

The Key First Nation
Consolidated Financial Statements
March 31, 2017

The Key First Nation

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For the year ended March 31, 2017

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Management's Responsibility

To the Members of The Key First Nation:

The accompanying consolidated financial statements of The Key First Nation are the responsibility of management and have been approved by Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Key First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. Council is also responsible for appointing the Nation's external auditors.

MNP LLP, an independent firm of Chartered Professional Accountants, is appointed by Council to audit the consolidated financial statements and report directly to the Members of The Key First Nation; their report follows. The external auditors have full and free access to, and may meet periodically and separately with, both Council and management to discuss their audit findings.

February 28, 2018

"Original Signed By" Melody Brass

Independent Auditors' Report

To the Members of The Key First Nation:

We have audited the accompanying consolidated financial statements of The Key First Nation, which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows 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 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 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 entity'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 entity'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, the consolidated financial statements present fairly, in all material respects, the financial position of The Key First Nation as at March 31, 2017 and the results of its operations, change in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Regina, Saskatchewan

February 28, 2018



Chartered Professional Accountants

The Key First Nation
Consolidated Statement of Financial Position
As at March 31, 2017

	2017	2016
Financial assets		
Current		
Cash	66,922	421,321
Accounts receivable (Note 4)	508,859	154,105
Restricted cash (Note 3)	835,444	561,320
	1,411,225	1,136,746
Portfolio investments (Note 5)	206,931	331,558
Receivable from Key First Nation Pelly Hayland Trust (Note 6)	156,116	1,307
Funds held in trust (Note 7)	72,078	27,777
Co-op equity	15,000	15,000
Restricted cash (Note 3)	74,305	147,568
Total financial assets	1,935,655	1,659,956
Liabilities		
Current		
Bank indebtedness (Note 8)	156,568	183,009
Accounts payable and accruals	386,899	481,984
Deferred revenue (Note 9)	615,719	191,706
Current portion of long-term debt (Note 10)	397,948	453,452
	1,557,134	1,310,151
Long-term debt (Note 10)	2,080,902	2,129,468
Total financial liabilities	3,638,036	3,439,619
Net debt	(1,702,381)	(1,779,663)
Contingencies (Note 11)		
Subsequent events (Note 19)		
Non-financial assets		
Tangible capital assets (Schedule 1)	9,542,811	9,585,587
Prepaid expenses	25,336	37,664
Total non-financial assets	9,568,147	9,623,251
Accumulated surplus (Note 13)	7,865,766	7,843,588
Approved on behalf of the Chief and Council		

"Original Signed By" Chief Rodney Brass

Chief

"Original Signed By" Glen O' Soup

Councillor

The accompanying notes are an integral part of these financial statements

The Key First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2017

		2017 Budget (Note 20)	2017 Actual	2016 Actual
Revenue				
Indigenous and Northern Affairs Canada (Note 15)		2,324,794	2,842,796	2,420,995
Health Canada (Note 16)		340,132	364,261	369,605
Canada Mortgage and Housing Corporation		127,093	191,406	203,757
Pelly Haylands		495,465	971,236	1,066,684
Lease income		432,349	529,229	495,692
First Nations Trust		370,000	425,184	458,734
Yorkton Tribal Council		207,160	217,961	234,127
Painted Hand CDC		82,145	158,294	129,262
Other		248,326	83,744	186,711
Rental income		105,090	84,189	86,941
Interest income		-	1,691	2,340
		4,732,554	5,869,991	5,654,848
Program expenses				
Band Government	3	1,097,448	1,377,659	1,372,345
Education	4	1,210,109	1,021,020	1,236,326
Economic Development	5	136,411	271,466	295,055
Social	6	404,487	500,346	512,919
Community	7	407,930	655,893	506,073
Housing	8	367,237	536,287	788,949
Community Health	9	523,737	648,598	654,423
Other	10	810,751	902,957	648,145
Total expenses		4,958,110	5,914,226	6,014,235
Deficit before other item		(225,556)	(44,235)	(359,387)
Other item				
Gain on disposal of tangible capital assets		-	66,413	-
Annual surplus (deficit)		(225,556)	22,178	(359,387)
Accumulated surplus, beginning of year		7,843,588	7,843,588	8,202,975
Accumulated surplus, end of year (Note 13)		7,618,032	7,865,766	7,843,588

The accompanying notes are an integral part of these financial statements

The Key First Nation
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2017

	2017 Budget (Note 20)	2017 Actual	2016 Actual
Annual surplus (deficit)	(252,556)	22,178	(359,387)
Purchases of tangible capital assets	-	(351,766)	(1,337,349)
Amortization of tangible capital assets	391,644	394,542	372,926
Gain on disposal of tangible capital assets	-	(66,413)	-
Proceeds of disposal of tangible capital assets	-	66,413	-
	391,644	42,776	(964,423)
Acquisition of prepaid expenses (net)	-	-	(16,760)
Use of prepaid expenses (net)	-	12,328	-
	-	12,328	(16,760)
Increase (decrease) in net debt	139,088	77,282	(1,340,570)
Net debt, beginning of year	(1,779,663)	(1,779,663)	(439,093)
Net debt, end of year	(1,640,575)	(1,702,381)	(1,779,663)

The accompanying notes are an integral part of these financial statements

The Key First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2017

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
Annual surplus (deficit)	22,178	(359,387)
Non-cash items		
Amortization	394,542	372,926
Bad debts	14,524	8,180
Gain on disposal of tangible capital assets	(66,413)	-
	364,831	21,719
Changes in working capital accounts		
Accounts receivable	(369,278)	623,714
Prepaid expenses	12,328	(16,760)
Accounts payable and accruals	(95,085)	130,718
Deferred revenue	424,013	(51,790)
	336,809	707,601
Financing activities		
Advances of long-term debt	380,105	1,750,000
Repayment of long-term debt	(484,175)	(758,225)
Increase in funds held in trust	(44,301)	(3,217)
(Decrease) increase in bank indebtedness	(26,441)	39,532
	(174,812)	1,028,090
Capital activities		
Purchases of tangible capital assets	(351,766)	(1,337,349)
Proceeds of disposal of tangible capital assets	66,413	-
	(285,353)	(1,337,349)
Investing activities		
Advances to related Nation entity	(154,809)	(402)
Income from portfolio investment	124,627	-
Increase in restricted cash	(200,861)	(37,364)
	(231,043)	(37,766)
(Decrease) increase in cash resources	(354,399)	360,576
Cash resources, beginning of year	421,321	60,745
Cash resources, end of year	66,922	421,321
Supplementary cash flow information		
Interest paid	72,904	78,265

The accompanying notes are an integral part of these financial statements

The Key First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

1. Operations

The Key First Nation (the "First Nation") is located in the province of Saskatchewan, and provides various services to its members. The Key First Nation includes the Nation's members, government and all related entities that are accountable to the Nation and are either owned or controlled by the First Nation.

2. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian public sector accounting standards and including the following significant accounting policies:

Basis of presentation

Sources of financing and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Reporting entity

The financial statements consolidate the financial activities of all entities comprising the Nation reporting entity.

The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities:

- The Key First Nation
- Key First Nation CMHC Housing
- Key First Nation Pelly Haylands Corp.
- Key First Nation Band Land Holdings Corp.
- Key First Nation Pelly Haylands Authorized Expense Account
- Key First Nation Pelly Haylands Band Account

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department. Key First Nation Pelly Haylands Band Account and Key First Nation Pelly Haylands Authorized Expense Account have a year end of December 31, 2016 which are not co-terminous with the Nation's year end. Significant events during the intervening period were adjusted.

The financial statement of Key First Nation Pelly Hayland Trust is not included in the consolidated financial statements of The Key First Nation as the entity is administered and controlled by Trustees of the Trust.

These entities are related by common ownership.

Other economic interests

The Key First Nation is a member of the Yorkton Tribal Council Child and Family Services Incorporated. The Yorkton Tribal Council Child and Family Services Incorporated is an organization of thirteen member First Nations, whose purpose is to provide Child and Family Services to the thirteen member Nations.

The First Nation does not have a share in the profit or loss of the above entity. As a result, the financial statements of Yorkton Tribal Council Child and Family Services Incorporated have not been consolidated with the financial statements of the First Nation.

Portfolio investments

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment. The First Nation's investment in PHC Holdings Limited Partnership is accounted for using the cost method.

2. Significant accounting policies *(Continued from previous page)*

Cash resources

Cash resources include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Funds held in trust by INAC for the First Nation, cash in INAC capital project bank accounts and the cash on deposit in CMHC reserve accounts are recorded as restricted assets.

Restricted cash is disclosed in Note 3.

Funds held in Ottawa Trust Fund

Funds are held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund. Cash is subject to restrictions that prevent its use for current purposes is included in restricted cash.

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other Nation capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Revenues from trust fund moneys are recognized when measurable, earned and collection is reasonably assured. These moneys are reported on by the Government of Canada.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical accounting records. Contributed tangible capital assets are recorded at their fair value at the date of contribution.

Amortization

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost over their estimated useful lives. In the year of acquisition, amortization is taken at 1/2 of the annual amount. Land is not amortized.

	Method	Rate
Buildings	straight-line	20 years
Equipment	straight-line	5 years
Housing	straight-line	10 - 25 years
Water & Sewer	straight-line	20 - 40 years
Vehicles	straight-line	5 years

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in surplus for the year. Prices for similar items are used to measure fair value of long-lived assets.

2. Significant accounting policies *(Continued from previous page)*

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 normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

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 financial assets less its liabilities. Net debt combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

Revenue recognition

Non-government funding

Revenue is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

Government Transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Other Revenue

Lease revenue is recognized over the rental term. Investment income is recognized when received or receivable. Other revenues are earned from other services provided by the First Nation and are recognized when the service has been provided, amount is measurable and collectibility is reasonably assured.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period.

Accounts receivable and amounts due from related Nation entities are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

These assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the records in the periods in which they become known.

The Key First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

2. Significant accounting policies *(Continued from previous page)*

Liability for contaminated sites

A liability for remediation of contaminated sites is recognized at the best estimate of the amount required to remediate the contaminated sites when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2017.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made. No liability for remediation of contaminated sites exists at March 31, 2017.

Segments

The First Nation conducts its business through 8 reportable segments as identified in the attached schedules. These operating segments are established by senior management to facilitate the achievement of the First Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance and as part of its funding requirements.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information and are apportioned based on a percentage of budgeted revenue, where permitted by the funding agencies.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

3. Restricted cash

Included in cash is restricted cash relating to CMHC replacement reserve and of cash managed by capital project managers who are responsible for payment of expenses relating to capital projects funded by INAC. Restricted cash consists of the following:

	2017	2016
Current:		
Key First Nation Pelly Haylands Band Account	706,468	551,964
INAC capital projects	128,976	9,356
	835,444	561,320
Long-term:		
CMHC replacement reserve	74,305	147,568
	909,749	708,888

The Key First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

4. Accounts receivable

	2017	2016
Indigenous and Northern Affairs Canada	129,277	-
Health Canada	1,669	680
CMHC	73,599	14,520
Members	111,873	116,215
Other	294,200	138,014
	610,618	269,429
Less: Allowance for doubtful accounts	101,759	115,324
	508,859	154,105

Receivables from members are non-interest bearing with no set terms of repayment and are unsecured.

5. Portfolio investments

	2017	2016
Measured at cost:		
PHC Holdings Limited Partnership - 14.28%	206,931	331,558

The Key First Nations partners' capital account in PHC Holdings Limited Partnership as at December 31, 2016 is \$547,596.

6. Receivable from Key First Nation Pelly Hayland Trust

Receivable from the Trust are unsecured, non-interest bearing and without fixed terms of repayment. All transactions with related parties are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	2017	2016
Receivable from Key First Nation Pelly Haylands Trust	156,116	1,307

The Key First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

7. Funds held in trust

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of the First Nation's Council.

	2017	2016
Capital Trust		
Balance, beginning and end of year	506	506
Revenue Trust		
Balance, beginning of year	27,271	24,054
Interest	1,672	2,328
Land leases	432,629	399,092
	461,572	425,474
Less: withdrawals	390,000	398,203
Balance, end of year	71,572	27,271
Total funds held in trust	72,078	27,777

During the year, \$390,000 of funds transferred in the current year was expended as follows:

BCR #104 - 2016/2017	\$200,000 (Band Revenue)
BCR #157 - 2016/2017	\$190,000 (Band Revenue)

8. Bank indebtedness

At March 31, 2017, the First Nation had lines of credit totaling \$183,500 (2016 - \$183,500), none of which were drawn on. The 2011 Case 580N Back Hoe and mortgage proceeds on CMHC loans are pledged as collateral. Bank indebtedness consists of \$156,568 (2016 - \$183,009) in outstanding cheques.

The Key First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

9. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Recognized as revenue</i>	<i>Balance, end of year</i>
INAC	119,256	576,268	242,377	453,147
CMHC	-	92,000	1,878	90,122
Land lease	72,450	-	-	72,450
	191,706	668,268	244,255	615,719

INAC deferred revenue relates to the following:

	<u>2017</u>	<u>2016</u>
Renovation and Additions	205,963	-
Transfer Station	100,000	-
Bridge Repair	89,019	-
Water Treatment Plant	31,969	34,356
Planning Design & Construction	18,209	-
Sewage Pumping Station	7,987	75,000
P&ID Custom Election Code	-	9,900
	<u>453,147</u>	<u>119,256</u>

The Key First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

10. Long-term debt

The following CMHC loans are secured by government guarantees, and relate to the construction of on-reserve housing. The First Nation receives a subsidy from Canada Mortgage and Housing Corporation to assist with the payment of principal and interest on the following loans:

<u>CMHC Phase</u>	<u>Monthly Payment Including Interest</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2017</u>	<u>2016</u>
I	-	-	-	-	19,045
II	1,776	18.25%	Jun. 1, 2017	5,080	23,680
V	-	-	-	-	8,383
VI	1,876	3.35%	Dec. 1, 2017	16,655	38,211
VII	-	-	-	-	6,881
VIII	363	1.92%	Apr. 1, 2024	28,844	32,612
IX	1,091	1.14%	Mar. 1, 2026	111,983	123,529
X	1,172	1.53%	Nov. 1, 2027	138,338	150,196
XI	748	1.92%	Jan. 1, 2029	95,105	102,204
XII	1,767	1.14%	Jul. 1, 2036	367,792	384,201
XIII	3,848	1.39%	Jun 1, 2030	558,581	596,741
XIV (advances)	-	-	-	330,105	-
				1,652,483	1,485,683
Royal Bank term loan, interest at prime rate plus 2.75%, quarterly payments of \$20,834, matures July 2017 (secured by 2011 Case 580N Back Hoe with a net book value of \$nil).				20,826	104,162
Royal Bank term loan, interest at prime plus 2.00%, quarterly payments of \$53,800, matures July 2020.				638,153	818,075
Royal Bank term loan, interest at prime plus 1.50%, quarterly payments of \$10,937, matures July 2020.				118,956	175,000
Royal Ford loan, interest at 4.67%, quarterly payments of \$10,000 plus interest, matures June 2018.				48,432	-
				2,478,850	2,582,920
Less: current portion				397,948	453,452
				2,080,902	2,129,468

Principal repayments on long-term debt in each of the next five years, assuming loans subject to renewal are renewed with similar terms, are estimated as follows:

2018	397,948
2019	338,913
2020	329,207
2021	152,771
2022	95,926
	1,314,765
Thereafter	1,164,085

Interest on long-term debt amounted to \$72,904 (2016 - \$78,265).

11. Contingencies

The First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements may be subject to repayment upon final review by the relevant funding authority. This amount cannot be reasonably estimated at this point in time.

12. CMHC Reserves

Operating reserve

The First Nation's CMHC Housing Program receives funding to the Post 1997 - Fixed Subsidy Program. Any surpluses are externally restricted and reserved for future operating losses that relate to the operation of houses under this program. Any operating surpluses are retained in an operating reserve fund, which can be used to recover future operating deficits.

Replacement reserve

A replacement reserve has been established for replacement of capital equipment and for major repairs to the houses. Pursuant to CMHC agreements, operating provisions of \$40 per unit per month are made for phases I, II, V, VI, and VII, \$50 for phases VIII, \$101 for phase IX, \$98 for phase X, \$95 for phase XI and \$100 for phase XII and XIII. Any applicable expenditure is charged against the reserve.

Surplus reserve

For phases 1 through 7 (pre 1997 - 2% program), if a project has a surplus, a maximum of \$500 per house may be charged to operations and reserved for future operating losses.

At March 31, 2017 the replacement reserve is under-funded by \$65,936 (2016 - under-funded by \$46,721) and the operating reserve fund is under-funded by \$80,434 (2016 - under-funded by \$76,482).

13. Accumulated surplus

Accumulated surplus consists of the following:

	2017	2016
Equity in Ottawa Trust Funds	72,078	27,777
Equity in CMHC operating reserve	80,434	76,482
Equity in CMHC replacement reserve	140,241	194,290
Equity in CMHC subsidy surplus(deficit)	(119,193)	(122,693)
Equity in tangible capital assets	7,182,917	7,177,668
Unexpended Ottawa Trust Funds	-	86,467
Unrestricted surplus	509,289	403,597
	7,865,766	7,843,588

The First Nation does not maintain a moveable asset reserve.

The Key First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2017

14. Economic dependence

The Key First Nation receives a significant portion of its revenue from Indigenous and Northern Affairs Canada (INAC) as a result of Treaties entered into with the Government of Canada. These treaties are administered by INAC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

15. INAC Reconciliation

	2017	2016
INAC funding per confirmation	3,170,597	2,431,608
Add (less): funding reconciliations		
High school tuition	-	718
Special needs	(2,547)	(10,703)
National child benefit	-	(1,460)
Basic needs	28,614	(4,278)
Band employee benefits	662	(4,638)
Provincial special education	(4,320)	-
Provincial tuition	(319)	-
P&ID - gov capacity dev - mgmt/info technology	(16,000)	-
	6,090	(20,361)
Deferred revenue - beginning of year	119,256	129,004
Deferred revenue - end of year	(453,147)	(119,256)
	(333,891)	9,748
	2,842,796	2,420,995

16. Reconciliation of funding from Health Canada

	2017	2016
Funding per Health Canada confirmation	364,261	379,883
Less: recoveries		
Medical transportation	-	(7,193)
CDC/CDHE	-	(711)
HIV/AIDS	-	(2,374)
	-	(10,278)
	364,261	369,605

17. Segments

The First Nation has 8 reportable segments. These segments are differentiated by the major activities or services they provide. The First Nation's segments are as follows:

Band Government - includes administration and governance activities.

Education - includes the operations of education programs.

Economic Development - includes activities for the development of the First Nation's land and resources.

Social - activities include delivering social programs.

Community - includes activities for the maintenance of the community and its infrastructure.

Housing - includes the operations of housing programs.

Community Health - includes operation of health programs.

Other - other band programs which do not meet the criteria for the other segments.

Inter-segment transfers are recorded at their exchange amount. The accounting policies of the segments are the same as those described in Note 2.

18. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

19. Issuance of financial statements after July 29, 2017

The First Nation is required to post its consolidated financial statements on a website and submit the consolidated financial statements to INAC by July 29, 2017. As the audit report date is dated after this date, the First Nation is in violation of this requirement. The possible effect on this violation has not yet been determined.

20. Budget information

The disclosed budget information was approved by the Chief and Council of the First Nation on October 6, 2016.

In preparation of the budget, the amount budgeted for interest on long-term debt included the principal portion of loan payments which is not in accordance with Canadian public sector accounting standards. The principal portion of loan payments was adjusted to amortization which resulted in no change to the annual deficit budgeted.

The budget process followed by management only includes activities directed by the First Nation. Management does not prepare a budget for capital projects administered through third party project managers.

The Key First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2017

	<i>Buildings</i>	<i>Housing</i>	<i>Equipment</i>	<i>Water & Sewer</i>	<i>Land</i>	<i>Subtotal</i>
Cost						
Balance, beginning of year	3,839,135	5,176,615	579,419	630,205	4,316,020	14,541,394
Acquisition of tangible capital assets	11,276	10,500	269,272	2,286	-	293,334
Balance, end of year	3,850,411	5,187,115	848,691	632,491	4,316,020	14,834,728
Accumulated amortization						
Balance, beginning of year	1,985,762	2,109,694	561,219	321,833	-	4,978,508
Annual amortization	159,607	143,971	43,036	28,227	-	374,841
Balance, end of year	2,145,369	2,253,665	604,255	350,060	-	5,353,349
Net book value of tangible capital assets	1,705,042	2,933,450	244,436	282,431	4,316,020	9,481,379
2016 Net book value of tangible capital assets	1,853,373	3,066,921	18,200	308,372	4,316,020	9,562,886

The Key First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2017

	<i>Subtotal</i>	<i>Vehicles</i>	<i>2017</i>	<i>2016</i>
Cost				
Balance, beginning of year	14,541,394	154,066	14,695,460	13,358,111
Acquisition of tangible capital assets	293,334	58,432	351,766	1,337,349
Balance, end of year	14,834,728	212,498	15,047,226	14,695,460
Accumulated amortization				
Balance, beginning of year	4,978,508	131,365	5,109,873	4,736,947
Annual amortization	374,841	19,701	394,542	372,926
Balance, end of year	5,353,349	151,066	5,504,415	5,109,873
Net book value of tangible capital assets	9,481,379	61,432	9,542,811	9,585,587
2016 Net book value of tangible capital assets	9,562,886	22,701	9,585,587	

The Key First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2017

	2017 Budget (Note 20)	2017 Actual	2016 Actual
Consolidated expenses by object			
Salaries and benefits	1,336,297	1,226,151	1,211,240
Student expenses	1,016,882	907,121	1,072,105
Band support	60,000	522,269	424,247
Travel and meetings	428,549	487,105	425,455
Repairs and maintenance	457,063	449,264	633,758
Social assistance	329,761	413,480	427,412
Amortization	391,644	394,542	372,926
Contracted services	172,535	329,326	318,183
Community events, culture and recreation	76,800	204,761	222,186
Community development costs	100,000	142,697	144,251
Wakes and funerals	75,000	117,822	84,490
Professional fees	61,000	111,138	139,207
Per capital distributions	-	80,132	85,524
Interest on long-term debt	71,002	72,904	78,265
Utilities	28,660	65,413	38,498
Office supplies	33,480	56,471	35,496
Insurance	60,945	55,224	50,225
Election costs	25,000	47,653	490
Telephone	35,869	44,493	33,809
Bank charges and interest	20,130	31,976	23,528
Consulting	33,700	30,147	50,559
Supplies	11,900	28,783	35,371
Elders	12,000	25,530	12,552
Property tax	13,000	23,580	17,991
Bad debts	-	14,524	8,180
Program expense	27,640	14,078	10,870
Training	13,326	11,458	53,478
Advertising	6,000	6,184	3,939
Administration (recovery)	3,588	-	-
Rent	56,340	-	-
	4,958,111	5,914,226	6,014,235

**The Key First Nation
Band Government**

Schedule 3 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget (Note 20)	2017 Actual	2016 Actual
Revenue			
Indigenous and Northern Affairs Canada	347,250	432,945	360,314
Other	182,986	69,441	44,239
Yorkton Tribal Council	-	11,191	-
Painted Hand CDC	82,145	-	-
	612,381	513,577	404,553
Expenses			
Salaries and benefits	563,600	529,755	610,106
Travel and meetings	125,500	190,729	141,168
Community events, culture and recreation	55,000	171,687	152,888
Band support	60,000	144,754	113,447
Contracted services	4,980	79,645	21,053
Professional fees	30,000	74,887	78,089
Wakes and funerals	75,000	68,108	84,490
Election costs	25,000	47,653	490
Office supplies	25,000	39,454	23,960
Telephone	15,000	27,140	20,684
Elders	12,000	25,530	12,552
Bank charges and interest	15,000	21,471	16,696
Consulting	33,700	20,397	43,559
Program expense	15,000	6,435	-
Advertising	6,000	6,184	3,939
Amortization	-	3,615	8,891
Training	-	2,878	29,192
Bad debts	-	2,357	8,180
Interest on long-term debt	-	1,902	8,808
Insurance	-	1,194	3,388
Repairs and maintenance	94,500	413	4,277
Utilities	8,400	-	-
Rent	56,340	-	-
Administration (recovery)	(122,572)	(88,529)	(13,512)
	1,097,448	1,377,659	1,372,345
Deficit before transfers	(485,067)	(864,082)	(967,792)
Transfers between programs	375,900	549,951	656,979
Deficit	(109,167)	(314,131)	(310,813)

The Key First Nation
Education

Schedule 4 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget (Note 20)	2017 Actual	2016 Actual
Revenue			
Indigenous and Northern Affairs Canada	1,015,661	1,145,216	1,154,456
Expenses			
Student expenses	1,016,882	833,368	1,072,105
Salaries and benefits	77,458	78,799	61,738
Contracted services	34,100	40,139	34,136
Repairs and maintenance	14,500	26,395	16,928
Amortization	-	19,701	19,700
Travel and meetings	8,000	13,031	13,216
Social assistance	2,000	3,840	1,346
Administration	56,330	3,265	-
Insurance	614	1,665	481
Bank charges and interest	225	719	426
Office supplies	-	98	-
Training	-	-	1,250
Community events, culture and recreation	-	-	15,000
	1,210,109	1,021,020	1,236,326
Surplus (deficit)	(119,448)	124,196	(81,870)

The Key First Nation
Economic Development
Schedule 5 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget (Note 20)	2017 Actual	2016 Actual
Revenue			
Indigenous and Northern Affairs Canada	87,681	100,228	182,500
Painted Hand CDC	-	158,294	129,262
Yorkton Tribal Council	47,000	46,700	46,700
Other	-	5,266	-
	134,681	310,488	358,462
Expenses			
Community development costs	-	142,697	144,251
Salaries and benefits	79,466	49,938	72,178
Travel and meetings	39,264	44,336	23,844
Administration	-	10,023	-
Repairs and maintenance	2,000	9,022	14,141
Community events, culture and recreation	-	5,300	-
Contracted services	15,081	3,672	22,339
Supplies	-	2,367	407
Utilities	-	1,531	-
Property tax	-	1,516	-
Consulting	-	1,000	-
Telephone	600	550	200
Office supplies	-	466	305
Training	-	-	3,390
Program expense	-	-	1,500
Professional fees	-	-	12,500
Band support (recovery)	-	(952)	-
	136,411	271,466	295,055
Surplus (deficit)	(1,730)	39,022	63,407

**The Key First Nation
Social**

Schedule 6 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget (Note 20)	2017 Actual	2016 Actual
Revenue			
Indigenous and Northern Affairs Canada	414,174	478,161	446,468
Expenses			
Social assistance	327,761	409,640	426,066
Salaries and benefits	31,200	44,700	31,050
Contracted services	10,000	22,344	24,567
Travel and meetings	12,500	14,574	3,021
Training	5,826	6,858	16,462
Bank charges and interest	2,200	2,230	2,303
Community events, culture and recreation	15,000	-	9,450
	404,487	500,346	512,919
Surplus (deficit) before transfers	9,687	(22,185)	(66,451)
Transfers between programs	(12,366)	-	-
Deficit	(2,679)	(22,185)	(66,451)

**The Key First Nation
Community**

Schedule 7 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget (Note 20)	2017 Actual	2016 Actual
Revenue			
Indigenous and Northern Affairs Canada	398,760	599,150	211,912
Other	-	950	1,700
Interest income	-	19	2
	398,760	600,119	213,614
Expenses			
Amortization	-	227,130	200,203
Repairs and maintenance	253,007	218,105	122,633
Salaries and benefits	102,900	82,685	71,818
Contracted services	27,363	67,657	70,637
Utilities	13,760	43,654	23,206
Consulting	-	8,000	-
Travel and meetings	8,000	5,770	3,147
Training	2,000	1,722	2,258
Telephone	900	1,050	375
Bank charges and interest	-	120	-
Insurance	-	-	11,796
	407,930	655,893	506,073
Deficit	(9,170)	(55,774)	(292,459)

**The Key First Nation
Housing**

Schedule 8 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget (Note 20)	2017 Actual	2016 Actual
Revenue			
Indigenous and Northern Affairs Canada	61,268	87,096	65,345
Canada Mortgage and Housing Corporation	127,093	191,406	203,757
Rental income	105,090	84,189	86,941
Other	60,840	-	4,437
Interest income	-	-	11
	354,291	362,691	360,491
Expenses			
Repairs and maintenance	88,816	186,269	456,922
Amortization	122,121	143,973	143,973
Salaries and benefits	74,200	81,508	44,737
Insurance	48,861	52,365	27,511
Interest on long-term debt	25,239	25,239	39,982
Travel and meetings	8,000	15,811	39,419
Professional fees	-	12,973	10,621
Contracted services	-	10,593	25,296
Administration	-	6,126	-
Bank charges and interest	-	709	455
Office supplies	-	427	33
Supplies	-	294	-
	367,237	536,287	788,949
Deficit before other item	(12,946)	(173,596)	(428,458)
Other item			
Gain on disposal of tangible capital assets	-	66,413	-
Deficit before transfers	(12,946)	(107,183)	(428,458)
Transfers between programs	-	-	40,000
Deficit	(12,946)	(107,183)	(388,458)

**The Key First Nation
Community Health**

Schedule 9 - Consolidated Schedule of Revenue and Expenses
For the year ended March 31, 2017

	2017 Budget (Note 20)	2017 Actual	2016 Actual
Revenue			
Health Canada	340,132	364,261	369,605
Yorkton Tribal Council	160,160	160,070	187,427
Other	4,500	4,013	1,425
	504,792	528,344	558,457
Expenses			
Salaries and benefits	350,441	310,952	294,595
Contracted services	34,011	86,576	111,142
Travel and meetings	30,484	82,665	82,460
Administration	35,697	34,982	13,512
Community events, culture and recreation	6,800	27,774	44,849
Supplies	11,900	26,122	31,264
Utilities	6,500	20,227	15,292
Telephone	17,869	15,752	12,550
Office supplies	2,380	12,398	11,199
Bad debts	-	12,167	-
Repairs and maintenance	4,240	8,360	18,857
Program expense	4,640	7,643	9,370
Bank charges and interest	1,805	2,230	1,360
Consulting	-	750	-
Insurance	11,470	-	7,048
Training	5,500	-	925
	523,737	648,598	654,423
Deficit before transfers	(18,945)	(120,254)	(95,966)
Transfers between programs	12,366	-	-
Deficit	(6,579)	(120,254)	(95,966)

**The Key First Nation
Other**

Schedule 10 - Consolidated Schedule of Revenue and Expenses

For the year ended March 31, 2017

	2017	2017	2016
Revenue			
Key First Nation Pelly Haylands Trust	495,465	971,236	1,066,684
Lease income	432,349	529,229	495,692
First Nations Trust	370,000	425,184	458,734
Other	-	4,075	134,910
Interest income	-	1,672	2,328
	1,297,814	1,931,396	2,158,348
Expenses			
Band support	-	378,468	310,800
Travel and meetings	196,800	120,191	119,180
Per capital distributions	-	80,132	85,524
Student expenses	-	73,752	-
Wakes and funerals	-	49,714	-
Salaries and benefits	57,032	47,814	25,018
Interest on long-term debt	45,763	45,763	29,475
Administration	34,133	34,133	-
Professional fees	31,000	23,278	37,998
Property tax	13,000	22,065	17,991
Contracted services	47,000	18,700	9,013
Bank charges and interest	900	4,497	2,287
Office supplies	6,100	3,627	-
Repairs and maintenance	-	699	-
Amortization	269,523	124	159
Program expense	8,000	-	-
Community development costs	100,000	-	-
Supplies	-	-	3,700
Telephone	1,500	-	-
Consulting	-	-	7,000
	810,751	902,957	648,145
Surplus before transfers	487,063	1,028,439	1,510,203
Transfers between programs	(450,900)	(549,951)	(696,979)
Surplus	36,163	478,488	813,224