

**Muskrat Dam First Nation
Consolidated Financial Statements**
March 31, 2014

Muskrat Dam First Nation Contents

For the year ended March 31, 2014

	Page
Management's Responsibility	
Independent Auditors' Report	
Consolidated Financial Statements	
Consolidated Statement of Financial Position.....	1
Consolidated Statement of Operations and Accumulated Surplus.....	2
Consolidated Statement of Change in Net Financial Assets (Net Debt).....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements	5
Schedules	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	14
Schedule 2 - Consolidated Schedule of Expenses by Object.....	16
Schedules 3-12 Segment Disclosure.....	17



MUSKRAT DAM FIRST NATION

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Management's Responsibility for the Consolidated Financial Statement

The accompanying consolidated financial statements of Muskrat Dam First Nation are the responsibility of management and have been approved by the 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 Muskrat Dam First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the First Nation's external auditors.

MNP LLP is appointed by the Chief and Council to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

John W. Beatty Chief
Darryl L. Lowney Deputy Chief
D. L. Lowney Councillor

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Mary Radcliff

To the Members of Muskrat Dam First Nation:

We have audited the accompanying consolidated financial statements of Muskrat Dam First Nation, which comprise the consolidated statement of financial position as at March 31, 2014 and the consolidated statements of operations and accumulated surplus, changes in net financial assets (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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including assessments 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.

Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

Detailed program records have not been maintained and certain supporting data was not available for our audit. The absence of proper records does not permit the application of the necessary audit procedures to satisfy ourselves that the consolidated financial statements are not materially misstated. As a result we were unable to determine whether adjustments were required in respect to all financial position and operation accounts.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we are unable to express an opinion on the consolidated financial statements.



Kenora, Ontario

Chartered Professional Accountants

September 5, 2014

Licensed Public Accountants

Muskrat Dam First Nation
Consolidated Statement of Financial Position
As at March 31, 2014

	2014 Actual	2013 Actual
Financial assets		
Cash resources - unrestricted (Note 3)	273,714	945,287
Cash resources - restricted (Note 3)	258,248	346,643
Accounts receivable (Note 4)	3,947,049	3,617,184
Investments in partnerships and business entities (Note 5)	1,162,128	532,329
Funds held in Ottawa Trust Fund (Note 6)	14,475	14,118
Total financial assets	5,655,614	5,455,561
Liabilities		
Bank indebtedness (Note 7)	540,907	-
Accounts payable and accruals (Note 8)	2,618,148	2,910,372
Deferred revenue (Note 9)	521,021	430,867
Term loans due on demand (Note 10)	2,999,669	1,623,386
Long-term debt (Note 10)	492,878	572,040
Total liabilities	7,172,623	5,536,665
Net debt	(1,517,009)	(81,104)
Contingent liabilities (Note 11)		
Non-financial assets		
Tangible capital assets (Schedule 1)	26,576,534	25,434,004
Inventories of supplies (Note 12)	1,060,000	956,964
Prepaid expenses	249,843	429,070
Total non-financial assets	27,886,377	26,820,038
Accumulated surplus	26,369,368	26,738,934

Approved on behalf of the Board

Brian W. Benddy
Denis J. Canan
John J. Fiddler

Chief
Deputy Chief
Councillor

Mavis Fiddler

Councillor
Councillor

Muskrat Dam First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2014

	<i>Schedules</i>	<i>2014 Budget</i>	<i>2014 Actual</i>	<i>2013 Actual</i>
Revenue				
Aboriginal Affairs and Northern Development Canada	-	4,024,837	4,183,501	
Canada Mortgage and Housing Corporation	-	78,782	75,524	
Health Canada	-	2,090,749	1,224,989	
Ontario First Nations (2008) Limited Partnership	-	815,278	820,040	
Debt forgiveness	-	-	252,208	
Increase (decrease) in Investments	-	629,798	(20,715)	
Investment income	-	83,009	71,495	
Ministry of Aboriginal Affairs - ACCGP	-	128,320	80,000	
Ministry of Community and Social Services	-	195,393	141,248	
Ministry of Health and Long-Term Care	-	103,984	93,564	
Ministry of Northern Development and Mines	-	196,020	196,020	
Nishnawbe-Aski Nation	-	65,320	78,084	
Northern Nishnawbe Education Council	-	40,716	37,323	
Other revenue	-	265,370	183,951	
Rent	-	68,752	66,120	
S.L.A.A.M.B.	-	97,516	120,103	
Sales	-	1,048,927	856,751	
Deferred revenue, beginning of year	-	430,867	621,865	
Deferred revenue, end of year	-	(521,021)	(430,867)	
Repaid/repayable to funding agencies	-	(76,728)	(21,128)	
		- 9,765,889	8,630,076	
Program expenses				
Band Government	3	-	933,858	847,594
Community Services	4	-	211,210	258,514
Economic Development	5	-	177,481	166,243
Education	6	-	881,704	690,247
Employment Programs	7	-	94,717	123,373
Health	8	-	1,548,054	1,369,617
Housing	9	-	504,009	408,322
Public Works - Capital	10	-	175,589	1,026,013
Public Works - Operations	11	-	5,213,579	2,897,693
Social Services	12	-	395,254	423,816
Total expenses		-	10,135,455	8,211,432
Operating surplus (deficit)				
Accumulated operating surplus, beginning of year	-		(369,566)	418,644
			26,738,936	26,320,292
Accumulated operating surplus, end of year		-	26,369,370	26,738,936

The accompanying notes are an integral part of these financial statements

Muskrat Dam First Nation
Consolidated Statement of Change in Net Financial Assets (Net Debt)
For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Annual operating surplus (deficit)	-	(369,566)	418,644
Acquisition of tangible capital assets	-	(2,963,222)	(1,160,796)
Amortization of tangible capital assets	-	1,820,692	1,208,470
	-	(1,142,530)	47,674
Consumption (acquisition) of inventory of supplies	-	(103,036)	(515,686)
Acquisition of prepaid expenses	-	-	(301,670)
Use of prepaid expenses	-	179,227	-
	-	76,191	(817,356)
Increase (decrease) in net financial assets	-	(1,435,905)	(351,038)
Net financial assets, beginning of year	-	(81,104)	269,934
Net financial assets (net debt), end of year	-	(1,517,009)	(81,104)

Muskrat Dam First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2014

	2014 <i>Actual</i>	2013 <i>Actual</i>
Cash provided by (used for) the following activities		
Operating activities		
Operating surplus (deficit)	(369,566)	418,644
Non-cash items		
Amortization	1,820,692	1,208,470
Increase/Decrease in investments	(629,798)	20,715
	821,328	1,647,829
Changes in working capital accounts		
Accounts receivable	(329,865)	(829,907)
Accounts payable and accruals	(292,224)	1,107,703
Deferred revenue	-	(190,998)
Prepaid expenses	(103,036)	(515,684)
Inventory of supplies	179,227	(301,670)
Funds held in Ottawa Trust Fund	(357)	(338)
	275,073	916,935
Financing activities		
Repayment of long-term debt	(79,162)	(78,931)
Advance of term loans due on demand	2,350,355	1,023,387
Repayment of term loans due on demand	(883,919)	(346,281)
	1,387,274	598,175
Capital activities		
Acquisition of tangible capital assets	(2,963,222)	(1,160,796)
Increase (decrease) in cash resources (deficiency)	(1,300,875)	354,314
Cash resources, beginning of year	1,291,930	937,616
Cash resources (deficiency), end of year	(8,945)	1,291,930
Cash resources (deficiency) are composed of:		
Unrestricted cash	273,714	945,287
Restricted cash	258,248	346,643
Bank indebtedness	(540,907)	-
	(8,945)	1,291,930

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

1. Operations

The Muskrat Dam First Nation (the "First Nation") is located in the province of Ontario, and provides various services to its members.

2. Summary of Significant Accounting Policies

Basis of Accounting

These consolidated financial statements are the representations of management and 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.

Reporting entity / Principles of consolidation

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

- Muskrat Dam First Nation
- Muskrat Dam Power Utility and Propane

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.

Incorporated business enterprises that are non-controlled by the First Nation but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses 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.

Funds held in Ottawa Trust

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the consolidated statement of financial position with an offsetting amount in revenue on the consolidated statement of operations and accumulated surplus. Trust monies consist of:

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

Cash and cash equivalents

Cash includes cash on hand and balances with banks.

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

2. Summary of Significant Accounting Policies *(Continued from previous page)*

Liability for contaminated site

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site 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, 2014.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized are 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.

Tangible capital assets

Tangible capital assets are initially 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 are written down when conditions indicate that they no longer contribute to the First Nation'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 tangible assets are recorded into revenue at their fair value at the date of contribution.

Amortization

Tangible capital assets are amortized annually using the straight line method at rates intended to amortize the cost of the assets over their estimated useful lives as follows:

	Method	Rate
Buildings	straight-line	25 years
Equipment	straight-line	5 years
Electrical	straight-line	25 years
Sewer and Water	straight-line	25 years
Soil Remediation/Roads	straight-line	25 years
Housing	straight-line	20 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 First Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposals are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value.

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, inventories of supplies and prepaid expenses.

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

2. Summary of Significant Accounting Policies *(Continued from previous page)*

Inventory held for use

Inventory of fuel held for consumption is valued at the lower of cost and replacement cost.

Net financial assets (net debt)

The First Nation's financial statements are presented so as to highlight net financial assets (net debt) as the measurement of financial position. The net financial assets (net debt) of the First Nation is determined by its financial assets less its liabilities. Net financial assets (net debt) combined with non-financial assets comprises a second indicator financial position, accumulated surplus (deficit).

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. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the consolidated statement of financial position in the year of receipt.

Rental revenue is recognized over the rental term. Other revenues are earned from other services provided by the First Nation and are recognized when the service has been provided and collection is reasonably assured.

Fuel and other sales are recognized when the sale is made and the customer takes possession of the merchandise or receives the services provided and collection is reasonably assured.

Investment income is recorded as the First Nation's annual proportionate share of earnings or losses.

Funds held in Ottawa Trust Fund

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

Use of estimates

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. The estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the records in the periods in which they become known.

Accounts receivable 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 the tangible capital assets.

Accounts payable and accruals are estimated based on historical charges for unbilled goods and services at year end.

Measurement uncertainty

In preparing the consolidated financial statements for Muskrat Dam First Nation, management is required 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 consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

2. Summary of Significant Accounting Policies *(Continued from previous page)*

Segments

The First Nation conducts its business through eleven reportable segments. 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.

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.

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

3. Cash resources

	2014	2013
Administration accounts	163,900	708,056
CMHC Housing	14,909	24,115
Masenahega Shoonia	13,594	25,681
NAPS	19,568	31,031
Power Utility	20,121	138,893
Sewer and Water Servicing	-	20,845
Welfare	41,622	(3,334)
 Unrestricted	 273,714	 945,287
 Internally restricted	 258,248	 346,643

4. Accounts receivable

	2014	2013
Aboriginal Affairs and Northern Development Canada	1,956,498	1,273,859
Health Canada	422,774	16,666
S.L.A.A.M.B.	-	21,877
Nishnawbe Aski Nation	18,970	11,616
Province of Ontario	77,224	-
Other First Nations	92,641	-
Harmonized Sales Tax receivable	58,418	(9,002)
General	1,320,524	2,302,168
 	 3,947,049	 3,617,184

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

5. Investments in partnerships and business entities

The First Nation has investments in the following entities:

	<i>2014</i>		
	<i>Opening</i>	<i>Increase/ (decrease) in investments for the year</i>	<i>Total investment</i>
Wasaya Airways Limited Partnership	139,078	701,023	840,101
The Wellington Leasing Corporation	92,793	7,303	100,096
The Wellington Limited Partnership	254,006	(82,426)	171,580
The Wellington General Partner Ltd.	46,452	3,899	50,351
	532,329	629,799	1,162,128

	<i>2013</i>		
	<i>Opening</i>	<i>Increase/ (decrease) in investments for the year</i>	<i>Total investment</i>
Wasaya Airways Limited Partnership	139,078	-	139,078
The Wellington Leasing Corporation	88,001	4,792	92,793
The Wellington Limited Partnership	284,236	(30,230)	254,006
The Wellington General Partner Ltd.	41,729	4,723	46,452
	553,044	(20,715)	532,329

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

6. Funds held in Ottawa Trust Fund

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. The 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.

	2014	2013
Capital Trust		
Balance, beginning of year	126	126
Balance, end of year	126	126
Revenue Trust		
Balance, beginning of year	13,992	13,654
Interest	357	338
Balance, end of year	14,349	13,992
	14,475	14,118

7. Bank indebtedness

At March 31, 2014, the First Nation had a line of credit totaling \$350,000 bearing interest at bank prime rate plus 0.75% (3.75% - March 31, 2014). At March 31, 2014, \$ 169,931 (\$nil March 31 2013) was drawn on this line of credit. The line of credit is secured by a general security agreement .

8. Accounts payable and accruals

	2014	2013
Trade payables	2,603,341	2,822,839
Wages payable	14,808	87,533
	2,618,149	2,910,372

9. Deferred revenue

	2014	2013
Gen-Set Upgrade	AANDC	300,616
Hydro Generator Upgrade	AANDC	55,275
Water treatability study	AANDC	16,483
Emergency Generator and Garage	Health Canada	35,000
Governance Capacity Development	AANDC	7,762
Safe Water Operators Program	AANDC	-
Air System and Electrical Upgrade	Health Canada	105,885
	521,021	430,867

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

10. Long-term debt

	2014	2013
Canada Mortgage and Housing Corporation housing mortgage repayable in monthly instalments of \$3,907 including interest at 1.67%, secured by ministerial guarantee, due March 2027.	456,776	488,680
Canada Mortgage and Housing Corporation housing mortgage repayable in monthly instalments of \$4,058 including interest at 1.67%, secured by ministerial guarantee, due December 2014.	36,102	83,360
Bank of Montreal fuel loan, no set repayment terms, bearing interest at bank prime rate plus 2% (5% - March 31, 2014), due on demand.	-	800,000
Bank of Montreal building loan repayable in monthly instalments of \$2,296 including interest at bank prime rate plus 2.5% (5.5% - March 31, 2014), due on demand.	32,523	59,559
Bank of Montreal vehicle loan repayable in monthly instalments of \$646 plus interest at bank prime rate plus 2.5% (5.5% - March 31, 2014), due on demand.	16,792	24,542
Bank of Montreal building loan repayable in monthly instalments of \$10,714 plus interest at bank prime rate plus 1.25% (4.25% - March 31, 2014), due on demand.	600,000	739,285
Bank of Montreal fuel loan, no set repayment terms, bearing interest at bank prime rate plus 1.25 (4.25% - March 31, 2014), due on demand.	735,000	-
Bank of Montreal fuel loan repayable in monthly instalments of \$153,535 plus interest at bank prime rate plus 1.25% (4.25% - March 31, 2014), due on demand.	1,535,355	-
Bank of Montreal fuel loan, no set repayment terms, bearing interest at bank prime rate plus 1.25 (4.25% - March 31, 2014), due on demand.	80,000	-
	3,492,548	2,195,426
<u>Less: term loans due on demand</u>	2,999,669	1,623,386
	492,879	572,040

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

Principal

2015	2,580,948
2016	174,689
2017	163,671
2018	161,934
2019	411,306

Interest on long-term debt amounted to \$75,721 (2013 - \$60,057).

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

11. Contingent liabilities

The First Nation has agreements with AANDC and other government bodies for each restricted fund which state that the First Nation may be required to return any surplus which may arise. The First Nation is solely responsible for any deficits. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

The First Nation has signed ministerial guarantees relating to CMHC housing loans. The balance of the CMHC loans was \$492,878 (2013 - \$572,040) at year-end.

The First Nation is required to post its consolidated financial statements on a website and submit the consolidated financial statements to AANDC by July 29, 2014. As the audit report is dated after this date, the First Nation is not in compliance with this requirement. The possible effect of this non-compliance has not yet been determined.

These consolidated financial statements are subject to review by the First Nation's funding agencies. It is possible that adjustments could be made based on the result of their reviews.

12. Inventories of supplies

	2014	2013
Fuel inventory	1,060,000	956,964

The cost of inventories recognized as an expense and included in fuel amounted to \$1,619,278 (2013 - \$1,397,072).

13. Economic dependence

Muskrat Dam First Nation receives approximately 41% (2013 - 48%) of its revenue from the Government of Canada as a result of Treaties entered into with the Government of Canada. These treaties are administered by AANDC 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.

Due to certain deficiencies in its system of internal control, the First Nation is also party to a Remedial Management Plan agreement with AANDC. Under the terms of the agreement, funding from the Remedial Management Plan can be suspended if the First Nation does not comply with the terms of the agreement.

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2014

14. Segments

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

Band government - includes administration and governance activities.

Community services - activities include delivering community support programs.

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

Education - includes the operations of education programs.

Employment programs - activities include delivering employment opportunities to members of the community.

Health - reports on the First Nation's Health Canada funding.

Housing - includes development of housing and maintenance.

Public works (Capital) - includes capital projects and maintenance.

Public works (Operations) - includes Band programs and maintenance.

Social Services - activities include delivering social programs.

AANDC Trust Funds - includes interest earned on funds held in Ottawa Trust.

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

15. Comparative figures

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

Muskrat Dam First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2014

	<i>Buildings</i>	<i>Equipment</i>	<i>Electrical</i>	<i>Sewer and Water</i>	<i>Soil Remediation/Roads</i>	<i>Subtotal</i>
Cost						
Balance, beginning of year	12,154,011	2,004,832	6,123,805	11,554,814	1,223,453	33,060,915
Acquisition of tangible capital assets	657,516	-	1,586,923	-	-	2,244,439
Balance, end of year	12,811,527	2,004,832	7,710,728	11,554,814	1,223,453	35,305,354
Accumulated amortization						
Balance, beginning of year	4,928,852	1,831,976	1,472,202	4,411,166	598,206	13,242,402
Annual amortization	512,461	68,522	308,429	462,193	48,938	1,400,543
Balance, end of year	5,441,313	1,900,498	1,780,631	4,873,359	647,144	14,642,945
Net book value of tangible capital assets	7,370,214	104,334	5,930,097	6,681,455	576,309	20,662,409
2013 Net book value of tangible capital assets	7,225,159	172,856	4,651,603	7,143,648	625,247	19,818,513

Muskrat Dam First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2014

	<i>Subtotal</i>	<i>Housing</i>	<i>2014</i>	<i>2013</i>
			<i>Actual</i>	<i>Actual</i>
Cost				
Balance, beginning of year	33,060,915	9,873,814	42,934,729	41,773,933
Acquisition of tangible capital assets	2,244,439	718,784	2,963,223	1,160,796
Balance, end of year	35,305,354	10,592,598	45,897,952	42,934,729
Accumulated amortization				
Balance, beginning of year	13,242,402	4,258,323	17,500,725	16,292,255
Annual amortization	1,400,543	420,150	1,820,693	1,208,470
Balance, end of year	14,642,945	4,678,473	19,321,418	17,500,725
Net book value of tangible capital assets	20,662,409	5,914,125	26,576,534	25,434,004
2013 Net book value of tangible capital assets	19,818,513	5,615,491	25,434,004	

Muskrat Dam First Nation
Schedule 2 - Consolidated Schedule of Expenses by Object
For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Consolidated expenses by object			
Administration overhead	-	(20,398)	4,450
Amortization	-	1,820,692	1,208,470
Bad debts	-	57,604	52,200
Bank charges and interest	-	35,925	8,385
Basic needs	-	246,767	162,428
Contracted services	-	809,413	710,637
Cultural program	-	7,836	14,399
Equipment rental	-	36,133	17,175
Fuel	-	1,619,278	1,327,730
Honourarium	-	28,100	58,517
Insurance	-	147,965	90,618
Interest on long-term debt	-	75,721	60,057
Materials and supplies	-	890,494	780,045
Office supplies	-	26,964	25,819
Professional fees	-	39,725	29,818
Repairs and maintenance	-	116,710	63,374
Special events	-	13,005	17,672
Supplies	-	46,665	20,124
Telephone	-	91,312	73,277
Training	-	28,763	32,450
Travel	-	604,560	596,082
Utilities	-	627,720	525,626
Vehicle expense	-	28,731	16,920
Wages and employee benefits	-	2,755,771	2,315,161
	-	10,135,456	8,211,434

Muskrat Dam First Nation
Band Government
Schedule 3 - Consolidated Schedule of Revenue and Expenses and Operating Surplus
(Deficit)

For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada	-	419,742	426,923
Ministry of Aboriginal Affairs - ACCGP	-	128,320	80,000
Earnings (loss) from investment in Nation business entities	-	-	252,208
Other revenue	-	7,640	5,069
Deferred revenue, end of year	-	(7,762)	-
Deferred revenue, beginning of year	-	-	86,725
	-	547,940	850,925
Expenses			
Administration overhead	-	(261,977)	(102,269)
Bank charges and interest	-	29,893	5,809
Contracted services	-	281,323	47,560
Equipment rental	-	983	-
Honourarium	-	12,600	41,317
Insurance	-	3,953	10,537
Materials and supplies	-	60,291	58,317
Office supplies	-	21,054	15,611
Repairs and maintenance	-	4,740	15,198
Telephone	-	28,715	25,670
Training	-	27,863	23,960
Travel	-	399,804	328,229
Wages and employee benefits	-	324,616	377,655
	-	933,858	847,594
Operating surplus (deficit) before transfers	-	(385,918)	3,331
Transfers between programs	-	(6,616)	-
Operating surplus (deficit)	-	(392,534)	3,331

Muskrat Dam First Nation
Community Services
Schedule 4 - Consolidated Schedule of Revenue and Expenses and Operating Surplus
(Deficit)

For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Other revenue	-	34,757	35,346
Sales	-	57,268	57,268
	-	92,025	92,614
Expenses			
Bank charges and interest	-	226	361
Contracted services	-	17,182	13,007
Equipment rental	-	8,630	950
Materials and supplies	-	19,082	75,847
Telephone	-	1,029	1,237
Travel	-	2,971	7,452
Wages and employee benefits	-	162,090	159,660
	-	211,210	258,514
Operating deficit before transfers	-	(119,185)	(165,900)
Transfers between programs	-	65,105	92,658
Operating deficit	-	(54,080)	(73,242)

Muskrat Dam First Nation
Economic Development
Schedule 5 - Consolidated Schedule of Revenue and Expenses and Operating Surplus
(Deficit)

For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada	-	50,000	50,000
Ontario First Nations (2008) Limited Partnership	-	815,278	820,040
Investment income	-	82,574	71,144
Increase (decrease) in Investments	-	629,798	(20,715)
Other revenue	-	75,422	58,137
	-	1,653,072	978,606
Expenses			
Administration overhead	-	10,000	10,000
Bad debts	-	5,404	-
Bank charges and interest	-	669	247
Contracted services	-	50,306	8,306
Insurance	-	3,776	1,655
Interest on long-term debt	-	-	3,298
Materials and supplies	-	28,272	64,663
Office supplies	-	-	3,029
Repairs and maintenance	-	1,200	1,300
Telephone	-	5,888	2,630
Travel	-	-	775
Utilities	-	8,915	6,558
Wages and employee benefits	-	63,051	63,782
	-	177,481	166,243
Operating surplus before transfers	-	1,475,591	812,363
Transfers between programs	-	(410,663)	(508,526)
Operating surplus	-	1,064,928	303,837

Muskrat Dam First Nation
Education
Schedule 6 - Consolidated Schedule of Revenue and Expenses and Operating Surplus
(Deficit)

For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada	-	670,098	661,686
Northern Nishnawbe Education Council	-	40,716	37,323
Other revenue	-	29,000	20,625
	-	739,814	719,634
Expenses			
Administration overhead	-	101,695	4,450
Bank charges and interest	-	-	35
Contracted services	-	-	7,345
Cultural program	-	7,836	14,399
Interest on long-term debt	-	8,767	4,164
Materials and supplies	-	20,508	5,621
Office supplies	-	516	1,171
Repairs and maintenance	-	286	2,197
Special events	-	13,005	17,672
Supplies	-	45,020	20,057
Telephone	-	19,513	17,719
Travel	-	86,958	44,112
Wages and employee benefits	-	576,079	545,755
Vehicle expense	-	1,521	5,550
	-	881,704	690,247
Operating surplus (deficit)	-	(141,890)	29,387

Muskrat Dam First Nation
Employment Programs
Schedule 7 - Consolidated Schedule of Revenue and Expenses and Operating Surplus
(Deficit)

For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada	-	26,000	24,952
Nishnawbe-Aski Nation	-	-	14,001
S.L.A.A.M.B.	-	49,907	57,281
Other revenue	-	9,008	4,500
	-	84,915	100,734
Expenses			
Administration overhead	-	-	1,401
Contracted services	-	3,640	6,162
Honourarium	-	3,300	-
Materials and supplies	-	6,984	7,161
Telephone	-	1,259	1,128
Travel	-	-	616
Wages and employee benefits	-	79,534	106,905
	-	94,717	123,373
Operating deficit before transfers	-	(9,802)	(22,639)
Transfers between programs	-	81	-
Operating deficit	-	(9,721)	(22,639)

Muskrat Dam First Nation
Health
Schedule 8 - Consolidated Schedule of Revenue and Expenses and Operating Surplus
(Deficit)

For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Health Canada	-	2,090,749	1,224,989
Nishnawbe-Aski Nation	-	65,320	64,083
Other revenue	-	-	1,925
Deferred revenue, beginning of year	-	-	32,939
Deferred revenue, end of year	-	(140,885)	-
Repaid/repayable to funding agencies	-	(70,779)	-
	-	1,944,405	1,323,936
Expenses			
Administration overhead	-	118,443	90,868
Amortization	-	122,159	-
Bank charges and interest	-	-	151
Contracted services	-	111,910	63,680
Honourarium	-	11,800	15,200
Insurance	-	11,553	5,261
Office supplies	-	5,395	5,111
Equipment rental	-	34,621	15,000
Repairs and maintenance	-	5,834	3,159
Materials and supplies	-	273,798	320,534
Wages and employee benefits	-	640,965	604,327
Telephone	-	19,878	15,942
Training	-	450	6,548
Travel	-	85,479	120,885
Utilities	-	105,769	102,951
	-	1,548,054	1,369,617
Operating surplus (deficit) before transfers	-	396,351	(45,681)
Transfers between programs	-	7,169	-
Operating surplus (deficit)	-	403,520	(45,681)

Muskrat Dam First Nation
Housing
Schedule 9 - Consolidated Schedule of Revenue and Expenses and Operating Surplus
(Deficit)

For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada	-	110,559	107,080
Canada Mortgage and Housing Corporation	-	78,782	75,524
S.L.A.A.M.B.	-	47,609	62,822
Rent	-	52,200	52,200
	-	289,150	297,626
Expenses			
Administration overhead	-	7,000	-
Amortization	-	407,047	362,846
Bad debts	-	52,200	52,200
Bank charges and interest	-	186	60
Contracted services	-	5,000	(11,419)
Insurance	-	19,010	11,230
Interest on long-term debt	-	8,639	8,845
Materials and supplies	-	552	1,672
Wages and employee benefits	-	4,375	(17,112)
	-	504,009	408,322
Operating deficit before transfers	-	(214,859)	(110,696)
Transfers between programs	-	510,198	315,868
Operating surplus	-	295,339	205,172

Muskrat Dam First Nation
Public Works - Capital
Schedule 10 - Consolidated Schedule of Revenue and Expenses and Operating Surplus
(Deficit)

For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada	-	1,465,392	1,657,800
Investment income	-	77	13
Other revenue	-	29,692	-
Rent	-	16,552	13,920
Deferred revenue, beginning of year	-	409,179	502,201
Deferred revenue, end of year	-	(372,374)	(425,867)
	-	1,548,518	1,748,067
Expenses			
Administration overhead	-	3,441	-
Amortization	-	68,522	845,624
Bank charges and interest	-	119	114
Contracted services	-	176,543	300,521
Equipment rental	-	(268,925)	(230,900)
Honourarium	-	400	-
Insurance	-	19,761	18,385
Interest on long-term debt	-	28,460	35,007
Materials and supplies	-	102,615	92,861
Office supplies	-	-	427
Repairs and maintenance	-	30,720	11,860
Training	-	-	700
Travel	-	4,945	9,277
Wages and employee benefits	-	8,988	(57,863)
	-	175,589	1,026,013
Operating surplus before transfers			
Transfers between programs	-	1,372,929	722,054
Transfers between programs	-	(190,245)	100,000
Operating surplus	-	1,182,684	822,054

Muskrat Dam First Nation
Public Works - Operations
Schedule 11 - Consolidated Schedule of Revenue and Expenses and Operating Surplus
(Deficit)

For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada	-	1,197,230	1,084,477
Ministry of Northern Development and Mines	-	196,020	196,020
Sales	-	991,659	799,483
Other revenue	-	79,850	58,350
Deferred revenue, beginning of year	-	21,688	-
Deferred revenue, end of year	-	-	(5,000)
	-	2,486,447	2,133,330
Expenses			
Amortization	-	1,222,964	-
Bank charges and interest	-	4,644	1,607
Contracted services	-	163,508	215,320
Equipment rental	-	260,824	232,125
Fuel	-	1,619,278	1,327,730
Honourarium	-	-	2,000
Insurance	-	89,912	43,550
Interest on long-term debt	-	29,854	8,744
Materials and supplies	-	362,568	137,845
Office supplies	-	-	470
Professional fees	-	39,725	29,818
Repairs and maintenance	-	73,930	29,660
Telephone	-	15,030	8,952
Training	-	-	642
Travel	-	23,907	20,628
Utilities	-	513,036	415,317
Vehicle expense	-	27,209	11,370
Wages and employee benefits	-	767,190	411,915
	-	5,213,579	2,897,693
Operating deficit before transfers	-	(2,727,132)	(764,363)
Transfers between programs	-	24,971	-
Operating deficit	-	(2,702,161)	(764,363)

Muskrat Dam First Nation
Social Services
Schedule 12 - Consolidated Schedule of Revenue and Expenses and Operating Surplus
(Deficit)

For the year ended March 31, 2014

	2014 Budget	2014 Actual	2013 Actual
Revenue			
Aboriginal Affairs and Northern Development Canada	-	85,816	170,583
Ministry of Health and Long-Term Care	-	103,984	93,564
Ministry of Community and Social Services	-	195,393	141,248
	-	385,193	405,395
Expenses			
Administration overhead	-	1,000	-
Bank charges and interest	-	188	-
Basic needs	-	246,767	162,428
Contracted services	-	-	60,155
Materials and supplies	-	15,825	15,522
Supplies	-	1,645	66
Training	-	450	600
Travel	-	496	64,107
Utilities	-	-	800
Wages and employee benefits	-	128,883	120,138
	-	395,254	423,816
Operating deficit	-	(10,061)	(18,421)