>	<u>1,886,383</u>	<u>1,935,221</u>	<u>-</u>	<u>7,128,093</u>	<u>3,647,950</u>	<u>-</u>	<u>(76,116)</u>	<u>(76,116)</u>
EXPENSES									
Salaries and benefits	99,553	806,801	832,367	-	-	-	-	-	-
Debt servicing	4,200	8,472	9,071	-	-	-	-	-	-
Amortization	-	82,521	22,349	-	-	-	-	-	-
Other	274,420	1,061,901	1,054,610	-	5,500	5,000	-	(76,116)	(76,116)
	<u>378,173</u>	<u>1,959,695</u>	<u>1,918,397</u>	<u>-</u>	<u>5,500</u>	<u>5,000</u>	<u>-</u>	<u>(76,116)</u>	<u>(76,116)</u>
ANNUAL SURPLUS	\$ 17,217	(73,312)	16,824	-	7,122,593	3,642,950	-	-	-

DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2017

21. SEGMENTED INFORMATION

	CONSOLIDATED TOTAL		
	Budget	2017	2016
REVENUES			
Federal Government			
Operating Transfers	1,910,966	2,130,363	1,738,826
Capital Transfers	106,000	7,454,853	10,148,260
Provincial Government			
Operating Transfers	-	1,242,467	1,287,327
Capital Transfers	-	12,247,318	1,526,274
Other	-	405,789	346,087
	<u>2,016,966</u>	<u>23,480,790</u>	<u>15,046,774</u>
EXPENSES			
Salaries and benefits	629,226	1,492,730	1,449,098
Debt servicing	110,014	33,888	27,754
Amortization	-	353,150	285,801
Other	1,200,193	2,395,933	1,999,659
	<u>1,939,433</u>	<u>4,275,701</u>	<u>3,762,312</u>
ANNUAL SURPLUS	77,533	19,205,089	11,284,462