

**Muskrat Dam First Nation
Consolidated Financial Statements**

March 31, 2018

Muskrat Dam First Nation Contents

For the year ended March 31, 2018

	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 Debt.....	3
Consolidated Statement of Cash Flows.....	4
Notes to the Consolidated Financial Statements.....	5
Schedules	
Schedule 1 - Consolidated Schedule of Tangible Capital Assets.....	16
Schedule 2 - Consolidated Schedule of Expenses by Object.....	18
Schedules 3 - 12 - Consolidated Schedules of Revenue and Expenses and Surplus/(Deficit) by Segment.....	20

Management's Responsibility for the Financial Statements

To the Members of Muskrat Dam First Nation:

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.

Kevin Houghton Professional Corporation 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.

July 18, 2018

Original Signed By:
STAN BEARDY

Chief

Original Signed By:
ROY FIDDLER

Deputy Chief

Original Signed By:
BRAD MORRIS

Councillor

Original Signed By:
GWEN DUNCAN

Councillor

Original Signed By:
CHARLIE SR. BEARDY

Councillor

Kevin Houghton

CPA CA LPA

INDEPENDENT AUDITORS' REPORT

**To the Chief and Council of
Muskrat Dam First Nation**

I was engaged to audit the accompanying financial statements of Muskrat Dam First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statement of operations, consolidated statement of changes in net debt, and consolidated statement of cash flow 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 financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

INDEPENDENT AUDITORS' REPORT (continued)

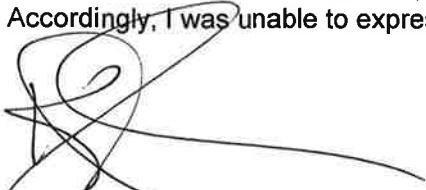
Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

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

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of opinion paragraph, I was not not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion for the years ending March 31, 2018 and March 31, 2017. The audit opinion on the financial statements for the year ended March 31, 2017 was a disclaimer of opinion accordingly based on no change from the prior to current year on the above basis for Disclaimer of Opinion and the possible effect of this matter on the comparability of the current period's figures and corresponding figures. Accordingly, I was unable to express an opinion on the financial statements.



Kevin Houghton Professional Corporation, authorized to practice public accounting by the Chartered Professional Accountants of Ontario

Kenora, Ontario

July 31, 2018

Muskrat Dam First Nation
Consolidated Statement of Financial Position
As at March 31, 2018

	2018	2017
Financial assets		
Cash resources - unrestricted (Note 3)	3,614,629	1,145,488
Cash resources - internally restricted (Note 3)	132,959	134,024
Accounts receivable (Note 4)	2,321,372	1,814,829
Investments in partnerships and business entities (Note 5)	1,086,538	1,137,684
Due from government and other government organizations (Note 6)	1,239,136	1,338,120
Funds held in Ottawa Trust Fund (Note 7)	42,142	38,032
Total financial assets	8,436,776	5,608,177
Liabilities		
Accounts payable and accruals (Note 8)	5,761,731	2,000,080
Deferred revenue (Note 9)	2,839,245	2,391,979
Due to government and other government organizations (Note 10)	1,358	61,035
Term loans due on demand (Note 11)	2,426,121	2,810,836
CMHC mortgage (Note 11)	326,258	359,957
Total liabilities	11,354,713	7,623,887
Net debt	(2,917,937)	(2,015,710)
Contingent liabilities (Note 12)		
Non-financial assets		
Tangible capital assets (Schedule 1)	27,000,223	26,609,363
Inventories of supplies (Note 13)	922,500	885,000
Prepaid expenses	1,937,868	102,653
Total non-financial assets	29,860,591	27,597,016
Accumulated surplus (Note 17)	26,942,654	25,581,306

Approved on behalf of the Council

Original Signed By:
STAN BEARDY

Original Signed By:
BRAD MORRIS

Original Signed By:
CHARLIE SR. BEARDY

Chief

Original Signed By:

ROY FIDDLER

Deputy Chief

Original Signed By:

GWEN DUNCAN

Councillor

Councillor

Councillor

Muskrat Dam First Nation
Consolidated Statement of Operations and Accumulated Surplus
For the year ended March 31, 2018

	<i>Schedules</i>	2018	2017
Revenue			
Indigenous and Northern Affairs Canada			
Grant	551,888	370,119	
Fixed Contribution	4,531,540	4,281,848	
Set Contribution	25,100	3,746,565	
Flexible transfer payments	4,706,671	497,000	
Canada Mortgage and Housing Corporation		237,755	61,478
Health Canada			
Flexible funding	1,750,186	1,243,970	
Set funding	823,782	302,045	
Other	-	69,986	
Ontario First Nations (2008) Limited Partnership		950,156	940,440
Increase/(decrease) in Investments		(51,166)	-
Investment income		4,348	4,026
Ministry of Aboriginal Affairs		90,000	90,000
Ministry of Community and Social Services		360,128	436,588
Ministry of Education		6,962	-
Ministry of Health and Long Term Care		112,695	92,555
Ministry of Northern Development and Mines		160,680	156,000
Ministry of the Attorney General		86,075	-
Canada Post Corporation		(42,847)	-
Nishnawbe-Aski Nation		259,437	263,952
Northern Nishnawbe Education Council		73,548	31,392
Ontario Arts Council		27,120	-
Other revenue		1,786,168	1,199,507
Rent		26,345	45,271
S.L.A.A.M.B.		126,056	177,615
Sales		2,822,444	1,633,145
Deferred revenue - beginning of year (Note 9)		2,391,979	369,417
Deferred revenue - end of year (Note 9)		(2,796,398)	(2,391,979)
Repaid/repayable to funding agency		(844,349)	-
		18,176,303	13,620,940
Segment expenses			
BAND GOVERNMENT	3	699,059	815,948
COMMUNITY SERVICES	4	2,092,194	683,392
ECONOMIC DEVELOPMENT	5	409,213	235,538
EDUCATION	6	772,325	765,217
EMPLOYMENT PROGRAMS	7	170,517	219,911
HEALTH	8	2,588,041	2,021,601
HOUSING	9	932,189	815,594
PUBLIC WORKS - CAPITAL PROJECTS	10	4,281,256	2,870,800
PUBLIC WORKS - OPERATIONS	11	4,369,432	4,722,446
SOCIAL SERVICES	12	500,714	604,559
Total expenses (Schedule 2)		16,814,940	13,755,006
Surplus (deficit)		1,361,363	(134,066)
Accumulated surplus, beginning of year		25,581,291	25,715,372
Accumulated surplus, end of year		26,942,654	25,581,306

The accompanying notes are an integral part of these financial statements

Muskrat Dam First Nation
Consolidated Statement of Change in Net Debt
For the year ended March 31, 2018

	2018 <i>Actual</i>	2017 <i>Actual</i>
Surplus (deficit)	1,361,363	(134,066)
Purchases of tangible capital assets	(2,743,845)	(1,784,071)
Amortization of tangible capital assets	2,352,985	2,141,912
	(390,860)	357,841
Use (acquisition) of inventory of supplies	(1,835,215)	(203,676)
Use (acquisition) of prepaid expenses	(37,500)	(102,653)
	(1,872,715)	(306,329)
Increase in net debt	(902,212)	(82,554)
Net debt, beginning of year	(2,015,710)	(1,933,156)
Net debt, end of year	(2,917,922)	(2,015,710)

Muskrat Dam First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Surplus (deficit)	1,361,363	(134,066)
Non-cash items		
Amortization	2,352,985	2,141,912
Increase/decrease in investments	51,146	-
	3,765,494	2,007,846
Changes in working capital accounts		
Accounts receivable	(800,950)	(366,726)
Accounts payable and accruals	3,761,636	(964,409)
Due from government and other government organizations	393,391	348,401
Deferred revenue	447,266	2,022,562
Inventory of supplies	(37,500)	(203,675)
Prepaid expenses	(1,835,215)	(102,653)
Funds held in Ottawa Trust Fund	(4,110)	(3,957)
Due to government and other government organizations	(59,677)	(26,525)
	5,630,335	2,710,864
Financing activities		
Repayment of current portion of long-term debt	(33,699)	(32,829)
Advance of term loans due on demand	-	3,200,000
Repayment of term loans due on demand	(384,715)	(2,795,896)
	(418,414)	371,275
Capital activities		
Purchases of tangible capital assets	(2,743,845)	(1,784,071)
Increase in cash resources	2,468,076	1,298,068
Cash resources (deficiency), beginning of year	1,279,512	(18,556)
Cash resources, end of year	3,747,588	1,279,512
Cash resources are composed of:		
Cash resources - unrestricted total	3,614,629	1,145,488
Cash resources - restricted	132,959	134,024
	3,747,588	1,279,512
Supplementary cash flow information		
Interest paid	190,417	54,030

The accompanying notes are an integral part of these financial statements

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

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 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 Chartered Professional Accountants Canada.

Reporting entity

The First Nation has included 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 preparation of the statements; 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 statement of financial position with an offsetting amount in revenue on the 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, 2018

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, 2018.

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:

	Rate
Buildings	25 years
Equipment	5 years
Electrical	25 years
Sewer and Water	25 years
Soil Remediation/Roads	25 years
Housing	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 disposal 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, 2018

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 debt

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

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 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 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, 2018

2. Summary of significant accounting policies *(Continued from previous page)*

Recent accounting pronouncements

PS 3430 Restructuring Transactions (New)

In June 2015, new PS 3430 Restructuring Transactions was included in the CPA Canada Public Sector Accounting Handbook (PSA HB). The new Section establishes disclosure standards on restructuring transactions. The main features of this Standard are as follows:

A restructuring transaction is defined separately from an acquisition. The key distinction between the two is the absence of an exchange of consideration in a restructuring transaction.

A restructuring transaction is defined as a transfer of an integrated set of assets and/or liabilities, together with related program or operating responsibilities that does not involve an exchange of consideration.

Individual assets and liabilities transferred in a restructuring transaction are derecognized by the transferor at their carrying amount and recognized by the recipient at their carrying amount with applicable adjustments.

The increase in net assets or net liabilities resulting from recognition and derecognition of individual assets and liabilities received from all transferors, and transferred to all recipients in a restructuring transaction, is recognized as revenue or as an expense.

Restructuring-related costs are recognized as expenses when incurred.

Individual assets and liabilities received in a restructuring transaction are initially classified based on the accounting policies and circumstances of the recipient at the restructuring date.

The financial position and results of operations prior to the restructuring date are not restated.

Disclosure of information about the transferred assets, liabilities and related operations prior to the restructuring date by the recipient is encouraged but not required.

The standard is effective for new restructuring transactions that occur in fiscal periods beginning on or after April 1, 2018. Earlier application is encouraged.

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

	2018	2017
Administration accounts	3,278,527	861,057
CMHC Housing	68,119	34,571
Masenahega Shoonia	5,220	4,541
NAPS	50,000	79,937
Power Utility	142,840	32,976
Welfare	69,923	132,406
 Unrestricted	 3,614,629	 1,145,488
 Internally restricted	 132,959	 134,024

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

4. Accounts receivable

	2018	2017
Other First Nation organizations	-	133,647
Other accounts receivable	2,321,372	1,681,182
	2,321,372	1,814,829

5. Investments in First Nation partnerships and business entities

The First Nation has investments in the following entities:

	<i>2018</i>			
	<i>Opening</i>	<i>Purchases</i>	<i>Increase/ (decrease) in investments for the year</i>	<i>Total investment</i>
Wasaya Airways Limited Partnership	840,000	-	-	840,000
The Wellington Leasing Corporation - 50% interest	102,842	-	976	103,818
The Wellington Limited Partnership - 50% interest	133,269	-	(80,671)	52,598
The Wellington General Partner Ltd. - 50% interest	61,573	-	28,529	90,102
24723881 Ontario Inc.	-	10	-	10
First Nation LP	-	10	-	10
	1,137,684	20	(51,166)	1,086,538

	<i>2017</i>			
	<i>Opening</i>	<i>Purchases</i>	<i>Increase/ (decrease) in investments for the year</i>	<i>Total investment</i>
Wasaya Airways Limited Partnership	840,000	-	-	840,000
The Wellington Leasing Corporation - 50% interest	102,842	-	-	102,842
The Wellington Limited Partnership - 50% interest	133,269	-	-	133,269
The Wellington General Partner Ltd. - 50% interest	61,573	-	-	61,573
	1,137,684	-	-	1,137,684

The Wellington group of entities have a December year end. They operate a convenience store, motel, restaurant and gas bar in Sioux Lookout, Ontario. The most recent financial information provided for these entities is for December 31, 2017 and is on the following page.

Wasaya Airways Limited Partnership provides passenger and cargo air services. No financial information is available for this entity.

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

5. Investment in partnerships and business entities *(Continued from previous page)*

	<i>Wellington Leasing Corporation</i> <i>As at December 31, 2017</i>	<i>Wellington Limited Partnership</i> <i>As at December 31, 2017</i>	<i>Wellington General Partner Ltd.</i> <i>As at December 31, 2017</i>	<i>Total</i> <i>As at December 31, 2017</i>	<i>Total</i> <i>As at December 31, 2016</i>
Assets					
Cash	11,806	94,283	87,080	193,169	206,966
Accounts receivable	-	56,971	-	56,971	50,510
Inventory	-	167,369	-	167,369	168,717
Investments	200	-	100	300	300
Due from (to) related parties	(132,770)	20,001	112,769	-	-
Property, plant and equipment	177,716	162,541	-	340,257	392,098
Total assets	56,952	501,165	199,949	758,066	818,591
Liabilities					
Accounts payable and accruals	11,895	345,037	17,080	374,012	444,470
Income taxes payable	721	-	2,466	3,187	4,997
Due to shareholders	9,100	-	-	9,100	9,100
Long-term debt	-	75,834	-	75,834	95,392
Total liabilities	21,716	420,871	19,546	462,133	553,959
Equity	35,236	80,294	180,403	295,933	264,632
Total revenue	99,908	5,859,468	96,077	6,055,453	5,283,872
Total expenses	98,030	5,861,099	58,701	6,017,830	5,412,464
Provision for income taxes	1,878	(1,631)	37,376	37,623	(128,592)
Income/(loss)	(721)	-	(5,604)	(6,325)	(5,043)
	1,157	(1,631)	31,772	31,298	(133,635)

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

6. Due from government and other government organizations

	2018	2017
Indigenous and Northern Affairs Canada	449,562	1,024,048
Health Canada	142,585	-
Province of Ontario	336,663	126,065
Canada Mortgage and Housing Corporation	63,133	8,289
Nishnawbe-Aski Nation	151,134	55,184
Federal government	75,089	64,849
SLAAMB	20,970	59,685
	1,239,136	1,338,120

7. 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.

	2018	2017
Capital Trust		
Balance, beginning of year	126	126
Balance, end of year	126	126
Revenue Trust		
Balance, beginning of year	37,906	33,950
Interest	785	631
Bell fibre optic fees	3,325	3,325
Balance, end of year	42,016	37,906
	42,142	38,032

8. Accounts payable and accruals

	2018	2017
Trade payables	5,761,731	2,000,080

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

9. Deferred revenue

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

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Revenue Recognized</i>	<i>Balance, end of year</i>
Arts council	-	22,120	-	22,120
Capital water O & M	-	26,369	-	26,369
Child protection	-	60,100	-	60,100
Climate change	-	150,000	-	150,000
CMHC housing renovations	-	60,751	44,922	15,829
Generator overhauls	31,574	-	31,574	-
Guidance and counselling	-	105,000	-	105,000
Health Canada flexible funding	-	108,909	-	108,909
Incremental fuel relief	474,151	443,045	474,151	443,045
Jordan's Principle	-	260,578	-	260,578
Lot servicing	90,000	-	90,000	-
LEDSP economic development capacity	-	48,357	-	48,357
House maintenance	23,750	-	23,750	-
Housing authority	55,988	-	55,988	-
Housing governance tool	30,688	-	30,688	-
Housing management	50,634	-	50,634	-
National Child Benefit	10,626	-	10,626	-
Remediation project - ARJUP	1,243,918	-	743,286	500,632
School effectiveness	48,650	-	-	48,650
Severn River bridge design	237,000	-	-	237,000
Sewer systems and facilities	25,000	46,804	25,000	46,804
Solid waste management equipment	-	48,921	-	48,921
Switchgear upgrade	-	716,931	-	716,931
Water plant upgrade	20,000	-	20,000	-
Water treatability study	50,000	-	50,000	-
	2,391,979	2,097,885	1,650,619	2,839,245

10. Due to government and other government organizations

	<i>2018</i>	<i>2017</i>
Federal government	1,232	2,710
Indigenous and Northern Affairs Canada	126	58,325
	1,358	61,035

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

11. Long-term debt

	2018	2017
Canada Mortgage and Housing Corporation housing mortgage repayable in monthly instalments of \$3,221 including interest at 1.43%, secured by ministerial guarantee, due March 2027.	326,258	359,957
Less: current portion of CMHC loan	(34,219)	33,699
	360,477	326,258

Principal repayments on long-term debt are estimated as follows:

	Principal
2019	34,219
2020	34,701
2021	35,216
2022	35,713
2023	36,227
Thereafter	150,182

Interest on long-term debt amounted to \$4,873 (2017 - \$6,226).

12. Contingent liabilities

The First Nation has agreements with INAC and other government bodies for each restricted fund which state that the First Nation may be required to return any surpluses 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 a CMHC housing loan. The balance of the CMHC loan was \$326,258 (2017 - \$359,957) at year-end.

These 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.

13. Inventories of supplies

	2018	2017
Fuel inventory	922,500	885,000

The cost of inventories recognized as an expense and included in fuel amounted to \$885,000 (2017 - \$681,324).

14. Economic dependence

Muskrat Dam First Nation receives approximately 45% (2017 - 77%) 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 INAC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these Treaties.

Due to certain deficiencies in its system of internal control, the First Nation is also party to a Remedial Management Plan agreement with INAC. 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, 2018

15. Segments

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

Band government - includes administration and governance activities.

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.

INAC 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.

16. Comparative figures

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

Muskrat Dam First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2018

17. Accumulated surplus

Accumulated surplus (deficit) consists of the following:

	2018	2017
Equity in Ottawa Trust Funds		
Balance, beginning of year	38,032	34,076
Contributions	4,110	3,956
	<hr/>	<hr/>
	42,142	38,032
Equity in tangible capital assets		
Balance, beginning of year	26,609,363	26,967,204
Additions	2,743,845	1,784,071
Amortization	(2,352,985)	(2,141,912)
	<hr/>	<hr/>
	27,000,223	26,609,363
Unrestricted surplus		
Balance, beginning of year	(1,066,089)	(1,285,908)
Net increase/(decrease)	966,393	219,819
	<hr/>	<hr/>
	(99,696)	(1,066,089)
	<hr/>	<hr/>
	26,942,669	25,581,306

18. Government transfers

	Set	Flexible	2018	2017
Federal government transfers				
Indigenous and Northern Affairs Canada	5,108,528	4,706,671	9,815,199	8,895,532
Health Canada	823,782	1,750,186	2,573,968	1,616,001
Canada Mortgage and Housing Corporation	237,755	-	237,755	61,478
Total federal government transfers	6,170,065	6,456,857	12,626,922	10,573,011
Provincial government transfers				
	846,540	-	846,540	775,143
Total government transfers	7,016,605	6,456,857	13,473,462	11,348,154

19. Budget information

Canadian public sector accounting (PSA) standards require the disclosure of budget information for comparison to the First Nation's actual revenue and expenses. The budgeted revenue and expenses, and deficit have not been reported in these financial statements. While having no effect on reported revenue, expenses, and surplus, omission of this information is considered a departure from PSA standards.

Muskrat Dam First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2018

	<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	14,833,199	3,046,741	8,655,891	11,554,814	1,223,453	39,314,098
Acquisition of tangible capital assets	-	633,250	-	1,869,500	-	2,502,750
Balance, end of year	14,833,199	3,679,991	8,655,891	13,424,314	1,223,453	41,816,848
Accumulated amortization						
Balance, beginning of year	7,221,297	2,518,377	2,815,378	6,259,936	793,958	19,608,946
Annual amortization	593,328	302,322	346,235	536,973	48,938	1,827,796
Balance, end of year	7,814,625	2,820,699	3,161,613	6,796,909	842,896	21,436,742
Net book value of tangible capital assets	7,018,574	859,292	5,494,278	6,627,405	380,557	20,380,106
2017 Net book value of tangible capital assets	7,611,902	528,364	5,840,513	5,294,878	429,495	19,705,152

Muskrat Dam First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2018

	<i>Subtotal</i>	<i>Housing</i>	<i>2018</i>	<i>2017</i>
Cost				
Balance, beginning of year	39,314,098	12,977,500	52,291,598	50,507,527
Acquisition of tangible capital assets	2,502,750	241,095	2,743,845	1,784,071
Balance, end of year	41,816,848	13,218,595	55,035,443	52,291,598
Accumulated amortization				
Balance, beginning of year	19,608,946	6,073,289	25,682,235	23,540,323
Annual amortization	1,827,796	525,189	2,352,985	2,141,912
Balance, end of year	21,436,742	6,598,478	28,035,220	25,682,235
Net book value of tangible capital assets	20,380,106	6,620,117	27,000,223	26,609,363
2017 Net book value of tangible capital assets	19,705,152	6,904,211	26,609,363	

Muskrat Dam First Nation
Schedule 2 - Consolidated Schedule of Expenses by Object
For the year ended March 31, 2018

	2018	2017
Expenses by object		
Administration overhead	(81,905)	-
Amortization	2,352,985	2,141,912
Bad debts	1,206	388,740
Bank charges and interest	141,495	278,067
Basic needs	250,534	178,411
Contracted services	4,277,571	2,991,319
Cultural program	22,174	32,323
Equipment rental	60,321	53,651
First Nation Project Coordination Services	26,719	-
Freight	226,965	309,434
Fuel	866,958	756,728
Honoraria	56,800	70,718
Insurance	138,624	148,056
Interest on long term debt	51,304	54,030
Materials and supplies	3,342,484	1,902,352
Miscellaneous	27,016	6,074
Office supplies	65,328	50,111
Professional fees	31,248	42,930
Repairs and maintenance	522,532	217,188
Special events	14,572	19,333
Supplies	21,717	33,140
Telephone	87,125	88,408
Training	12,399	42,183
Travel	467,773	499,708
Utilities	801,009	523,091
Vehicle expenses	3,246	13,499
Wages and benefits	3,026,740	2,913,600
	16,814,940	13,755,006

Muskrat Dam First Nation
BAND GOVERNMENT
Schedule 3 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)
For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous and Northern Affairs Canada		
Grant	551,888	370,119
Fixed Contribution	35,000	110,000
Ministry of Aboriginal Affairs	90,000	90,000
Ministry of the Attorney General	86,075	-
Rent	-	875
Other revenue	19,281	19,633
	782,244	590,627
Expenses		
Administration overhead	(454,540)	(306,375)
Bad debts	-	1,536
Bank charges and interest	455	(3,318)
Contracted services	473,445	319,700
Equipment rental	6,950	13,344
Honoraria	55,500	69,343
Insurance	9,405	1,738
Interest on long term debt	46,430	40,667
Materials and supplies	104,403	162,809
Office supplies	19,254	19,114
Repairs and maintenance	2,405	2,116
Telephone	53,513	23,553
Training	552	5,950
Travel	155,572	165,788
Utilities	13,750	-
Wages and benefits	211,965	299,983
	699,059	815,948
Surplus (deficit) before transfers	83,185	(225,321)
Transfers between programs	-	(42,631)
Surplus (deficit)	83,185	(267,952)

**Muskrat Dam First Nation
COMMUNITY SERVICES**

Schedule 4 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenue		
Sales	1,798,179	562,230
Other revenue	16,302	-
	1,814,481	562,230
Expenses		
Bank charges and interest	50	75
Contracted services	200	2,218
Equipment rental	300	-
Materials and supplies	2,010,365	652,190
Telephone	527	-
Travel	46,031	-
Utilities	7,295	-
Wages and benefits	27,426	28,909
	2,092,194	683,392
Deficit	(277,713)	(121,162)

**Muskrat Dam First Nation
ECONOMIC DEVELOPMENT**

Schedule 5 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous and Northern Affairs Canada		
Fixed Contribution	131,780	50,000
Ontario First Nations (2008) Limited Partnership	950,156	940,440
Increase/(decrease) in investments	(51,166)	-
Other revenue	97,879	32,151
Deferred revenue - end of year (Note 9)	(48,357)	-
	1,080,292	1,022,591
Expenses		
Administration overhead	8,178	-
Contracted services	25,299	39,338
Materials and supplies	296,711	173,263
Telephone	4,018	2,145
Travel	300	-
Utilities	7,549	-
Wages and benefits	67,158	20,792
	409,213	235,538
Surplus before transfers	671,079	787,053
Transfers between programs	(26,100)	(26,100)
Surplus	644,979	760,953

Muskrat Dam First Nation

EDUCATION

Schedule 6 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous and Northern Affairs Canada		
Fixed Contribution	990,776	547,414
Set Contribution	-	518,793
Northern Nishnawbe Education Council	73,548	31,392
Other revenue	64,200	54,000
Deferred revenue - beginning of year (Note 9)	48,650	-
Deferred revenue - end of year (Note 9)	(153,650)	(48,650)
	1,023,524	1,102,949
Expenses		
Administration overhead	80,920	37,500
Contracted services	3,320	15,608
Cultural program	22,174	32,323
Equipment rental	-	149
Honoraria	-	300
Insurance	2,041	2,041
Interest on long term debt	-	715
Materials and supplies	10,990	4,853
Miscellaneous	20,885	5,999
Office supplies	596	374
Repairs and maintenance	1,436	838
Special events	14,400	17,836
Supplies	17,923	26,348
Telephone	5,018	10,542
Travel	17,132	28,631
Utilities	11,098	-
Vehicle expenses	1,879	12,389
Wages and benefits	562,513	568,771
	772,325	765,217
Surplus	251,199	337,732

**Muskrat Dam First Nation
EMPLOYMENT PROGRAMS**

Schedule 7 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous and Northern Affairs Canada		
Set Contribution	-	24,985
Fixed Contribution	30,180	-
Nishnawbe-Aski Nation	(12,405)	12,405
Ontario Arts Council	27,120	-
S.L.A.A.M.B.	126,056	177,615
Other revenue	7,576	-
Deferred revenue - end of year <i>(Note 9)</i>	(22,120)	-
	156,407	215,005
Expenses		
Administration overhead	-	6,360
Contracted services	8,036	-
Equipment rental	3,775	-
Materials and supplies	5,429	1,328
Training	-	11,022
Travel	-	3,724
Wages and benefits	153,277	197,477
	170,517	219,911
Deficit before transfers	(14,110)	(4,906)
Transfers between programs	-	41,031
Surplus (deficit)	(14,110)	36,125

Muskrat Dam First Nation
HEALTH
Schedule 8 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)
+For the year ended March 31, 2018

	2018	2017
Revenue		
Health Canada		
Flexible funding	1,750,186	1,243,970
Set funding	823,782	302,045
Other	-	69,986
Indigenous and Northern Affairs Canada		
Fixed Contribution	60,100	-
Ministry of Education	6,962	-
Nishnawbe-Aski Nation	271,842	251,547
Deferred revenue - end of year (Note 9)	(386,740)	-
	2,526,132	1,867,548
Expenses		
Administration overhead	240,268	147,586
Amortization	174,904	174,905
Contracted services	316,099	91,946
Equipment rental	10,053	17,802
First Nation Project Coordination Services	16,452	-
Honoraria	1,300	1,075
Insurance	10,384	10,461
Materials and supplies	447,550	455,626
Miscellaneous	375	-
Office supplies	9,182	8,302
Repairs and maintenance	12,129	17,121
Telephone	10,191	15,914
Training	10,072	13,816
Travel	89,165	84,670
Utilities	183,483	159,883
Wages and benefits	1,056,434	822,494
	2,588,041	2,021,601
Deficit	(61,909)	(154,053)

Muskrat Dam First Nation

HOUSING

Schedule 9 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous and Northern Affairs Canada		
Fixed Contribution	103,809	1,993,160
Set Contribution	-	90,000
Canada Mortgage and Housing Corporation	237,755	61,478
Investment income	238	69
Deferred revenue - beginning of year (Note 9)	251,060	-
Deferred revenue - end of year (Note 9)	(15,829)	(251,060)
	577,033	1,893,647
Expenses		
Administration overhead	20,000	34,829
Amortization	512,087	502,444
Bank charges and interest	382	58
Contracted services	134,705	42,125
Equipment rental	6,720	-
First Nation Project Coordination Services	3,816	-
Insurance	9,950	10,220
Interest on long term debt	4,874	6,181
Materials and supplies	95,064	117,571
Office supplies	-	22,320
Travel	20,612	-
Wages and benefits	123,979	79,846
	932,189	815,594
Surplus (deficit) before transfers	(355,156)	1,078,053
Transfers between programs	26,100	26,100
Surplus (deficit)	(329,056)	1,104,153

**Muskrat Dam First Nation
PUBLIC WORKS - CAPITAL PROJECTS**

Schedule 10 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenue		
Government funding		
Indigenous and Northern Affairs Canada		
Fixed Contribution	1,625,133	225,771
Set Contribution	-	2,637,393
Flexible transfer payments	4,706,671	497,000
Rent	26,345	44,396
Other revenue	1,535,580	993,007
Deferred revenue - beginning of year (Note 9)	1,607,492	369,417
Deferred revenue - end of year (Note 9)	(1,576,657)	(1,607,492)
Repaid/repayable to funding agency	(832,803)	-
	7,091,761	3,159,492
Expenses		
Administration overhead	12,000	30,750
Amortization	302,322	175,672
Contracted services	3,231,629	2,404,899
Equipment rental	(90,770)	(119,447)
First Nation Project Coordination Services	6,451	-
Insurance	13,366	9,395
Interest on long term debt	-	6,467
Materials and supplies	25,859	(40,420)
Repairs and maintenance	395,353	103,653
Training	600	-
Travel	5,848	9,947
Utilities	123,000	1,670
Wages and benefits	255,598	288,214
	4,281,256	2,870,800
Surplus before transfers	2,810,505	288,692
Transfers between programs	-	(48,834)
Surplus	2,810,505	239,858

**Muskrat Dam First Nation
PUBLIC WORKS - OPERATIONS**

Schedule 11 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenue		
Indigenous and Northern Affairs Canada		
Fixed Contribution	1,532,462	1,335,803
Set Contribution	-	429,394
Ministry of Northern Development and Mines	160,680	156,000
Sales	1,024,265	1,070,914
Other revenue	45,350	100,716
Deferred revenue - beginning of year (Note 9)	474,151	-
Deferred revenue - end of year (Note 9)	(593,045)	(474,151)
	2,643,863	2,618,676
Expenses		
Administration overhead	-	44,750
Amortization	1,363,672	1,288,891
Bad debts	1,206	387,204
Bank charges and interest	140,149	130,289
Contracted services	84,837	75,485
Equipment rental	123,293	141,802
Freight	226,965	309,434
Fuel	866,958	756,728
Insurance	93,478	114,201
Materials and supplies	346,114	370,358
Miscellaneous	5,756	75
Office supplies	36,297	-
Professional fees	31,248	42,930
Repairs and maintenance	111,209	93,460
Telephone	13,858	36,254
Training	1,175	-
Travel	4,757	70,064
Utilities	454,835	361,538
Vehicle expenses	1,367	1,110
Wages and benefits	462,258	497,873
	4,369,432	4,722,446
Deficit before transfers	(1,725,569)	(2,103,770)
Transfers between programs	-	50,434
Deficit	(1,725,569)	(2,053,336)

**Muskrat Dam First Nation
SOCIAL SERVICES**

Schedule 12 - Consolidated Schedule of Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2018

	2018	2017
Revenue		
Government funding		
Indigenous and Northern Affairs Canada		
Fixed Contribution	22,300	19,700
Set Contribution	25,100	46,000
Ministry of Community and Social Services	360,128	436,588
Ministry of Health and Long Term Care	112,695	92,555
Deferred revenue - beginning of year (Note 9)	10,626	-
Deferred revenue - end of year (Note 9)	-	(10,626)
Repaid/repayable to funding agency	<u>(11,546)</u>	-
	519,303	584,217
Expenses		
Administration overhead	11,269	4,600
Bank charges and interest	459	150,963
Basic needs	<u>250,534</u>	178,411
Materials and supplies	-	4,774
Special events	172	1,497
Supplies	3,794	6,793
Training	-	11,395
Travel	<u>128,356</u>	136,885
Wages and benefits	<u>106,130</u>	109,241
	500,714	604,559
Surplus (deficit)	18,589	(20,342)