

**DAUPHIN RIVER FIRST NATION
INDEPENDENT AUDITOR'S REPORT
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018**

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DAUPHIN RIVER FIRST NATION

MARCH 31, 2018

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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 auditor's 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 AUDITOR'S 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, 2018, 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.

Auditor's 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 auditor's 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, 2018, 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.

Fort Group

Winnipeg, Manitoba
October 25, 2018


CHARTERED PROFESSIONAL
ACCOUNTANTS INC.

Your Foundation for the Future.

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash (Note 2)	\$ 1,313,805	3,833,465
Cash in Ottawa Trusts (Note 3)	11,953	11,334
Accounts receivable and advances (Note 4)	90	17,468
Due from government and other government organizations (Note 5)	<u>1,679,204</u>	<u>3,364,898</u>
	<u>3,005,052</u>	<u>7,227,165</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	1,357,896	7,479,541
Due to government and other government organizations (Note 7)	1,433,486	1,473,196
Deferred revenue (Note 8)	15,437	147,846
Long-term debt (Note 9)	<u>1,429,677</u>	<u>1,504,250</u>
	<u>4,236,496</u>	<u>10,604,833</u>
NET DEBT	(1,231,444)	(3,377,668)
NON-FINANCIAL ASSETS		
Prepaid expenses	600	600
Tangible capital assets (Note 10)	16,656,674	9,750,107
Construction in progress (Notes 10 and 11)	<u>34,542,086</u>	<u>32,253,806</u>
	<u>51,199,360</u>	<u>42,004,513</u>
ACCUMULATED SURPLUS (Note 12)	\$ <u>49,967,916</u>	<u>38,626,845</u>

APPROVED BY THE FIRST NATION:



Chief John Stagg

Councillor

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2018**

	2018	2017
	<u>Budget</u>	<u>Actual</u>
REVENUES		
Federal government		
Operating transfers (Note 13)	\$ 2,322,559	2,490,482
Capital transfers (Note 13)	8,418,553	9,835,942
Provincial government		
Operating transfers (Note 13)	-	1,219,616
Capital transfers (Note 13)	-	5,872,382
Other revenue	<u>37,957</u>	<u>451,441</u>
	<u>10,779,069</u>	<u>19,869,863</u>
EXPENSES		
Education	383,469	573,661
Health	821,293	757,842
Economic development	-	260,294
Housing	42,541	20,317
Public works	41,825	291,862
Social services	75,168	497,863
Band government	264,117	2,286,480
Reoccupation project (Note 17)	-	3,346,376
Interest	105,223	54,100
Amortization	<u>-</u>	<u>439,997</u>
	<u>1,733,636</u>	<u>8,528,792</u>
ANNUAL SURPLUS	9,045,433	11,341,071
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>38,626,845</u>	<u>38,626,845</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 47,672,278</u>	<u>38,626,845</u>

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT
YEAR ENDED MARCH 31, 2018**

	2018		2017
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
ANNUAL SURPLUS	\$ 9,045,433	11,341,071	19,205,089
Tangible capital assets			
Acquisition of tangible capital assets	-	(9,634,844)	(20,549,050)
Amortization of tangible capital assets	-	439,997	353,150
Loss on disposal of tangible capital assets	-	-	-
	-	(9,194,847)	(20,195,900)
Other non-financial assets			
Consumption (acquisition) of prepaid expenses	-	-	2,294
DECREASE (INCREASE) IN NET DEBT	9,045,433	2,146,224	(988,517)
NET DEBT, BEGINNING OF YEAR	(3,377,668)	(3,377,668)	(2,389,151)
NET DEBT, END OF YEAR	\$ 5,667,765	(1,231,444)	(3,377,668)

**DAUPHIN RIVER FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2018**

	<u>2018</u>	<u>2017</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Annual surplus	\$ 11,341,071	19,205,089
Add non-cash item(s):		
Amortization of tangible capital assets	<u>439,997</u>	<u>353,150</u>
	11,781,068	19,558,239
Change in non-cash working capital:		
Accounts receivable and advances	17,378	13,667
Due from government and other government organizations	1,685,694	1,116,437
Prepaid expenses	-	2,294
Accounts payable and accrued liabilities	(6,121,645)	5,166,309
Due to government and other government organizations	(39,710)	38,229
Deferred revenue	<u>(132,409)</u>	<u>(5,127,925)</u>
	<u>7,190,376</u>	<u>20,767,250</u>
CAPITAL ACTIVITIES		
Construction of tangible capital assets	<u>(9,634,844)</u>	<u>(20,549,050)</u>
FINANCING ACTIVITIES		
Long-term debt repayment	<u>(74,573)</u>	<u>(199,726)</u>
INCREASE (DECREASE) IN CASH	(2,519,041)	18,474
CASH, BEGINNING OF YEAR	<u>3,844,799</u>	<u>3,826,325</u>
CASH, END OF YEAR	\$ <u>1,325,758</u>	<u>3,844,799</u>
CASH IS REPRESENTED BY:		
Cash	\$ 1,313,805	3,833,465
Cash in Ottawa Trust	<u>11,953</u>	<u>11,334</u>
	\$ <u>1,325,758</u>	<u>3,844,799</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

Dauphin River First Nation ("Dauphin River") follows the Indigenous Services Canada (ISC) 2017-2018 Financial Reporting Requirements 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, 2018 the Replacement Reserve Fund was held in a separate interest bearing account with a balance of \$39,439 (2017 - \$39,441). This account is underfunded by \$55,562 (2017 - \$37,605).

(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, 2018**

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, 2018**

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

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.

(l) 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.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

2. CASH AND BANK INDEBTEDNESS

	<u>2018</u>	<u>2017</u>
Unrestricted - operating	\$ 1,274,366	3,794,024
Externally restricted - CMHC	<u>39,439</u>	<u>39,441</u>
	<u>\$ 1,313,805</u>	<u>3,833,465</u>

The First Nation has a demand line of credit for \$50,000 (2017 - \$50,000) available from Royal Bank of Canada, of which \$nil (2017 - \$nil) was utilized at the year-end. This line of credit bears interest at prime plus 2% and is secured by future funding of ISC.

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, 2018, \$95,001 (2017 - \$77,046) was restricted for expenditures to be approved by CMHC.

3. TRUST FUNDS HELD BY THE FEDERAL GOVERNMENT

	<u>March 31, 2017</u>	<u>Additions 2018</u>	<u>Withdrawals 2018</u>	<u>March 31, 2018</u>
Revenue	\$ 10,974	619	-	11,593
Capital	<u>360</u>	<u>-</u>	<u>-</u>	<u>360</u>
	<u>\$ 11,334</u>	<u>619</u>	<u>-</u>	<u>11,953</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>2018</u>	<u>2017</u>
Employee advances receivable	\$ 90	790
Trades receivable	<u>-</u>	<u>16,678</u>
	<u>\$ 90</u>	<u>17,468</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

5. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	<u>2018</u>	<u>2017</u>
ISC		
Capital Planning Projects - Infrastructure (NTKB)	\$ -	609,536
Risk Management (NTD4)	-	38,326
Remediation (NTV4-001)	63,367	-
A&C Water >1.5M (NTF5)	-	270,595
Fresh Projects Builders	16,542	-
Con Pro Industries	18,000	-
CMHC subsidy	7,628	7,628
First Peoples Development Inc.	15,133	-
Health Canada		
Medical Transportation	9,787	9,787
Matix Lumber	15,018	-
Province of Manitoba - 20 Unit Housing	43,137	-
Province of Manitoba - Reoccupation project	-	965,261
Province of Manitoba - Emergency Measures Organization	<u>1,490,592</u>	<u>1,463,765</u>
	<u>\$ 1,679,204</u>	<u>3,364,898</u>

6. ACCOUNTS PAYABLE

	<u>2018</u>	<u>2017</u>
Trade payables	\$ 618,366	5,434,816
Source deductions payables	25,539	15,878
Other accrued liabilities	46,500	46,500
Soil remediation	111,214	702,684
Holdbacks payable	<u>556,277</u>	<u>1,279,663</u>
	<u>\$ 1,357,896</u>	<u>7,479,541</u>

7. DUE TO GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

	<u>2018</u>	<u>2017</u>
ISC		
Accountable Advance - Flood	\$ 1,336,284	1,336,284
In-home Care (NPC5)	991	991
Negotiations (NGBA)	25,603	25,603
Water O&M (NTFZ)	15,969	15,969
Basic Needs (NP85)	-	31,313
Skill Link - Information & Communication (NP22)	300	300
Health Canada		
2012/13 Medical Transportation	3,581	3,622
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	3,622
2018 Recoveries	(8,259)	-
Other	<u>2,022</u>	<u>2,119</u>
	<u>\$ 1,433,486</u>	<u>1,473,196</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

8. DEFERRED REVENUE	Balance March 31, 2017	Funding Received 2018	Revenue Recognized 2018	Balance March 31, 2018
<u>Federal Government</u>				
Health Canada Capital	77,489	-	74,826	2,663
<u>ISC - 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	34,481	-	34,481	-
Equipment	<u>23,102</u>	<u>-</u>	<u>23,102</u>	<u>-</u>
	<u>\$ 147,846</u>	<u>-</u>	<u>132,409</u>	<u>15,437</u>

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

9. LONG-TERM DEBT	<u>2018</u>	<u>2017</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	\$ 938,474	973,228
CMHC Mortgage, bearing interest at 1.05%, repayable in blended monthly installments of \$3,802, maturing - August 1, 2029, secured by a Ministerial Guarantee.	<u>491,203</u>	<u>531,022</u>
	<u>\$ 1,429,677</u>	<u>1,504,250</u>

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

March 31, 2019	\$ 77,622
2020	78,796
2021	79,992
2022	81,206
2023	82,441
Thereafter	<u>1,029,620</u>
	<u>\$ 1,429,677</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

10. TANGIBLE CAPITAL ASSETS

	COST				ACCUMULATED AMORTIZATION				NET BOOK VALUE	
	Opening Balance	Additions	Transfer/ Disposals	Closing Balance	Opening Balance	Amortization	Disposals and write offs	Closing Balance	Total 2018	Total 2017
Tangible Capital Assets										
Infrastructure	\$ 269,061	-	-	269,061	18,848	5,383	-	24,231	244,830	250,213
Buildings	8,571,966	7,279,346	-	15,851,312	758,856	266,122	-	1,024,978	14,826,334	7,813,110
CMHC housing	1,462,896	-	-	1,462,896	204,805	58,516	-	263,321	1,199,575	1,258,091
Docks	241,273	-	-	241,273	14,792	4,825	-	19,617	221,656	226,481
Computers	55,944	3,015	-	58,959	43,500	7,598	-	51,098	7,861	12,444
Computer software	8,075	-	-	8,075	8,075	-	-	8,075	-	-
Equipment	387,535	-	-	387,535	249,668	48,533	-	298,201	89,334	137,867
Health equipment	3,638	-	-	3,638	3,637	-	-	3,637	1	1
Vehicles	369,346	64,203	-	433,549	317,446	49,020	-	366,466	67,083	51,900
	<u>11,369,734</u>	<u>7,346,564</u>	<u>-</u>	<u>18,716,298</u>	<u>1,619,627</u>	<u>439,997</u>	<u>-</u>	<u>2,059,624</u>	<u>16,656,674</u>	<u>9,750,107</u>
Construction in progress										
Water and Sewer	18,367,840	2,120,890	-	20,488,730	-	-	-	-	20,488,730	18,367,840
New School	1,863,618	5,730,982	-	7,594,600	-	-	-	-	7,594,600	1,863,618
Reoccupation	10,617,444	-	(10,617,444)	-	-	-	-	-	-	10,617,444
Health Centre	437,511	74,546	-	512,057	-	-	-	-	512,057	437,511
20 Unit Housing	967,393	4,979,306	-	5,946,699	-	-	-	-	5,946,699	967,393
	<u>32,253,806</u>	<u>12,905,724</u>	<u>(10,617,444)</u>	<u>34,542,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34,542,086</u>	<u>32,253,806</u>
TOTAL	<u>\$ 43,623,540</u>	<u>20,252,288</u>	<u>(10,617,444)</u>	<u>53,258,384</u>	<u>1,619,627</u>	<u>439,997</u>	<u>-</u>	<u>2,059,624</u>	<u>51,198,760</u>	<u>42,003,913</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

11. CONSTRUCTION IN PROGRESS

The First Nation has started construction of a new school. As of March 31, 2018 project costs of \$7,594,600 for the new school have been included in construction in progress.

The First Nation is also working toward completing the water and sewer project. This project will be funded by ISC and the Province of Manitoba. As of March 31, 2018 total project costs of \$20,488,730 have been included in construction in progress.

In the 2015/16 fiscal year, the First Nation has received capital funding from First Nations Inuit Health Branch for the construction of a new health centre. As of March 31, 2018 total project costs of \$512,057 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 ISC. As of March 31, 2018, the total construction in progress for this project was \$5,946,699.

12. ACCUMULATED SURPLUS

	<u>2018</u>	<u>2017</u>
Accumulated Surplus in Replacement Reserve		
Balance, beginning of year	\$ 77,046	74,363
Net transfer allocation from operating fund	<u>17,955</u>	<u>2,683</u>
Balance, end of year	<u>95,001</u>	<u>77,046</u>
Accumulated Surplus in Trust Funds		
Balance, beginning of year	11,334	11,475
Transfer Ottawa Trust interest received	<u>619</u>	<u>(141)</u>
Balance, end of year	<u>11,953</u>	<u>11,334</u>
Accumulated Surplus in Tangible Capital Asset Fund		
Balance, beginning of year	40,499,611	20,104,038
Debt repayments	-	199,673
Transfer tangible capital asset and construction in progress additions	9,634,844	20,549,050
Transfer amortization from operating fund	<u>(439,997)</u>	<u>(353,150)</u>
Balance, end of year	<u>49,694,458</u>	<u>40,499,611</u>
Sub-total	<u>\$ 49,801,412</u>	<u>40,587,991</u>
Accumulated Surplus (Deficit) in Operating Fund		
Balance, beginning of year	(1,961,146)	(768,120)
Excess of revenue over expenses	11,341,071	19,205,089
Net transfer allocation to replacement reserve fund	(17,955)	(2,683)
Transfer Ottawa Trust interest received	(619)	141
Transfer debt repayment	-	(199,673)
Transfer tangible capital asset and construction in progress additions	(9,634,844)	(20,549,050)
Transfer amortization to capital fund	<u>439,997</u>	<u>353,150</u>
Balance, end of year	<u>166,504</u>	<u>(1,961,146)</u>
Total Accumulated Surplus	<u>\$ 49,967,916</u>	<u>38,626,845</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

13. GOVERNMENT TRANSFERS

	2018		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Federal government transfers:			
ISC revenue	\$ 1,497,023	9,761,115	11,258,138
Health Canada	901,925	74,827	976,752
Canada Mortgage and Housing Corporation	91,534	-	91,534
Total	<u>2,490,482</u>	<u>9,835,942</u>	<u>12,326,424</u>
Provincial government transfers:			
Manitoba Emergency Measures Organization	1,219,616	-	1,219,616
Province of Manitoba - Other	-	5,872,382	5,872,382
Total	<u>1,219,616</u>	<u>5,872,382</u>	<u>7,091,998</u>
	<u>\$ 3,710,098</u>	<u>15,708,324</u>	<u>19,418,422</u>

	2017		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Federal government transfers:			
ISC 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
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>\$ 3,372,830</u>	<u>19,702,171</u>	<u>23,075,001</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 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, 2018, the First Nation is current with its payroll remittances to the Receiver General and has government remittances payable of \$25,539 (2017 - \$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.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

15. BUDGETED FIGURES

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

16. 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.

(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, 2018, the First Nation has a bank balance of \$1,325,758 (2017 - \$3,844,799), receivables of \$1,679,294 (2017 - \$3,382,366) a demand line of credit for \$50,000 (2017 - \$50,000) and a net debt position of \$(1,231,444) (2017 - \$3,377,668). As at March 31, 2018, the First Nation has utilized \$nil (2017 - \$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.

17. FUNDING REPAYMENT

The First Nation repaid funding of 3,346,376 to the Province of Manitoba related to the Community Reoccupation Project. This repayment occurred as it was subsequently determined ISC would fund this portion of project.

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

18. EXPENSES BY OBJECT

	<u>2018</u>	<u>2017</u>
Amortization	\$ 439,997	353,150
Bank charges and interest	56,610	35,325
Consulting fees	208,326	244,371
Government transfers	-	123,529
Insurance	22,639	19,922
Meeting costs	10,501	33,458
Office supplies	10,313	11,155
Funding repayment to Province of Manitoba (Note 17)	3,346,376	-
Professional services	113,227	68,193
Recoveries	12,236	39,135
Rental	108,780	103,320
Salaries and benefits	1,815,915	1,492,730
Supplies and services	1,549,463	930,750
Telephone	33,960	18,953
Travel	605,278	664,553
Utilities	<u>195,171</u>	<u>137,157</u>
	<u>\$ 8,528,792</u>	<u>4,275,701</u>

19. 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.

20. 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, 2018, 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, 2018, a liability for \$111,214 (2017 - \$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, 2018**

21. SEGMENTED INFORMATION

	HEALTH			EDUCATION			SOCIAL		
	<u>Budget 2018</u>	<u>2018</u>	<u>2017</u>	<u>Budget 2018</u>	<u>2018</u>	<u>2017</u>	<u>Budget 2018</u>	<u>2018</u>	<u>2017</u>
REVENUES									
Federal Government									
Operating Transfers	\$ 901,925	901,925	493,215	384,517	413,583	446,162	558,778	484,906	628,235
Capital Transfers	-	74,827	437,349	3,066,697	3,066,697	785,687	-	-	-
Provincial Government									
Operating Transfers	-	-	-	-	-	-	-	-	-
Capital Transfers	-	-	-	-	3,764,638	-	-	-	-
Other	-	1,639	850	-	-	-	-	-	-
	<u>901,925</u>	<u>978,391</u>	<u>931,414</u>	<u>3,451,214</u>	<u>7,244,918</u>	<u>1,231,849</u>	<u>558,778</u>	<u>484,906</u>	<u>628,235</u>
EXPENSES									
Salaries and benefits	417,736	487,477	315,541	197,280	238,388	312,498	26,593	26,596	26,760
Debt servicing	-	-	-	-	-	-	-	-	-
Amortization	-	6,723	363	-	22,873	22,873	-	-	-
Other	<u>403,557</u>	<u>270,365</u>	<u>181,159</u>	<u>186,189</u>	<u>335,273</u>	<u>160,914</u>	<u>48,575</u>	<u>499,802</u>	<u>704,631</u>
	<u>821,293</u>	<u>764,565</u>	<u>497,063</u>	<u>383,469</u>	<u>596,534</u>	<u>496,285</u>	<u>75,168</u>	<u>526,398</u>	<u>731,391</u>
ANNUAL SURPLUS	<u>\$ 80,632</u>	<u>213,826</u>	<u>434,351</u>	<u>3,067,745</u>	<u>6,648,384</u>	<u>735,564</u>	<u>483,610</u>	<u>(41,492)</u>	<u>(103,156)</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

21. SEGMENTED INFORMATION

	<u>ECONOMIC DEVELOPMENT</u>			<u>PUBLIC WORKS</u>			<u>HOUSING</u>		
	<u>Budget 2018</u>	<u>2018</u>	<u>2017</u>	<u>Budget 2018</u>	<u>2018</u>	<u>2017</u>	<u>Budget 2018</u>	<u>2018</u>	<u>2017</u>
REVENUES									
Federal Government									
Operating Transfers	\$ -	-	-	79,785	271,735	129,672	123,561	91,534	91,534
Capital Transfers	(613,745)	4,483,506	853,300	1,327,735	1,347,961	1,354,469	-	-	-
Provincial Government									
Operating Transfers	-	-	-	-	-	-	-	-	-
Capital Transfers	-	1,170,890	-	-	929,606	8,951,801	-	-	-
Other	-	277,464	293,440	-	-	600	37,957	76,116	76,116
	<u>(613,745)</u>	<u>5,931,860</u>	<u>1,146,740</u>	<u>1,407,520</u>	<u>2,549,302</u>	<u>10,436,542</u>	<u>161,518</u>	<u>167,650</u>	<u>167,650</u>
EXPENSES									
Salaries and benefits	-	173,046	4,130	-	92,859	27,000	-	-	-
Debt servicing	-	-	-	-	-	-	101,023	47,520	25,416
Amortization	-	-	-	-	158,747	188,877	-	58,516	58,516
Other	-	87,248	219,939	41,825	199,003	107,087	42,541	20,317	30,918
	<u>-</u>	<u>260,294</u>	<u>224,069</u>	<u>41,825</u>	<u>450,609</u>	<u>322,964</u>	<u>143,564</u>	<u>126,353</u>	<u>114,850</u>
ANNUAL SURPLUS	<u>\$ (613,745)</u>	<u>5,671,566</u>	<u>922,671</u>	<u>1,365,695</u>	<u>2,098,693</u>	<u>10,113,578</u>	<u>17,954</u>	<u>41,297</u>	<u>52,800</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

21. SEGMENTED INFORMATION

	BAND GOVERNMENT			REOCCUPATION PROJECT			ADJUSTMENTS		
	Budget 2018	2018	2017	Budget 2018	2018	2017	Budget 2018	2018	2017
REVENUES									
Federal Government									
Operating Transfers	\$ 273,993	326,799	341,545	-	-	-	-	-	-
Capital Transfers	333,254	808,665	191,472	4,304,612	54,286	3,832,576	-	-	-
Provincial Government									
Operating Transfers	-	1,219,616	1,242,467	-	-	-	-	-	-
Capital Transfers	-	-	-	-	7,248	3,295,517	-	-	-
Other	-	172,338	110,899	-	-	-	-	(76,116)	(76,116)
	<u>607,247</u>	<u>2,527,418</u>	<u>1,886,383</u>	<u>4,304,612</u>	<u>61,534</u>	<u>7,128,093</u>	<u>-</u>	<u>(76,116)</u>	<u>(76,116)</u>
EXPENSES									
Salaries and benefits	39,890	797,549	806,801	-	-	-	-	-	-
Debt servicing	4,200	6,580	8,472	-	-	-	-	-	-
Amortization	-	193,138	82,521	-	-	-	-	-	-
Other	224,227	1,536,512	1,061,901	-	3,346,376	5,500	-	(76,116)	(76,116)
	<u>268,317</u>	<u>2,533,779</u>	<u>1,959,695</u>	<u>-</u>	<u>3,346,376</u>	<u>5,500</u>	<u>-</u>	<u>(76,116)</u>	<u>(76,116)</u>
ANNUAL SURPLUS	<u>\$ 338,930</u>	<u>(6,361)</u>	<u>(73,312)</u>	<u>4,304,612</u>	<u>(3,284,842)</u>	<u>7,122,593</u>	<u>-</u>	<u>-</u>	<u>-</u>

**DAUPHIN RIVER FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2018**

21. SEGMENTED INFORMATION

	CONSOLIDATED TOTAL		
	Budget 2018	2018	2017
REVENUES			
Federal Government			
Operating Transfers	2,322,559	2,490,482	2,130,363
Capital Transfers	8,418,553	9,835,942	7,454,853
Provincial Government			
Operating Transfers	-	1,219,616	1,242,467
Capital Transfers	-	5,872,382	12,247,318
Other	<u>37,957</u>	<u>451,441</u>	<u>405,789</u>
	<u>10,779,069</u>	<u>19,869,863</u>	<u>23,480,790</u>
EXPENSES			
Salaries and benefits	681,499	1,815,915	1,492,730
Debt servicing	105,223	54,100	33,888
Amortization	-	439,997	353,150
Other	<u>946,914</u>	<u>6,218,780</u>	<u>2,395,933</u>
	<u>1,733,636</u>	<u>8,528,792</u>	<u>4,275,701</u>
ANNUAL SURPLUS	<u>9,045,433</u>	<u>11,341,071</u>	<u>19,205,089</u>