

EAGLE LAKE FIRST NATION NO. 27
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2014

EAGLE LAKE FIRST NATION NO. 27

MANAGEMENT'S REPORT

FOR THE YEAR ENDED MARCH 31, 2014

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Eagle Lake First Nation No. 27 are the responsibility of management and have been approved by the Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

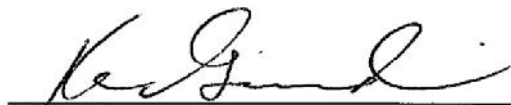
The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditor's report.

The external auditors, Heartland Chartered Accountants LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Eagle Lake First Nation No. 27 and meet when required.

On behalf of Eagle Lake First Nation No. 27:



Chief



Councillor



Councillor



Councillor

July 29, 2014



INDEPENDENT AUDITOR'S REPORT

To the Members of Eagle Lake First Nation No 27:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Eagle Lake First Nation No. 27, which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations and accumulated surplus, change in net debt and cash flows for the year then ended, and the notes to the financial statements.

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.

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 an 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 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

The consolidated financial statements include results from six government business enterprises which were not subject to audit. The six enterprises are listed in Note 1c to the consolidated financial statements.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly in all material respects, the consolidated financial position of Eagle Lake First Nation No. 27 as at March 31, 2014 and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Winnipeg, Manitoba
July 29, 2014

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

EAGLE LAKE FIRST NATION NO. 27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2014

	2014	2013
FINANCIAL ASSETS		
Cash and cash equivalents (Note 2)	\$ 3,409,157	4,034,561
Accounts receivable (Note 3)	254,969	294,364
Trust funds held by the federal government (Note 4)	82,182	80,153
	<u>3,746,308</u>	<u>4,409,078</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	434,551	694,762
Incomplete projects (Note 8)	2,940,746	4,096,932
Long-term debt (Note 9)	1,559,430	1,831,010
	<u>4,934,727</u>	<u>6,622,704</u>
NET DEBT	\$ <u><u>1,188,419</u></u>	<u><u>2,213,626</u></u>
NON-FINANCIAL ASSETS		
Investment (Note 5)	\$ -	400,000
Tangible Capital Assets (Note 6)	9,640,169	10,434,164
	\$ <u><u>9,640,169</u></u>	<u><u>10,834,164</u></u>
ACCUMULATED SURPLUS	\$ <u><u>8,451,750</u></u>	<u><u>8,620,538</u></u>

APPROVED ON BEHALF OF THE FIRST NATION:

 CHIEF

 COUNCILLOR

 COUNCILLOR

 COUNCILLOR

EAGLE LAKE FIRST NATION NO. 27

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
REVENUES		
AANDC (Page 13)	\$ 2,215,320	2,185,153
Health Canada (Page 37)	701,815	681,293
Federal Government - other	23,300	-
Province of Ontario	884,080	818,234
Business enterprises - net	(139,714)	(316,479)
CMHC - rental subsidies	77,292	89,831
Other	920,292	979,898
Net transfer from (to) incomplete projects	<u>1,156,186</u>	<u>(48,340)</u>
	<u>5,838,571</u>	<u>4,389,590</u>
EXPENSES		
Community development	1,214,022	1,010,539
Economic development	188,709	306,079
Education	1,064,932	1,137,661
Government support	519,916	494,952
Social development	704,205	364,330
Health	736,524	720,850
Amortization	1,097,678	1,129,116
Other	<u>81,373</u>	<u>382,902</u>
	<u>5,607,359</u>	<u>5,546,429</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER EXPENSES	231,212	(1,156,839)
Impairment of investment (Note 5)	<u>400,000</u>	<u>-</u>
ANNUAL DEFICIT	<u>(168,788)</u>	<u>(1,156,839)</u>
ACCUMULATED SURPLUS AT BEGINNING OF YEAR	<u>8,620,538</u>	<u>9,777,377</u>
ACCUMULATED SURPLUS AT END OF YEAR	<u><u>\$ 8,451,750</u></u>	<u><u>8,620,538</u></u>

EAGLE LAKE FIRST NATION NO. 27

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
ANNUAL DEFICIT	\$ 231,212	(1,156,839)
Acquisition of tangible capital assets	(303,683)	(123,334)
Amortization of tangible capital assets	<u>1,097,678</u>	<u>1,129,116</u>
CHANGE IN NET DEBT	1,025,207	(151,057)
NET DEBT AT BEGINNING OF YEAR	<u>2,213,626</u>	<u>2,062,569</u>
NET DEBT AT END OF YEAR	\$ <u><u>1,188,419</u></u>	<u><u>2,213,626</u></u>

EAGLE LAKE FIRST NATION NO. 27
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2014

	<u>2014</u>	<u>2013</u>
OPERATING TRANSACTIONS		
Annual deficit	\$ 231,212	(1,156,839)
Item not affecting cash:		
Amortization	<u>1,097,678</u>	<u>1,129,116</u>
	1,328,890	(27,723)
Change in non-cash charges to operations		
Accounts receivable	39,395	(7,139)
Trust funds held by the federal government	(2,029)	(1,922)
Accounts payable and accrued liabilities	(260,211)	(6,324)
Incomplete projects	<u>(1,156,186)</u>	<u>48,340</u>
Cash provided by (applied to) operating transactions	<u>(50,141)</u>	<u>5,232</u>
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	<u>(303,683)</u>	<u>(123,334)</u>
FINANCING TRANSACTIONS		
Debt retirement	<u>(271,580)</u>	<u>(261,419)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(625,404)	(379,521)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>4,034,561</u>	<u>4,414,082</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 3,409,157</u></u>	<u><u>4,034,561</u></u>

EAGLE LAKE FIRST NATION NO. 27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

b) Reporting entity

The Eagle Lake First Nation No. 27 reporting entity includes the Eagle Lake First Nation No. 27 government and all related entities that are controlled by the First Nation.

c) Principles of consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise, which are included in the Consolidated Financial Statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

Under the modified equity method of accounting, only Eagle Lake First Nation No. 27's investment in the government business enterprise and the enterprise's net income and other changes in equity are recorded. No adjustment is made for accounting policies of the enterprise that are different from those of Eagle Lake First Nation No. 27.

Organizations accounted for on an modified equity basis:

- Ojibway Paradise Resort
- Bingo Palace
- 1157065 Ontario Inc. (o/a Eagle Lake Contractors)
- Migisi Logging
- Recreation (Arena) Operations
- Concession Operation

d) 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.

e) Portfolio investments

Portfolio investments are recorded at cost. Portfolio investments are written down where there has been a loss in value that is other than a temporary decline.

f) Tangible capital assets

Tangible capital assets acquired after March 31, 1999 are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Tangible capital assets acquired prior to April 1, 1999 were recorded at insured values at that date.

EAGLE LAKE FIRST NATION NO. 27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Tangible capital assets (continued)

Leases that transfer substantially all the benefits and risks of ownership to the lessee are recorded as capital leases. Accordingly, at the inception of the leases, the tangible capital asset and related lease obligations are recorded at an amount equal to the present value of future lease payments discounted at the lower of the interest rate inherent in the lease contracts and Eagle Lake First Nation No. 27's incremental cost of borrowing.

Amortization is provided at the following rates and methods:

Buildings - CMHC	Amount of principal repayment of mortgage
Buildings - other	5% straight line
Infrastructure	5% straight line
Equipment	20% straight line
Vehicles	30% straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to Eagle Lake First Nation No. 27's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded into revenues at their fair value on the date of donation, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value. Transfers of capital assets from related parties are recorded at carrying value.

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.

g) 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.

Revenue related to fees or services received in advance of the fee being earned or the service is performed is deferred and recognized when the fee is earned or service performed.

EAGLE LAKE FIRST NATION NO. 27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Measurement uncertainty

In preparing the consolidated financial statements for Eagle Lake First Nation No. 27, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent liabilities, at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Items requiring the use of significant estimates include the allowance for doubtful accounts and the estimated life of tangible capital assets. Actual results could differ from these estimates.

2) CASH AND CASH EQUIVALENTS

Under the terms of an agreement with Canada Mortgage and Housing Corporation, Eagle Lake First Nation No. 27 must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by fund are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Replacement Reserve Fund. Cash and cash equivalents is comprised of the following:

	<u>2014</u>	<u>2013</u>
Externally restricted		
Replacement Reserve Fund	\$ 150,648	105,822
Operating Surplus Fund	84,171	-
Internally restricted		
Incomplete projects	2,940,746	4,096,932
Unrestricted	317,763	(168,193)
Total cash and cash equivalents	<u><u>\$ 3,409,157</u></u>	<u><u>4,034,561</u></u>

3) ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Trade receivables	\$ 185,787	181,276
Due to government and other government organizations		
Federal government		
Aboriginal Affairs and Northern Development Canada	3,000	33,959
Health Canada	21,179	38,832
Canada Mortgage and Housing Corporation	5,690	23,931
Provincial government	39,313	16,366
Total Accounts Receivable	<u><u>\$ 254,969</u></u>	<u><u>294,364</u></u>

EAGLE LAKE FIRST NATION NO. 27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

4) TRUST FUNDS HELD BY THE FEDERAL GOVERNMENT

	<u>March 31, 2013</u>	<u>Additions 2014</u>	<u>Withdrawals 2014</u>	<u>March 31, 2014</u>
Revenue	\$ 25,744	2,029	-	27,773
Capital	54,409	-	-	54,409
	<u>\$ 80,153</u>	<u>2,029</u>	<u>-</u>	<u>82,182</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 Sections 63 to 69 of the Indian Act.

5) INVESTMENT

The First Nation has subscribed to a 10 % interest in Two Feathers Forest Products LP ("TFFP"). During the year, the First Nation determined that TFFP's bankruptcy has impaired the future recoverability of the investment by the First Nations. Accordingly, an impairment loss of \$400,000 has been recorded.

6) TANGIBLE CAPITAL ASSETS

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Cost</u>	<u>Accumulated Amortization</u>
Buildings - CMHC	\$ 2,781,620	357,093	2,781,620	308,317
Buildings - other	16,835,601	10,976,491	16,561,941	10,134,710
Buildings under construction	173,590	-	123,334	-
Infrastructure	4,199,190	3,068,951	4,199,190	2,858,992
Equipment	1,342,393	1,317,826	587,855	550,379
Vehicles	519,025	490,889	490,482	457,860
	<u>\$ 25,851,419</u>	<u>16,211,250</u>	<u>24,744,422</u>	<u>14,310,258</u>
Net book value		<u>\$ 9,640,169</u>		<u>\$ 10,434,164</u>

7) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2014</u>	<u>2013</u>
Trade payables	\$ 191,579	462,492
Vacation pay accrual	66,939	66,547
Due to government and other government organizations		
Federal government	166,207	165,723
Provincial government	9,826	-
	<u>\$ 434,551</u>	<u>694,762</u>

EAGLE LAKE FIRST NATION NO. 27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

7) ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (continued)

The vacation pay liability is comprised of the vacation pay that employees are deferring to future years. Employees have either earned the benefits or are entitled to these benefits within the next budgetary year.

8) INCOMPLETE PROJECTS

	Balance March 31, 2013	Funding Received 2014	Revenue Recognized 2014	Balance March 31, 2014
<u>Federal Government</u>				
Capital projects	\$ -	5,900	-	5,900
Other	26,788	7,342	(14,200)	19,930
	<u>26,788</u>	<u>13,242</u>	<u>(14,200)</u>	<u>25,830</u>
<u>Provincial Government</u>				
Capital projects	76,190	-	-	76,190
<u>Other</u>				
Restricted contributions	3,993,954	583,987	(1,739,215)	2,838,726
	<u>\$ 4,096,932</u>	<u>597,229</u>	<u>(1,753,415)</u>	<u>2,940,746</u>

9) LONG-TERM LIABILITIES

	2014	2013
CMHC - Capital Fund		
3.14% mortgage payable, repaid during the year	\$ -	135,391
5.19% mortgage payable at \$291 monthly including principal and interest, maturing January 1, 2022, secured by 1 rental house	22,505	24,781
2.35% mortgage payable at \$4,769 monthly including principal and interest, maturing July 1, 2033, secured by 14 rental houses	889,219	922,214
Royal Bank of Canada - Community Building expansion loan		
The loan is repayable at \$8,333 monthly plus interest at Royal Bank prime plus 1.45%	647,706	748,624
	<u>\$ 1,559,430</u>	<u>1,831,010</u>

Anticipated annual principal payments over the next five years are as follows:

March 31, 2015	140,021
March 31, 2016	141,020
March 31, 2017	142,046
March 31, 2018	143,102
March 31, 2019	144,185

EAGLE LAKE FIRST NATION NO. 27

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2014

10) EXPENSES BY OBJECT

The following is a summary of expenses by object:

	<u>2014</u>	<u>2013</u>
Salaries, wages and benefits	\$ 1,925,389	1,926,363
Staff development	67,620	24,158
Supplies and services	1,538,147	1,655,070
Interest	61,317	42,489
Professional services	232,693	34,640
Rental expenditures	84,054	234,417
Fees and contract services	600,461	500,176
Amortization	1,097,678	1,129,116
Impairment of investment	400,000	-
	<u><u>\$ 6,007,359</u></u>	<u><u>5,546,429</u></u>

11) COMPARATIVE FIGURES

Comparative figures have been provided where practicable in the Schedules of Revenue and Expenditures. Certain comparative figures have been reclassified to conform to the current year's method of presentation.