

Serpent River First Nation
Consolidated Financial Statements
For the year ended March 31, 2014

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Management's Responsibility for Financial Reporting

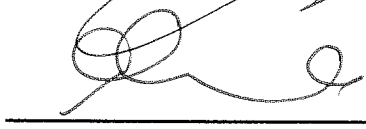
March 31, 2014

The accompanying consolidated financial statements of the Serpent River First Nation 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 prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible 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.

The First Nation 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 external auditors, BDO Canada LLP, conduct an audit in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of Serpent River First Nation and meet when required.


_____ Chief
_____ Comptroller



Tel: 705 945 0990
Fax: 705 942 7979
Toll-free: 800 520 3005
www.bdo.ca

BDO Canada LLP
747 Queen Street E
PO Box 1109
Sault Ste. Marie ON P6A 5N7 Canada

Independent Auditor's Report

To the Members of Serpent River First Nation

We have audited the accompanying consolidated financial statements of the Serpent River First Nation, which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations, change in net financial assets (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 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 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 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 consolidated financial position of the Serpent River First Nation as at March 31, 2014 and the consolidated results of its operations, change in net financial assets (debt) and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chartered Accountants, Licensed Public Accountants
Sault Ste. Marie, Ontario
August 25, 2014

Serpent River First Nation

Consolidated Statement of Financial Position

March 31	2014	Restated (see Note 17) 2013
Financial assets		
Cash (Note 2)	\$ 5,140,906	\$ 3,022,063
Accounts receivable (Note 3)	1,668,185	2,029,023
Investment in government business partnership (Note 4)	6,201	1
Portfolio investments (Note 5)	1	1
Trust Funds held by Federal Government (Note 6)	183,926	142,295
	<u>6,999,219</u>	<u>5,193,383</u>
Liabilities		
Bank indebtedness (Note 7)	57,616	65,000
Accounts payable and accrued liabilities (Note 8)	536,094	628,460
Due to funders (Note 9)	28,434	51,565
Deferred revenue (Note 10)	3,600,451	561,424
Long term debt (Note 11)	4,779,524	5,075,003
	<u>9,002,119</u>	<u>6,381,452</u>
Net debt	<u>(2,002,900)</u>	<u>(1,188,069)</u>
Non-financial assets		
Tangible capital assets (Schedule 1)	15,406,973	15,430,194
Prepaid expenses and inventory of supplies	298,312	150,184
	<u>15,705,285</u>	<u>15,580,378</u>
Accumulated surplus, end of year (Note 12)	<u>\$ 13,702,385</u>	<u>\$ 14,392,309</u>

The accompanying notes are an integral part of these consolidated financial statements.

Serpent River First Nation

Consolidated Statement of Operations

			Restated (see Note 17)
For the year ended March 31	Budget	2014	2013
Revenue			
Aboriginal Affairs	\$ 3,263,811	\$ 7,159,596	\$ 3,814,267
Province of Ontario	821,370	997,219	1,352,390
Government of Canada	783,454	1,286,715	1,240,462
OFNLP	-	745,270	748,561
North Shore Tribal Council	423,018	766,172	718,300
Interest	-	15,410	18,613
Rental	146,000	684,930	721,030
Residence, parent and user fees	204,715	103,756	114,343
Other revenue	1,957,062	2,169,718	1,886,766
Government of Canada Trust Funds	-	41,632	27,512
	7,599,430	13,970,418	10,642,244
Deferred revenue, beginning of year	323,468	512,919	210,051
Deferred revenue, end of year	-	(3,600,451)	(512,919)
Due from (to) funders	-	47,453	(28,686)
Recovery of prior years	-	(34,464)	(86,010)
	7,922,898	10,895,875	10,224,680
Expenses			
Niigaaniin project	219,236	527,469	501,840
Domicile	814,290	748,321	728,596
Community wellness	927,220	1,086,282	881,755
First Nation support funding	811,104	585,927	551,998
Community infrastructure	726,551	805,562	835,271
Education	2,062,496	2,236,937	2,222,541
Capital programs	457,343	132,203	335,343
Daycare	402,422	445,799	489,167
Other subsidized programs	376,229	2,061,363	1,041,456
Lands & Resources programs	2,160	153,270	164,665
First Nation operated enterprises	2,169,185	2,392,486	2,611,801
Economic Development Corporation	79,631	416,380	86,722
	9,047,867	11,591,999	10,451,155
	(1,124,969)	(696,124)	(226,475)
Net income of M'Anishnabek Industries Limited Partnership	-	6,200	-
Annual deficit	(1,124,969)	(689,924)	(226,475)
Accumulated surplus, beginning of year	14,392,309	14,392,309	14,618,784
Accumulated surplus, end of year	\$ 13,267,340	\$ 13,702,385	\$ 14,392,309

The accompanying notes are an integral part of these consolidated financial statements.

Serpent River First Nation

Consolidated Statement of Change in Net Financial Assets (Debt)

For the year ended March 31	Budget	2014	Restated (see Note 17) 2013
Annual deficit	\$ (1,124,969)	\$ (689,924)	\$ (226,475)
Acquisition of tangible capital assets	(10,429)	(1,099,886)	(537,299)
Amortization of tangible capital assets	1,058,671	1,058,671	1,063,947
Loss on disposal of tangible capital assets	-	64,436	895
Prepaid expenses and inventory of supplies	-	(148,128)	4,528
Net change in net debt	(76,727)	(814,831)	305,596
Net debt, beginning of year	(1,188,069)	(1,188,069)	(1,493,665)
Net debt, end of year	\$ (1,264,796)	\$ (2,002,900)	\$ (1,188,069)

The accompanying notes are an integral part of these consolidated financial statements.

Serpent River First Nation

Consolidated Statement of Cash Flows

For the year ended March 31

2014

2013

Operating transactions

Annual deficit	\$ (689,924)	\$ (226,475)
Items not involving cash		
Amortization	1,058,671	1,063,947
Gain (loss) on disposal of tangible capital assets	64,436	895
	<u>433,183</u>	<u>838,367</u>

Changes in non-cash working capital balances

Accounts receivable	360,838	377,093
Investment in government business partnership	(6,200)	-
Funds held in trust with Government of Canada	(41,631)	(27,512)
Accounts payable	(92,366)	(261,896)
Deferred revenue	3,039,027	351,373
Due to/from funders	(23,131)	(30,239)
Prepaid expenses and inventory of supplies	(148,128)	4,528
	<u>3,521,592</u>	<u>1,251,714</u>

Capital transactions

Acquisition of tangible capital assets	<u>(1,099,886)</u>	<u>(537,299)</u>
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Financing transactions

Repayment of long term debt	(295,479)	(470,334)
Demand loan	(7,384)	65,000
	<u>(302,863)</u>	<u>(405,334)</u>

Net change in cash and equivalents

2,118,843 309,081

Cash and cash equivalents, beginning of year

3,022,063 2,712,982

Cash and cash equivalents, end of year

\$ 5,140,906 \$ 3,022,063

Supplemental Information

Interest paid	\$ 154,740	\$ 180,206
Interest received	\$ 15,410	\$ 18,613

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2014

1. Summary of significant accounting policies

Accounting Principles These consolidated financial statements of the Serpent River First Nation have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as recommended by the Public Sector Accounting Board.

Basis of Consolidation These financial statements reflect the assets, liabilities, revenues and expenses of all programs under the control of Chief and Council.

All controlled entities are fully consolidated on a line-by-line basis except for commercial enterprises which meet the definition of a 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 Serpent River First Nation's portion of 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 the First Nation, and inter-organizational balances and transactions are not eliminated.

Organizations consolidated include:

- Serpent River First Nation Economic Development Corporation
- Serpent River First Nation Non-Profit Housing
- Serpent River Trading Post

Serpent River First Nation has invested for a 50% investment in M'Anishnabek Industries Limited Partnership. The First Nation accounts for its investment in this government business partnership using the modified equity method.

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

Tangible Capital Assets Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Land improvements	10 to 20 years
Buildings	25 to 40 years
Housing	25 years
Machinery and equipment	10 to 20 years
Vehicles	5 years
Furniture and equipment	4 to 10 years
Power generating station	30 to 50 years
Infrastructure	10 to 100 years

Serpent River First Nation

Notes to Consolidated Financial Statements

March 31, 2014

1. Summary of significant accounting policies *(continued)*

Inventory	Inventory is stated at the lower of cost and net realizable value. Cost is generally determined on the first-in, first-out basis.
Revenue Recognition	<p>Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. All revenue is recorded on an accrual basis.</p> <p>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.</p> <p>Contributions, other than government transfers, are deferred when restrictions are placed on their use by the external contributor, and are recognized as revenue when used for the specific purpose.</p> <p>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.</p>
Use of Estimates	The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

2. Cash

The First Nation has a Bank of Nova Scotia line of credit limit of \$750,000 at prime plus 1%, which includes access to Standby Letters of Credit limited to a maximum of \$250,000. On March 31, 2014, nothing was drawn on the line of credit.

The First Nation has a Bank of Montreal demand loan limit of \$1,500,000 at prime plus 1%. On March 31, 2014, nothing was drawn on the line of credit.

3. Accounts receivable

	2014	2013
Aboriginal Affairs and Northern Development Canada	\$ 1,018,090	\$ 1,115,874
Province of Ontario	74,633	259,712
Health Canada	49,560	160,318
CMHC	44,382	44,750
North Shore Tribal Council / Niigaaniin	289,631	131,197
Due from members	775,163	684,443
Other	89,716	199,505
	<u>2,341,175</u>	<u>2,595,799</u>
Less: allowance for doubtfuls	<u>(672,990)</u>	<u>(566,776)</u>
	<u>\$ 1,668,185</u>	<u>\$ 2,029,023</u>

Serpent River First Nation

Notes to Financial Statements

March 31, 2014

4. Investment - Government Business Partnership

The First Nation has invested for a 50% partnership interest in M'Anishnabek Industries Limited Partnership for the purpose of exploring business opportunities related to a quarry and rail spur.

The investment at March 31, 2014 consists of the following:

	<u>2014</u>	<u>2013</u>
M'Anishnabek Industries Limited Partnership		
Limited partner unit (1 of 2 units issued)	\$ 1	1
First Nation's share of earnings	<u>6,200</u>	<u>-</u>
	<u>\$ 6,201</u>	<u>\$ 1</u>

Financial information for M'Anishnabek Industries Limited Partnership for its March 31 fiscal periods reflected herein is as follows:

	<u>2014</u>	<u>2013</u>
Assets	\$ 509,229	\$ 423,572
Liabilities	<u>496,827</u>	<u>486,376</u>
Partners' equity (deficiency)	<u>\$ 12,402</u>	<u>\$ (62,804)</u>
Revenues	\$ 1,321,553	\$ 2,894,299
Expenses	<u>1,246,347</u>	<u>2,587,846</u>
Net income for the year	<u>\$ 75,206</u>	<u>\$ 306,453</u>

5. Portfolio investments

	<u>2014</u>	<u>2013</u>
M'Anishnabek Industries General Partner Limited		
Common share (51 of 100 shares issued)	<u>\$ 1</u>	<u>\$ 1</u>

Serpent River First Nation

Notes to Financial Statements

March 31, 2014

6. Trust Funds held by Federal Government

	March 31, 2013	Additions 2014	Withdrawals 2014	March 31, 2014
Revenue	\$ 73,860	\$ 3,697	\$ -	\$ 77,557
Capital	68,435	37,934	-	106,369
	<u>\$ 142,295</u>	<u>\$ 41,631</u>	<u>\$ -</u>	<u>\$ 183,926</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.

7. Bank indebtedness

	2014	2013
Bank loans (BMO Bank prime + 0.5%), due on demand, secured by house	<u>\$ 57,616</u>	<u>\$ 65,000</u>

8. Accounts payable

	2014	2013
Trade payables	\$ 319,470	\$ 332,306
Elementary and Secondary tuition payables	97,454	206,422
Accrued wages and employee benefits payable	119,170	89,732
	<u>\$ 536,094</u>	<u>\$ 628,460</u>

9. Due to funders

	2014	2013
Aboriginal Affairs	\$ 9,011	\$ 44,698
Province of Ontario	12,556	-
Union of Ontario Indians	6,867	6,867
	<u>\$ 28,434</u>	<u>\$ 51,565</u>

Serpent River First Nation

Notes to Financial Statements

March 31, 2014

10. Deferred revenue and government transfers

	Balance March 31, 2013	Funding Received 2014	Revenue Recognized 2014	Balance March 31, 2014
Federal Government				
Aboriginal Affairs	\$ 189,477	\$ 7,159,596	\$ 4,023,476	\$ 3,325,597
Health Canada	38,381	978,586	1,000,921	16,046
CMHC	-	308,129	308,129	-
	<u>227,858</u>	<u>8,446,311</u>	<u>5,332,526</u>	<u>3,341,643</u>
Province of Ontario	101,282	997,219	1,061,881	36,620
North Shore Tribal Council	123,997	766,172	852,191	37,978
Other	108,287	3,760,716	3,684,793	184,210
	<u>333,566</u>	<u>5,524,107</u>	<u>5,598,865</u>	<u>258,808</u>
	<u>\$ 561,424</u>	<u>\$ 13,970,418</u>	<u>\$ 10,931,391</u>	<u>\$ 3,600,451</u>

Deferred revenue is broken down by program as follows:

	2014	2013
Social Assistance - Niigaaniin Project	\$ -	\$ 11,953
Social Assistance - Financial Aid	6,852	-
Community Wellness - Fetal Alcohol Syndrome	5,500	5,245
Community Wellness - Health Transfers	10,546	33,136
Community Wellness - Healthy Babies Healthy Children	4,981	-
Community Wellness - After School	8,679	9,373
Community Wellness - Day Camp	2,023	3,023
Community Infrastructure - Roads	17,384	-
Education - Education Resource Centre	-	3,652
Capital Programs - Baseball Field Project	158,767	-
Capital Programs - Capital Water Project	3,193,788	99,223
Daycare - Federal Childcare	-	20,889
Other Subsidized - Communications	4,577	5,686
Other Subsidized - Community Comprehensive Plan	-	59,999
Other Subsidized - Cultural Program	6,551	71,149
Other Subsidized - Fisheries Project	-	15,363
Other Subsidized - GIS Mapper	18,977	41,760
Other Subsidized - SATF	31,126	31,157
Lands & Resources - Environmental Review Panel	14,425	39,999
Lands & Resources - NRED	8,964	9,787
Economic Development Corporation - Trillium - Solar	2,241	-
Economic Development Corporation - Trillium - Solar	2,479	24,775
Economic Development Corporation - Trillium - Library	2,591	-
Economic Development Corporation - CEOP - Governance	-	26,750
Economic Development Corporation - CEOP	100,000	-
	<u>3,600,451</u>	<u>512,919</u>
Prior year recovery - Capital Water Project	-	48,505
	<u>\$ 3,600,451</u>	<u>\$ 561,424</u>

Serpent River First Nation

Notes to Financial Statements

March 31, 2014

11. Long term debt

	2014	2013
Bank of Nova Scotia		
3.99% mortgage, due in monthly instalments of \$1,040 including principal and interest, maturing June 1, 2017, secured by Government of Canada guarantee	\$ 69,013	\$ 78,556
5.00% mortgage due in monthly instalments of \$562 including principal and interest, maturing May 1, 2014, secured by Government of Canada guarantee	610	7,147
4.29% mortgage due in monthly instalments of \$1,459 including principal and interest, maturing April 1, 2015, secured by Government of Canada guarantee	17,170	33,563
3.59% mortgage due in monthly instalments of \$2,200 including principal and interest, maturing February 1, 2016, secured by Government of Canada guarantee	48,843	73,031
4.19% mortgage due in monthly instalments of \$2,715 including principal and interest, maturing January 1, 2017, secured by Government of Canada guarantee	86,963	115,291
3.99% mortgage due in monthly instalments of \$2,671 including principal and interest, maturing February 1, 2018, secured by Government of Canada guarantee	116,118	142,991
4.95% mortgage due in monthly instalments of \$3,818 including principal and interest, maturing July 1, 2014 secured by Government of Canada guarantee	214,651	249,020
4.29% mortgage due in monthly instalments of \$3,130 including principal and interest, maturing March 1, 2015 secured by Government of Canada guarantee	196,351	224,894
3.59% mortgage due in monthly instalments of \$1,310 including principal and interest, maturing March 1, 2016, secured by Government of Canada guarantee	91,103	103,338
3.54% mortgage due in monthly instalments of \$2,084 including principal and interest, maturing March 1, 2017, secured by Government of Canada guarantee	174,224	192,756
Prime plus 1.50% mortgage due in monthly payments of \$6,600 principal plus interest, maturing July 28, 2015, secured by general security agreement	897,600	976,800
Canada Mortgage and Housing Corporation		
2.76% mortgage due in monthly instalments of \$2,151 including principal and interest, maturing June 1, 2015, secured by Government of Canada guarantee	245,347	264,197
2.75% mortgage due in monthly instalments of \$2,821 including principal and interest, maturing February 1, 2016, secured by Government of Canada guarantee	340,561	364,815

Serpent River First Nation
Notes to Financial Statements

March 31, 2014

11. Long term debt (continued)

	<u>2014</u>	<u>2013</u>
1.80% mortgage due in monthly instalments of \$2,740 including principal and interest, maturing October 1, 2016, secured by Government of Canada guarantee	364,147	390,295
1.62% mortgage due in monthly instalments of \$2,773 including principal and interest, maturing March 1, 2018, secured by Government of Canada guarantee	415,129	441,520
1.64% mortgage due in monthly instalments of \$4,194 including principal and interest, maturing February 1, 2017, secured by Government of Canada guarantee	370,316	414,274
2.23% mortgage due in monthly instalments of \$1,304 including principal and interest, maturing August 1, 2014, secured by Government of Canada guarantee	255,396	265,283
2.65% mortgage due in monthly instalments of \$2,651 including principal and interest, maturing April 1, 2016, secured by Government of Canada guarantee	532,954	550,535
Royal Bank of Canada		
3.02% mortgage due in monthly instalments of \$1,798 including principal and interest, maturing August 18, 2018, secured by Government of Canada guarantee	171,146	186,697
Other		
Waubetek Business Development Corporation mortgage, repayable \$3,522 monthly including principal and interest at prime + 3%, maturing November 2018	<u>171,882</u>	<u>-</u>
	\$ 4,779,524	\$ 5,075,003

Assuming refinancing of mortgages under similar terms, principal payments due within the next five years are approximately as follows:

Year	Amount
2015	\$ 498,210
2016	495,861
2017	481,057
2018	465,456
2019	432,377
Thereafter	<u>2,406,563</u>
	<u>\$ 4,779,524</u>

Serpent River First Nation

Notes to Financial Statements

March 31, 2014

12. Accumulated surplus

	2014	2013
Reserves set aside for specific purposes by the First Nation		
Fire protection	\$ 46,866	\$ 46,866
Non-Profit Housing replacement reserve	515,921	686,869
Quality of life	2,095	1,529
Health committee	-	4,652
Casino & gaming	1,924,879	2,751,981
Health transfers replacement reserve (MAR)	26,008	26,008
School bus	7,036	7,036
Band support funding	439	4,500
Other health	-	3,500
Early childhood development	12,827	12,827
Education	149,352	260,658
Road maintenance	28,657	28,657
Capital plan	19,712	287,812
Office Complex	31,387	-
Food bank	24,931	13,386
Health transfers	13,044	25,234
Library	29,453	32,952
Lands research	67,729	83,534
Daycare	7,618	7,618
Daycare - fundraising	3,391	3,391
Economic Development Corporation	-	46,141
Reserves	2,911,345	4,335,151
Equity in tangible capital assets	10,627,449	10,355,191
Equity in government business partnerships	6,201	1
Funds held in trust	183,926	142,295
Members' equity (deficit)	(26,536)	(440,329)
	<u>\$ 13,702,385</u>	<u>\$ 14,392,309</u>
Allocation of annual surplus (deficit):		
Reserves	\$ (1,423,806)	\$ (13,184)
Equity in tangible capital assets	272,258	(57,212)
Members' equity	413,792	(183,591)
Equity in government business partnerships	6,200	-
Funds held in trust	41,632	27,512
	<u>\$ (689,924)</u>	<u>\$ (226,475)</u>

Serpent River First Nation

Notes to Financial Statements

March 31, 2014

13. Pension plan costs

Employees are eligible to participate in a Registered Pension Plan, administered by London Life, with contribution levels determined by formula. Employer contributions totalled \$72,277 (2013 - \$70,860) during the current period and were fully expensed.

14. Contingencies

- (a) The First Nation has an agreement with the Bank of Montreal providing for an aggregate credit facility in the amount of \$2,400,000 under the First Nation on Reserve Loan Program for qualified members of Serpent River First Nation. As of March 31, 2014 the First Nation has not guaranteed any loans under this agreement.
 - (b) Serpent River First Nation has guaranteed a Bank of Montreal loan for \$113,932 of which \$61,422 was outstanding at March 31, 2014, on behalf of a First Nation member.
 - (c) Serpent River First Nation Economic Development Corporation is involved in a legal matter regarding a terminated employee that remains outstanding and the outcome is unknown.
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15. Commitments

Serpent River First Nation has entered into a contract for \$9,086,661 for the construction of a water treatment plant. At March 31, 2014, nothing had been paid on the committed contract.

16. Funding reconciliation

AANDC funding per confirmation	<u>\$ 7,159,596</u>
AANDC funding per the financial statements	<u>\$ 7,159,596</u>

17. Comparative figures

To comply with the presentation in the Aboriginal Affairs and Northern Development Canada Year End Reporting Handbook, the financial statement amounts that are presented for comparative purposes have been restated as follows:

Increase in 2013 Trust Funds held by Federal Government	\$142,295
Increase in 2013 accumulated surplus, beginning of year	\$114,782
Increase in 2013 accumulated surplus, end of year	\$142,295
Increase in 2013 amounts earned in Trust Funds	\$27,512
Increase in 2013 annual surplus	\$27,512

March 31, 2014

18. Segmented information

The Serpent River First Nation is a diversified government institution that provides a wide range of services to its members, including education, infrastructure maintenance, medical and other health services, administration, capital, enterprises and other services. For management reporting purposes the First Nation's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

Services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Niigaaniin

The Niigaaniin (social assistance) department is responsible for administering assistance payments as well as providing services directed towards members.

Administration

The administration department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of chief and council.

Community infrastructure

The infrastructure department provides public services that contribute to community development and sustainability through the provision of operating services such as roads, water and sanitation, fire protection and community buildings.

Education

The education department provides services to elementary and secondary students primarily by entering into service contracts with provincially funded area school boards, as well as native language study. In addition, the department reimburses tuition costs and provides living and other allowances to students who are attending post-secondary institutions.

Capital

This department is responsible for all capital asset activities occurring in the First Nation during the year, including housing construction and renovations.

Medical and other health services

The community wellness department provides a diverse bundle of services directed towards the well-being of members including such activities as long term care (Domicile), medical transportation, pre-natal and early childhood care, nursing, health representation, traditional healing, family violence prevention and many other smaller programs designed to enhance the health of members.

Enterprises

Band operated enterprises are activities conducted by the First Nation with the objective of promoting economic self-sufficiency. These activities could include income generated from renting out band-owned equipment, lease income and other projects from time to time.

Other services

The First Nation provides a wide array of other services, including youth employment projects, library, economic development, daycare, housing activities, lands research and others.

For each reported segment, revenues and expenses include 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, including transfers that have been apportioned based on a percentage of budgeted expenses.

Serpent River First Nation

Notes to Financial Statements

March 31, 2014

18. Segmented information (continued)

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in the summary of significant accounting policies. For additional information see the Consolidated Schedule of Segment Disclosure - Service (Schedule 2).

19. Budget

The budget adopted by the First Nation was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of reserves to reduce current year expenditures. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense, and expensed principal payments of debt. As a result, the budget figures presented in the statements of operations and change in net financial assets (debt) represent the budget adopted by the First Nation with adjustments as follows:

Budget surplus (deficit) for the year	\$ (71,557)
Add:	
Capital expenditures	10,429
Trading Post budget surplus for the year	(5,170)
Less:	
Amortization	<u>(1,058,671)</u>
Budget deficit per statement of operations	<u>\$ (1,124,969)</u>

Serpent River First Nation

Schedule 1 - Consolidated Tangible Capital Assets

For the year ended March 31, 2014

	Land	Land Improvements	Building	Housing	Machinery and Equipment	Vehicles	Furniture and Equipment	Power Generating Station	Infrastructure	Construction in Progress	Total
Cost, beginning of year	\$ 1	\$ 368,812	\$ 9,932,609	\$ 11,685,736	\$ 786,725	\$ 476,649	\$ 632,706	\$ 352,986	\$ 4,215,344	\$ 1,476,346	\$ 29,927,914
Additions	-	-	342,969	-	-	-	162,650	-	-	594,267	1,099,886
Disposals	-	-	-	-	(162,083)	-	(90,132)	-	-	-	(252,215)
Cost, end of year	1	368,812	10,275,578	11,685,736	624,642	476,649	705,224	352,986	4,215,344	2,070,613	30,775,585
Accumulated amortization, beginning of year	-	181,487	2,863,439	7,495,932	361,443	277,257	399,001	164,726	2,754,435	-	14,497,720
Amortization	-	21,717	301,675	432,974	33,344	64,702	59,586	11,766	132,907	-	1,058,671
Disposals	-	-	-	-	(98,284)	-	(89,495)	-	-	-	(187,779)
Accumulated amortization, end of year	-	203,204	3,165,114	7,928,906	296,503	341,959	369,092	176,492	2,887,342	-	15,368,612
Net carrying amount, end of year	\$ 1	\$ 165,608	\$ 7,110,464	\$ 3,756,830	\$ 328,139	\$ 134,690	\$ 336,132	\$ 176,494	\$ 1,328,002	\$ 2,070,613	\$ 15,406,973

Serpent River First Nation
Schedule 1 - Consolidated Tangible Capital Assets (Continued)

For the year ended March 31, 2013 (comparative figures)

	Land	Land Improvements	Buildings	Housing	Machinery and Equipment	Vehicles	Furniture and Equipment	Power Generating Station	Infrastructure	Construction in Progress	Total
Cost, beginning of year	\$ 1	\$ 361,012	\$ 5,827,874	\$ 11,614,872	\$ 786,725	\$ 441,220	\$ 532,120	\$ 352,986	\$ 4,215,344	\$ 5,262,936	\$ 29,395,090
Additions	-	7,800	67,298	70,864	-	35,429	105,061	-	-	250,847	537,299
Disposals	-	-	-	-	-	-	(4,475)	-	-	-	(4,475)
Capitalized construction	-	-	4,037,437	-	-	-	-	-	-	(4,037,437)	-
Cost, end of year	1	368,812	9,932,609	11,685,736	786,725	476,649	632,706	352,986	4,215,344	1,476,346	29,927,914
Accumulated amortization, beginning of year	-	158,261	2,570,339	7,062,958	311,110	208,588	352,233	152,960	2,620,904	-	13,437,353
Amortization	-	23,226	293,100	432,974	50,333	68,669	50,348	11,766	133,531	-	1,063,947
Disposals	-	-	-	-	-	-	(3,580)	-	-	-	(3,580)
Accumulated amortization, end of year	-	181,487	2,863,439	7,495,932	361,443	277,257	399,001	164,726	2,754,435	-	14,497,720
Net carrying amount, end of year	\$ 1	\$ 187,325	\$ 7,069,170	\$ 4,189,804	\$ 425,282	\$ 199,392	\$ 233,705	\$ 188,260	\$ 1,460,909	\$ 1,476,346	\$ 15,430,194

The accompanying notes are an integral part of these consolidated financial statements.

Serpent River First Nation

Schedule 2 - Consolidated Segment Disclosure

For the year ended March 31, 2014

	Niigaaniin	Administration	Community Infrastructure	Education	Capital	Medical	Enterprises	Other	Consolidated Total
Revenue									
Aboriginal Affairs	\$ -	\$ 446,071	\$ 381,881	\$ 2,062,114	\$ 3,791,836	\$ 82,800	\$ -	\$ 394,894	\$ 7,159,596
Province of Ontario	-	-	35,088	-	-	536,207	-	425,924	997,219
Government of Canada	-	-	7,500	-	-	960,169	308,129	10,917	1,286,715
Rental and user fees	-	-	24,976	-	28,697	29,463	684,900	20,620	788,656
Interest and other	531,677	116,828	6,479	1,532	-	165,882	1,563,807	1,352,027	3,738,232
Deferred revenue, beginning of year	531,677	562,899	455,924	2,063,646	3,820,533	1,774,521	2,556,836	2,204,382	13,970,418
Deferred revenue, end of year	11,953	-	-	3,652	99,223	50,777	-	347,314	512,919
Due (to) from funders	(6,852)	-	(17,384)	-	(3,352,555)	(31,729)	(2,479)	(189,452)	(3,600,451)
Recovery of prior years	-	-	-	60,009	-	-	-	(12,556)	47,453
	-	-	-	-	-	(7,737)	-	(26,727)	(34,464)
	536,778	562,899	438,540	2,127,307	567,201	1,785,832	2,554,357	2,322,961	10,895,875
Expenses									
Salaries, wages and benefits	124,515	454,540	129,382	222,927	232,517	1,144,578	228,965	1,044,912	3,582,336
Materials, supplies and capital	124,014	151,558	199,919	471,393	49,914	459,452	1,752,280	304,836	3,513,366
Contracted services	800	208,035	130,022	191,656	12,172	34,743	99,480	348,292	1,025,200
Rents and financial expenses	7,750	(290,779)	75,599	30,000	43,441	118,880	138,548	28,264	151,703
External transfers and other	258,498	-	11,977	1,313,227	(323,956)	16,154	(360,749)	1,162,397	2,077,548
Travel and training	9,656	43,606	11,242	7,176	2,620	26,866	8,411	67,399	176,976
Amortization	2,236	18,966	247,421	558	115,495	33,930	525,551	114,513	1,058,670
	527,469	585,926	805,562	2,236,937	132,203	1,834,603	2,392,486	3,070,613	11,585,799
Excess (deficiency) of revenue over expenses	\$ 9,309	\$ (23,027)	\$ (367,022)	\$ (109,630)	\$ 434,998	\$ (48,771)	\$ 161,871	\$ (747,652)	\$ (689,924)

The accompanying notes are an integral part of these consolidated financial statements.

Serpent River First Nation

Schedule 2 - Consolidated Segment Disclosure

For the year ended March 31, 2013 (comparative figures)

	Niigaaniin	Administration	Community Infrastructure	Education	Capital	Medical	Enterprises	Other	Consolidated Total
Revenue									
Aboriginal Affairs	\$ -	\$ -	\$ 388,300	\$ 2,134,129	\$ 573,871	\$ 82,800	\$ -	\$ 202,920	\$ 3,814,267
Province of Ontario	-	-	35,088	-	50,000	520,652	-	746,650	1,352,390
Government of Canada	-	-	7,500	-	17,704	837,912	-	50,148	1,240,462
Rental and user fees	-	-	29,164	-	4,886	56,753	327,198	23,540	835,373
Interest and other	512,700	116,223	26,425	4,230	1,265	162,092	1,501,699	1,075,118	3,399,752
Deferred revenue, beginning of year	512,700	548,470	486,477	2,138,359	647,726	1,660,209	2,549,927	2,098,376	10,642,244
Deferred revenue, end of year	-	-	-	4,680	-	7,379	-	197,992	210,051
Due (to) from funders	11,953	-	-	(3,652)	(99,223)	(50,777)	-	(347,314)	(489,013)
Recovery of prior years	8,100	-	-	(21,241)	-	-	-	(7,445)	(28,686)
	532,753	548,470	486,477	2,118,146	481,813	1,616,811	2,549,927	1,914,189	10,248,586
Expenses									
Salaries, wages and benefits	120,837	510,922	167,511	146,513	217,853	1,179,077	159,226	781,939	3,283,878
Materials, supplies and capital	88,594	118,625	209,300	510,164	15,204	231,726	1,450,624	243,310	2,867,547
Contracted services	800	155,996	129,139	163,483	13,934	35,217	113,156	208,349	820,074
Rents and financial expenses	7,750	(302,828)	51,980	30,000	56,149	91,313	162,969	37,497	134,830
External transfers and other	268,714	-	12,202	1,369,237	(84,296)	2,259	179,909	223,837	1,971,862
Travel and training	10,175	49,778	17,093	1,967	1,004	29,092	3,377	196,531	309,017
Amortization	4,970	19,505	248,046	1,177	115,495	41,667	542,540	90,547	1,063,947
	501,840	551,998	835,271	2,222,541	335,343	1,610,351	2,611,801	1,782,010	10,451,155
Excess (deficiency) of revenue over expenses	\$ 30,913	\$ (3,528)	\$ (348,794)	\$ (104,395)	\$ 146,470	\$ 6,460	\$ (61,874)	\$ 132,179	\$ (202,569)