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FLYING DUST FIRST NATION

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

for the year ended March 31, 2014

FLYING DUST FIRST NATION

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Management's Responsibility for the Financial Statements

To the Members of Flying Dust First Nation:

The accompanying financial statements of Flying Dust First Nation are the responsibility of management and have been approved by the Council.

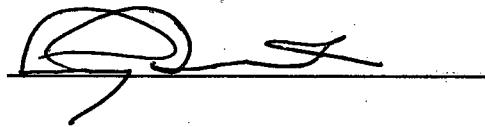
These financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The external auditors, Lorne Horning CA PC Inc., conduct an audit in accordance with Canadian general auditing standards, and express their opinion on the financial statements. The external auditors have access to financial management of Flying Dust First Nation and meet when required.

On behalf of Flying Dust First Nation:



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SASKATOON, SASK
S7K 8A9
Phone (306) 931-2131
Fax (306) 931-2323

INDEPENDENT AUDITOR'S REPORT

To the Members of the Flying Dust First Nation:

I have audited the accompanying consolidated financial statements of Flying Dust First Nation which is comprised of the consolidated statement of financial position as of March 31, 2014 and the consolidated statements of operations, changes in net financial assets, surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility of the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my 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 consolidated financial statements are free from material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the First Nation'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 First Nation'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.

LORNE HORNING CHARTERED ACCOUNTANT

3

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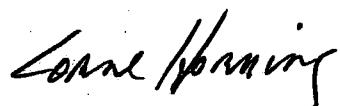
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material aspects, the financial position of **Flying Dust First Nation** as at March 31, 2014, and the results of its operation and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The supplementary information contained in the accompanying schedules is presented for purposes of additional information to the membership and Aboriginal Affairs and Northern Development Canada and does not form part of the consolidated financial statements. The schedules have not been audited other than in the course of my audit of the financial statements to the extent necessary to allow me to render an opinion thereon.

Saskatoon, Saskatchewan
July 28, 2014



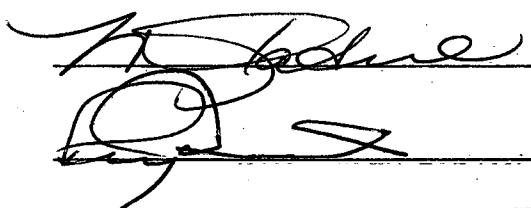
Chartered Accountant.

FLYING DUST FIRST NATION

STATEMENT OF FINANCIAL POSITION
as at March 31, 2014

| | <u>2014</u> | <u>2013</u> |
|--|----------------------|----------------------|
| <u>FINANCIAL ASSETS</u> | | |
| Bank | \$ 525,956 | \$ - |
| Restricted deposits | 435,516 | 432,060 |
| Term deposits | 115,213 | 15,083 |
| Accounts receivable (Note 2) | 1,017,570 | 840,702 |
| Advances receivable (Note 3) | 489,557 | 132,923 |
| Trust funds (Note 4) | 1,123,105 | 6,847 |
| Investments (Note 5) | 2,034,184 | 1,952,042 |
| Limited partnership interests (Note 6) | <u>4,789,660</u> | <u>4,658,561</u> |
| | <u>10,530,761</u> | <u>8,038,218</u> |
| <u>FINANCIAL LIABILITIES</u> | | |
| Bank indebtedness | - | 810,556 |
| Accounts payable (Note 7) | 2,848,328 | 1,328,365 |
| Unexpended revenue (Note 8) | 135,496 | 4,254 |
| Funded reserves (Note 9) | 435,516 | 432,060 |
| Bank loan (Note 10) | 162,021 | - |
| Term debt (Note 11 & 12) | <u>6,059,494</u> | <u>6,308,037</u> |
| | <u>9,640,855</u> | <u>8,883,272</u> |
| NET FINANCIAL ASSETS | 889,906 | (845,054) |
| <u>NON-FINANCIAL ASSETS</u> | | |
| Tangible capital assets (Note 13) | 16,774,888 | 17,081,771 |
| Prepaid expense | - | 15,500 |
| SURPLUS | \$ 17,664,794 | \$ 16,252,217 |

APPROVED BY COUNCIL:



SEE ACCOMPANYING NOTES SUBJECT TO
INDEPENDENT AUDITOR'S REPORT DATED JULY 28, 2014

FLYING DUST FIRST NATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
for the year ended March 31, 2014

| | <u>2014</u> | <u>2013</u> |
|--|-----------------------|-------------------------|
| SURPLUS (DEFICIT) FOR THE YEAR | \$ 1,709,642 | \$ 63,702 |
| Receipt of capital transfer | 119,335 | - |
| Sale of capital assets | 249,054 | - |
| Purchase of capital assets | (662,299) | (11,899) |
| Amortization of capital assets | 303,728 | 300,669 |
| Prepaid expenses | <u>15,500</u> | <u>(15,500)</u> |
| INCREASE (DECREASE) IN NET FINANCIAL ASSETS | 1,734,960 | 336,972 |
| BALANCE, beginning of the year | <u>(845,054)</u> | <u>(1,182,026)</u> |
| BALANCE, end of the year | \$ 889,906 | \$ (845,054) |

FLYING DUST FIRST NATION

STATEMENT OF OPERATIONS for the year ended March 31, 2014

| | <u>2014</u> | <u>2014</u> | <u>2013</u> |
|--|---------------|--------------|--------------|
| | <u>Budget</u> | | |
| REVENUE: | | | |
| Grants and Contributions: | | | |
| - Aboriginal Affairs | \$ 5,746,316 | \$ 5,746,316 | \$ 5,486,031 |
| - Meadow Lake Tribal Council | 1,442,855 | 1,442,855 | 1,436,670 |
| - Saskatchewan Lotteries | 4,845 | 4,845 | 4,168 |
| - Canada Mortgage & Housing | - | 27,011 | 11,030 |
| - Government of Saskatchewan | 21,000 | 21,000 | 12,268 |
| - Solicitor General | - | - | 5,850 |
| - Health Canada | 24,000 | 25,259 | 39,507 |
| - Northern Lights Community Development | 119,966 | 119,966 | 93,896 |
| - First Nations Trust | 480,000 | 481,213 | 449,440 |
| - Western Diversification | - | - | 54,000 |
| Rentals | 179,621 | 198,721 | 224,123 |
| Fundraising | 90,000 | 131,279 | 151,096 |
| Contracting and service fees | 71,000 | 85,508 | 86,930 |
| Management fees (Note 16) | 150,000 | 195,000 | 25,000 |
| Interest | - | 596 | 816 |
| Revenue trust leases and interest (Note 4) | 100,000 | 1,616,258 | 32,303 |
| Railway settlement | 100,000 | 100,000 | - |
| Earnings distributions (Note 5) | 100,000 | 109,178 | 50,000 |

FLYING DUST FIRST NATION

STATEMENT OF OPERATIONS
for the year ended March 31, 2014

| | <u>2014</u> <u>Budget</u> | <u>2014</u> | <u>2013</u> |
|--|------------------------------|-------------------------|-----------------------|
| REVENUE: (Continued) | | | |
| Administration fees | \$ 102,227 | \$ 102,227 | \$ 91,741 |
| Expense recoveries | 234,622 | 308,318 | 255,970 |
| Sales tax rebates | 1,800,000 | 1,841,753 | 1,967,181 |
| Patronage dividend (Note 5) | 3,000 | 3,212 | 3,020 |
| Community development revenue | 47,500 | 55,823 | 49,798 |
| Housing rentals and subsidy | <u>221,082</u> | <u>221,082</u> | <u>255,914</u> |
| | 11,038,034 | 12,837,420 | 10,786,752 |
| Unexpended revenue - prior year | 4,254 | 4,254 | 3,000 |
| - current year | <u>-</u> | <u>(135,494)</u> | <u>(4,254)</u> |
| | 11,042,288 | 12,706,180 | 10,785,498 |
| EXPENSES | <u>10,734,508</u> | <u>11,309,779</u> | <u>11,007,342</u> |
| SURPLUS (DEFICIT) BEFORE THE UNDERNOTED | 307,780 | 1,396,401 | (221,844) |
| Change in investment equity (Note 5) | - | 82,142 | (143,171) |
| Limited partnership earnings (loss) (Note 6) | <u>100,000</u> | <u>231,099</u> | <u>428,717</u> |
| SURPLUS (DEFICIT) FOR THE YEAR | <u>\$ 407,780</u> | <u>\$ 1,709,642</u> | <u>\$ 63,702</u> |

FLYING DUST FIRST NATION

STATEMENT OF SURPLUS / EQUITY BALANCES
for the year ended March 31, 2014

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|---------------------|
| <u>SURPLUS, APPROPRIATED FOR INVESTMENTS</u> | | |
| BALANCE, beginning of the year | \$ 1,952,042 | \$ 2,095,213 |
| 625706 Saskatchewan Ltd. - earnings (loss) for the year | (8,421) | (8,339) |
| FDB Farms Inc. - earnings (loss) for the year | (74,645) | (11,580) |
| 609045 Saskatchewan Ltd. - earnings (loss) for the year | (23,198) | (177,655) |
| FDB Broadcasting Inc. - earnings (loss) for the year | (14,438) | 4,075 |
| FDB Holding Corporation - earning (loss) for the year | 208,671 | 151,731 |
| - amortization of contributed surplus | (4,028) | (4,027) |
| - dividend distributed | (109,178) | (50,000) |
| North Central Rail Inc. - share redemption | - | (768) |
| - loss on redemption | - | (232) |
| Meadow Lake Co-op - equity change | (80) | 192 |
| Flying Energy Inc. - earnings (loss) for the year | 87,953 | (46,568) |
| FDB Fuels Inc. - share capital | 100 | - |
| - earnings (loss) for the year | 19,406 | - |
| BALANCE, end of the year | <u>\$ 2,034,184</u> | <u>\$ 1,952,042</u> |

FLYING DUST FIRST NATION

STATEMENT OF SURPLUS / EQUITY BALANCES
for the year ended March 31, 2014

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|---------------------|
| <u>SURPLUS, APPROPRIATED FOR HOUSING RENTALS</u> | | |
| BALANCE, beginning of the year | \$ 22,110 | \$ 10,859 |
| Adjustments by funding agency | 3,914 | - |
| | <u>26,024</u> | <u>10,859</u> |
| SURPLUS (DEFICIT) FOR THE YEAR | (37) | 11,251 |
| TRANSFER TO UNAPPROPRIATED SURPLUS | (25,987) | - |
| BALANCE, end of the year | \$ - | \$ 22,110 |
| <u>SURPLUS, DEFERRED CAPITAL TRANSFERS</u> | | |
| BALANCE, beginning of the year | \$ 8,957,956 | \$ 9,374,902 |
| Plus: receipt of capital transfers | 119,335 | - |
| Less: amortization recorded | (420,314) | (416,946) |
| BALANCE, end of the year | <u>\$ 8,656,977</u> | <u>\$ 8,957,956</u> |

FLYING DUST FIRST NATION

STATEMENT OF SURPLUS / EQUITY BALANCES
for the year ended March 31, 2014

| | 2014 | 2013 |
|--|------------------|------------------|
| <u>SURPLUS, UNAPPROPRIATED</u> | | |
| BALANCE, beginning of the year | \$ 5,320,109 | \$ 5,124,487 |
| SURPLUS (DEFICIT) FOR THE YEAR | 1,709,642 | 63,702 |
| | 7,029,751 | 5,188,189 |
| TRANSFER FROM APPROPRIATED SURPLUS | 25,987 | - |
| ALLOCATION OF SURPLUS IN INVESTMENTS & TRUST | | |
| - Investment equity | (82,142) | 143,171 |
| - Appropriated surplus | <u>37</u> | <u>(11,251)</u> |
| BALANCE, end of the year | \$ 6,973,633 | \$ 5,320,109 |

FLYING DUST FIRST NATION

STATEMENT OF CASH FLOWS
for the year ended March 31, 2014

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|----------------------|
| OPERATIONS: | | |
| Surplus (Deficit) for the year | \$ 1,709,642 | \$ 63,702 |
| Plus: amortization | <u>303,728</u> | <u>300,669</u> |
| | <u>2,013,370</u> | <u>364,371</u> |
| Changes in non-cash Working Capital items: | | |
| Accounts receivable | (176,868) | (454,475) |
| Prepaid expenses | 15,500 | (15,500) |
| Accounts payable | 1,519,963 | 51,027 |
| Unexpended revenue | <u>131,242</u> | <u>1,254</u> |
| | <u>3,503,207</u> | <u>(53,323)</u> |
| INVESTING ACTIVITIES: | | |
| Change in investment equity | (1,329,499) | (272,436) |
| Purchase of capital assets | (662,299) | (11,899) |
| Advances receivable | (356,634) | 14,587 |
| Sale of capital assets | <u>249,054</u> | <u>-</u> |
| | <u>(2,099,378)</u> | <u>(269,748)</u> |
| FINANCING ACTIVITIES: | | |
| Receipt of capital transfers | 119,335 | - |
| Proceeds of term debt | 179,751 | 5,260,000 |
| Bank loan - proceeds | 162,021 | - |
| Repayment of term debt | <u>(428,294)</u> | <u>(5,158,333)</u> |
| | <u>32,813</u> | <u>101,667</u> |
| INCREASE (DECREASE) IN CASH RESOURCES | 1,436,642 | (221,404) |
| CASH RESOURCES, beginning of the year | (795,473) | (574,069) |
| CASH RESOURCES, end of the year | \$ 641,169 | \$ (795,473) |
| CASH RESOURCES ARE REPRESENTED BY: | | |
| Bank balances | \$ 525,956 | \$ (810,556) |
| Restricted deposits | 435,516 | 432,060 |
| Term deposits | 115,213 | 15,083 |
| Funded reserves | <u>(435,516)</u> | <u>(432,060)</u> |
| | <u>\$ 641,169</u> | <u>\$ (795,473)</u> |

FLYING DUST FIRST NATION

STATEMENT OF REVENUE AND EXPENSES BY ACTIVITY for the year ended March 31, 2014

| <u>Sch</u> | <u>Revenue</u> | <u>Expenses</u> | <u>Unexpended Revenue</u> | <u>Surplus (Deficit)</u> |
|----------------------------------|------------------|------------------|---------------------------|--------------------------|
| LANDS: | | | | |
| Land Management 1 | \$ 88,527 | \$ 71,317 | \$ - | \$ 17,210 |
| Land Operating 2 | 200,818 | 213,159 | - | (12,341) |
| Site Assessment 3 | <u>68,407</u> | <u>68,407</u> | - | - |
| | <u>357,752</u> | <u>352,883</u> | - | <u>4,869</u> |
| RESERVES: | | | | |
| Registry 3 | <u>8,641</u> | <u>8,063</u> | - | <u>578</u> |
| EDUCATION: | | | | |
| Instruction 4 | 665,730 | 566,287 | - | 99,443 |
| Ancillary Services 5 | 99,588 | 35,771 | - | 63,817 |
| Tuition 5 | 1,218,073 | 1,180,583 | - | 37,490 |
| Transportation 6 | 198,916 | 135,539 | - | 63,377 |
| Post Secondary 7 | 429,923 | 397,669 | - | 32,254 |
| Support 8 | 113,840 | 104,428 | - | 9,412 |
| Behaviour Modification 9 | 120,851 | 120,851 | - | - |
| Tuition Develop 10 | 32,873 | 37,620 | - | (4,747) |
| First Nations Student Support 10 | <u>185,243</u> | <u>174,811</u> | - | <u>10,432</u> |
| | <u>3,065,037</u> | <u>2,753,559</u> | - | <u>311,478</u> |
| SOCIAL SERVICES: | | | | |
| Assistance 10 | 927,222 | 889,578 | - | 37,644 |
| Institutional Care 10 | 19,200 | - | (19,200) | - |
| National Child 11 | 168,548 | 174,782 | - | (6,234) |
| Home Care 12 | 125,517 | 135,333 | - | (9,816) |
| Early Childhood 13 | <u>18,504</u> | <u>3,420</u> | <u>(15,084)</u> | - |
| | <u>1,258,991</u> | <u>1,203,113</u> | <u>(34,284)</u> | <u>21,594</u> |

FLYING DUST FIRST NATION

STATEMENT OF REVENUE AND EXPENSES BY ACTIVITY for the year ended March 31, 2014

| | <u>Sch</u> | <u>Revenue</u> | <u>Expenses</u> | <u>Unexpended Revenue</u> | <u>Surplus (Deficit)</u> |
|------------------------|------------|------------------|------------------|---------------------------|--------------------------|
| INFRASTRUCTURE: | | | | | |
| Water | 14 | \$ 25,043 | \$ 25,043 | \$ - | \$ - |
| Roads | 14 | 4,248 | 4,248 | - | - |
| Electrification | 14 | 4,572 | 4,572 | - | - |
| Infrastructure | 15 | 370,466 | 510,534 | - | (140,068) |
| Community Building | 16 | 101,825 | 131,625 | - | (29,800) |
| Municipal | 17 | 92,094 | 136,899 | - | (44,805) |
| School Maintenance | 17 | <u>107,702</u> | <u>113,361</u> | <u>-</u> | <u>(5,659)</u> |
| | | <u>705,950</u> | <u>926,282</u> | <u>-</u> | <u>(220,332)</u> |
| BAND SUPPORT: | | | | | |
| Administration | 18 | 845,640 | 774,756 | - | 70,884 |
| Service Delivery | 19 | 73,924 | 80,159 | - | (6,235) |
| Band Employee Benefits | 19 | <u>146,810</u> | <u>147,506</u> | <u>-</u> | <u>(696)</u> |
| | | <u>1,066,374</u> | <u>1,002,421</u> | <u>-</u> | <u>63,953</u> |
| CAPITAL: | | | | | |
| Subdivision | 21 | - | 45 | - | (45) |
| Walking Path | 21 | <u>-</u> | <u>45</u> | <u>-</u> | <u>(45)</u> |
| | | <u>-</u> | <u>90</u> | <u>-</u> | <u>(90)</u> |
| HEALTH: | | | | | |
| Management | 22 | 113,017 | 123,013 | - | (9,996) |
| Programming | 23 | 60,006 | 60,772 | - | (766) |
| Addictions | 24 | 67,307 | 65,973 | - | 1,334 |
| Medical Transport | 24 | 25,259 | 28,496 | - | (3,237) |
| Maternal Child | 25 | 34,496 | 35,824 | - | (1,328) |
| Community Health | 26 | 36,182 | 36,182 | - | - |
| Nursing | 27 | 144,193 | 139,476 | - | 4,717 |
| Wellness | 28 | 81,171 | 78,997 | - | 2,174 |
| Child and Family | 29 | 168,429 | 167,240 | - | 1,189 |
| Daycare | 30 | 132,713 | 135,263 | - | (2,550) |
| Facility | 30 | 43,039 | 43,039 | - | - |
| Headstart | 31 | <u>77,807</u> | <u>76,022</u> | <u>-</u> | <u>1,785</u> |
| | | <u>983,619</u> | <u>990,297</u> | <u>-</u> | <u>(6,678)</u> |

FLYING DUST FIRST NATION

STATEMENT OF REVENUE AND EXPENSES BY ACTIVITY
for the year ended March 31, 2014

| | <u>Sch</u> | <u>Revenue</u> | <u>Expenses</u> | <u>Unexpended Revenue</u> | <u>Surplus (Deficit)</u> |
|---------------------------------|------------|----------------------|----------------------|---------------------------|--------------------------|
| ECONOMIC: | | | | | |
| Development | 32 | \$ 78,732 | \$ 145,735 | \$ - | \$ (67,003) |
| Summer Student | 33 | 26,569 | 26,569 | - | - |
| CEOP - Development | 34 | <u>160,000</u> | <u>63,044</u> | <u>(96,956)</u> | <u>-</u> |
| | | <u>265,301</u> | <u>235,348</u> | <u>(96,956)</u> | <u>(67,003)</u> |
| OTHER PROGRAMS: | | | | | |
| Justice | 35 | 38,430 | 43,206 | - | (4,776) |
| Self Government | 35 | 15,300 | 15,300 | - | - |
| Police | 36 | 21,000 | 18,470 | - | 2,530 |
| Fire Suppression | 37 | 129,342 | 144,618 | - | (15,276) |
| Project Management | 38 | - | 800 | - | (800) |
| Alternative Measures | 39 | 46,754 | 48,326 | - | (1,572) |
| Office rentals | 40 | 36,634 | 36,593 | - | 41 |
| Pow Wow | 40 | 9,330 | 9,330 | - | - |
| Elders | 41 | 94,157 | 94,157 | - | - |
| Garden | 42 | - | - | - | - |
| Funeral | 42 | 23,645 | 23,645 | - | - |
| Revenue Trust | 43 | 1,116,258 | - | - | 1,116,258 |
| Energy | 43 | 118,750 | 120,076 | - | (1,326) |
| Recreation | 44 | 106,933 | 103,765 | - | 3,168 |
| Sales Tax | 46 | 1,555,095 | 1,553,081 | - | 1,294 |
| Arena | 47 | <u>625,528</u> | <u>543,714</u> | <u>-</u> | <u>81,814</u> |
| | | <u>3,937,156</u> | <u>2,755,801</u> | <u>-</u> | <u>1,181,355</u> |
| UNAPPROPRIATED PROGRAMS: | | | | | |
| Community Develop | 48 | 55,922 | 16,414 | - | 39,508 |
| Community Housing | 49 | 221,082 | 221,119 | - | (37) |
| Housing Corp | 50 | <u>911,595</u> | <u>844,389</u> | <u>-</u> | <u>67,206</u> |
| | | <u>1,188,599</u> | <u>1,081,922</u> | <u>-</u> | <u>106,677</u> |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| | | \$ 12,837,420 | \$ 11,309,779 | \$ (131,240) | \$ 1,396,401 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES:

These summary financial statements have been prepared in accordance with generally accepted accounting principles for local government entities, as defined in the CICA Public Sector Accounting and Auditing Handbook and in accordance with generally accepted accounting principles, which encompasses the following principles:

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Common Government Reporting Model

Flying Dust First Nation has adopted the common government reporting model, as defined by the CICA Public Sector Accounting Handbook and required for First Nation government bodies for fiscal years beginning on or after January 1, 2009. The changes have been applied retroactively.

Government Funding for Capital Assets

Funding received for the purchase of or construction of capital assets is accumulated as an equity account, Deferred Capital Transfers and is amortized at the same rate as the applicable capital assets are amortized.

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Reporting Entity and Principles of Financial Reporting

The Flying Dust First Nation reporting entity includes the Flying Dust First Nation government and all related entities, which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements consolidate the assets, liabilities and results of operations for the following entities, which use accounting principles, which lend themselves to consolidation:

Flying Dust First Nation – Operations
Flying Dust First Nation – CMHC Housing Fund
Flying Dust First Nation – Community Development Fund
Flying Dust Housing Corporation

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual schedules.

Investments

Incorporated business entities, which are owned or controlled by the Flying Dust First Nation council and which are not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. These include:

FDB Broadcasting Ltd.
FDB Farms Inc.
625706 Saskatchewan Ltd.
609045 Saskatchewan Ltd.
FDB Holding Corporation
Flying Energy Inc.

Long-term investments in non-controlled entities are recorded at the lower of cost or net realizable value.

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2014

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets

Property, equipment and infrastructure expenditures incurred are valued at acquisition cost, and are amortized annually over their expected useful life at the following rates using the straight line method:

| | |
|--------------------------------|-----|
| Buildings and Houses | 5% |
| Roads and Infrastructure | 4% |
| Office Equipment and Furniture | 20% |
| Vehicles | 25% |
| Trailers | 10% |
| Machinery | 20% |
| Equipment | 25% |
| Buses | 20% |

No amortization is recorded in the year of acquisition.

2. ACCOUNTS RECEIVABLE:

| | |
|-----------------------------|----------------|
| Aboriginal Affairs | \$ 42,217 |
| Meadow Lake Tribal Council | 90,523 |
| Northern Lights Development | 36,250 |
| Housing rental subsidy | 10,547 |
| Sales tax refund | 14,788 |
| Flying Energy Inc. | 170,000 |
| 625706 Saskatchewan Ltd. | 55,650 |
| TLE Revenue Trust | 152,109 |
| Housing mortgage advances | 278,211 |
| Trade creditors | <u>167,275</u> |
| | <hr/> |
| | \$ 1,017,570 |

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2014

3. ADVANCES RECEIVABLE/PAYABLE:

The First Nation has made the following advances, which are unsecured, non-interest bearing and not subject to a fixed repayment schedule.

| | <u>2014</u> | <u>2013</u> |
|---|----------------|----------------|
| Receivable: | | |
| FDB Fuels Inc. | \$ 200,000 | \$ - |
| 609245 Saskatchewan Ltd. (Flying Dust Gravel) | 54,499 | 52,099 |
| FDB Farms Inc. | 58,975 | 50,027 |
| TLE Revenue Fund | 62,009 | 22,803 |
| Flying Dust Energy Inc. | <u>118,130</u> | <u>105,130</u> |
| | <u>493,613</u> | <u>230,059</u> |
| Payable: | | |
| FDB Holdings Corp. | - - | 93,180 |
| FD Youth & Disabled Foundation | <u>4,056</u> | <u>4,056</u> |
| | <u>4,056</u> | <u>97,236</u> |
| | <u>489,557</u> | <u>132,823</u> |

4. TRUST FUNDS:

The following funds are held in trust for the First Nation by the Aboriginal Affairs and Northern Development.

| | <u>Capital</u> | <u>Revenue</u> | <u>Total</u> |
|------------------------------------|---------------------|------------------|---------------------|
| Balance, March 31, 2013 | \$ 1,428 | \$ 5,419 | \$ 6,847 |
| Plus: Land leases and interest | <u>1,533,211</u> | <u>83,047</u> | <u>1,616,258</u> |
| | <u>1,534,639</u> | <u>88,466</u> | <u>1,623,105</u> |
| Less: Payments to the First Nation | <u>(500,000)</u> | <u>-</u> | <u>(500,000)</u> |
| Balance, March 31, 2014 | <u>\$ 1,034,639</u> | <u>\$ 88,466</u> | <u>\$ 1,123,105</u> |

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2014

5. INVESTMENTS:

The First Nation holds the following investments:

| | <u>2014</u> | <u>2013</u> |
|-------------------------------|-------------|-------------|
| Meadow Lake Co-op | \$ 3,232 | \$ 3,312 |
| FDB Farms Inc. | | |
| - Contribution capital | 449,068 | 449,068 |
| - Retained earnings (deficit) | (529,365) | (454,720) |
| FDB Holding Corporation | | |
| - 10 Class A Shares | 10 | 10 |
| - Contributed surplus | 84,563 | 88,591 |
| - Contributed capital | 1,632,896 | 1,632,896 |
| - Retained earnings | 462,346 | 362,853 |
| 609045 Saskatchewan Ltd. | | |
| - 100 Class A common shares | 100 | 100 |
| - Contributed capital | 387,022 | 387,022 |
| - Deficit | (486,669) | (463,471) |
| FDB Broadcasting Inc. | | |
| - Contributed capital | 100,000 | 100,000 |
| - Deficit | (104,133) | (89,695) |
| 625706 Saskatchewan Ltd. | | |
| - 100 Class A common shares | 100 | 100 |
| - Retained earnings | 15,371 | 23,792 |
| Flying Energy Inc. | | |
| - 1000 Class A shares | 10 | 10 |
| - Retained earnings | (816) | (88,769) |
| First Nations Bank | | |
| - 537 Class A common shares | 940 | 940 |
| FDB Fuels Inc. | | |
| - 100 Class A common shares | 100 | - |
| - retained earnings | 19,406 | - |

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2014

5. INVESTMENTS:

| | <u>2014</u> | <u>2013</u> |
|--------------------------------|--------------------|--------------------|
| MLDC Management Co. Ltd. | | |
| - 1 Class A common share (11%) | \$ 1 | \$ 1 |
| MLDC Investment Co. Ltd. | | |
| - 1 Class A common share (11%) | 1 | 1 |
| MLTC Resource Development Inc. | | |
| - 1 Class A common share | 1 | 1 |
| | <hr/> \$ 2,034,184 | <hr/> \$ 1,952,042 |
| | <hr/> | <hr/> |

During the fiscal year the First Nation received the following earnings distributions:

| | | |
|--------------------------|-------------|-------------|
| FDB Holding Corp | \$ 109,178 | \$ 50,000 |
| Meadow Lake Co-operative | <hr/> 3,212 | <hr/> 3,020 |
| | <hr/> | <hr/> |
| | \$ 112,390 | \$ 53,020 |
| | <hr/> | <hr/> |

6. LIMITED PARTNERSHIP:

The First Nation has an 11.1% interest in a limited partnership, MLTC Resource Development Limited Partnership. The First Nation's capital trust account consists of:

| | <u>2014</u> | <u>2013</u> |
|--------------------------------|--------------------|--------------------|
| Balance, beginning of the year | \$ 4,658,561 | \$ 4,229,844 |
| Plus : share of earnings | 231,099 | 428,717 |
| Less : distribution received | (100,000) | - |
| Balance, end of the year | <hr/> \$ 4,789,660 | <hr/> \$ 4,658,561 |
| | <hr/> | <hr/> |

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2014

7. ACCOUNTS PAYABLE:

| | |
|----------------------------------|----------------------|
| Housing reserve obligation | \$ 124,198 |
| Housing fund accruals | 1,547 |
| Payroll remittances | 10,666 |
| School division tuition billings | 2,096,911 |
| Trade creditors | <u>615,006</u> |
| | <u>2,848,328</u> |

8. UNEXPENDED REVENUE:

The First Nation has the following unexpended (overexpended) revenue:

| | <u>Sch</u> | <u>2014</u> | <u>2013</u> |
|--------------------|------------|-----------------------|-----------------|
| Institutional Care | 11 | \$ 19,200 | \$ - |
| Early Childhood | 13 | 19,338 | 4,254 |
| CEOP - Development | 34 | <u>96,956</u> | <u>-</u> |
| | | <u>\$ 135,494</u> | <u>\$ 4,254</u> |

9. FUNDED RESERVES:

Under the terms of an agreement with Canada Mortgage and Housing Corporation, the First Nation is required to fund both an asset replacement reserve and an operating surplus reserve. Use of the funded reserves is subject to the terms of the agreement. As for the fiscal year end the reserve obligation is:

| | |
|-------------------------------------|-----------------------|
| Total obligation | \$ 559,714 |
| Funded amount on deposit | <u>435,516</u> |
| Outstanding obligation (see Note 7) | <u>\$ 124,198</u> |

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2014

10. BANK LOAN:

The housing corporation has short term bank financing from the Bank of Montreal to fund the home ownership program receivables. The receivable is collected from mortgage proceeds paid to individuals for their personal mortgages.

11. TERM DEBT:

The First Nation has the following term debt:

| | <u>2014</u> | <u>2013</u> |
|--|--------------------|--------------------|
| 1) Canadian Imperial Bank of Commerce: | \$ - | \$ 2,808 |
| 2) First Nations Bank: for the purchase of a grader and truck, repayable in monthly instalments of \$2,017 including interest at prime plus 1.5%. | 13,947 | 35,231 |
| 3) First Nations Bank: for the construction of a new arena, repayable quarterly at \$60,625 plus interest at 5.15% payable monthly. | 4,425,625 | 4,668,125 |
| 4) CNH Capital: a finance contract, repayable at the rate of \$2,639 semi-annually including interest at 8.99%. | 6,867 | - |
| 5) Bank of Commerce: loan repayable at the rate of \$3,333 per month plus interest at prime plus 1.5%. | 100,000 | - |
| | <hr/> 4,546,439 | <hr/> 4,706,164 |
| Less current portion | <hr/> 301,213 | <hr/> 269,517 |
| | <hr/> \$ 4,245,226 | <hr/> \$ 4,436,647 |
| | <hr/> | <hr/> |

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2014

11. TERM DEBT: (Continued)

The amount of debt repayable in subsequent periods is estimated at:

| | |
|------------------|------------------|
| March 31, 2015 | \$ 301,213 |
| 2016 | 284,600 |
| 2017 | 262,500 |
| 2018 | 242,500 |
| 2019 | 242,500 |
| Subsequent years | <u>3,213,125</u> |
| | <hr/> |
| | \$ 4,546,438 |
| | <hr/> |

12. RENTAL MORTGAGES:

The Fund has the following housing mortgages outstanding:

| | <u>2014</u> | <u>2013</u> |
|--|-------------|-------------|
| 1) <u>Phase I</u> Mortgage | \$ - | \$ 77,452 |
| 2) <u>Phase II</u> Mortgage | - | 21,251 |
| 3) <u>Phase III</u> Mortgage with payments of \$900 per month including interest at the rate of 2.11% | 47,989 | 57,521 |
| 4) <u>Phase IV</u> Mortgage with payments of \$407 per month including interest at the rate of 1.92%. | 23,621 | 28,019 |
| 5) <u>Phase V</u> Mortgage with payments of \$4,437 per month including interest at the rate of 2.02%. | 224,854 | 258,706 |
| 6) <u>Phase VI</u> CMHC mortgage repayable at the rate of \$4,781 per month including interest at 1.53%. | 711,235 | 757,379 |

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS
for the year ended March 31, 2014

12. RENTAL MORTGAGES: (Continued)

| | <u>2014</u> | <u>2013</u> |
|---|--------------------|--------------------|
| 7) <u>Phase VII</u> CMHC Mortgage advances | \$ 129,751 | \$ - |
| 8) <u>Equity</u> Loan from First Nations Bank repayable at \$4,134 per month including interest at prime plus 1.25%. | 375,605 | 401,545 |
| | <hr/> 1,513,055 | <hr/> 1,601,873 |
| Less current portion | <hr/> 122,400 | <hr/> 135,008 |
| | <hr/> \$ 1,390,655 | <hr/> \$ 1,466,865 |
| | <hr/> | <hr/> |

The amount of debt repayable in subsequent years is estimated at:

| | <u>Phase 1 - 7</u> | <u>Equity</u> | <u>Total</u> |
|------------------|--------------------|------------------|--------------------|
| Year ended 2015 | \$ 95,400 | 27,000 | \$ 122,400 |
| 2016 | 100,200 | 27,000 | 127,200 |
| 2017 | 105,300 | 27,000 | 132,300 |
| 2018 | 111,000 | 27,000 | 138,000 |
| 2019 | 118,000 | 27,000 | 145,000 |
| Subsequent years | <hr/> 607,500 | <hr/> 240,605 | <hr/> 848,105 |
| | <hr/> \$ 1,137,400 | <hr/> \$ 375,605 | <hr/> \$ 1,513,005 |
| | <hr/> | <hr/> | <hr/> |

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2014

13. CAPITAL ASSETS:

The major categories of the Flying Dust Band capital assets are:

| | <u>2014</u> | <u>2013</u> |
|---------------------------------|----------------------|----------------------|
| <u>Cost</u> | | |
| Rental housing | \$ 2,538,986 | \$ 2,799,198 |
| Buildings | 11,606,106 | 11,486,771 |
| Houses | 10,468,280 | 10,228,306 |
| Roads | 627,052 | 627,052 |
| Infrastructure | 5,145,550 | 5,145,550 |
| Office equipment and furniture | 546,723 | 539,431 |
| Vehicles and trailers | 291,171 | 291,171 |
| Machinery and equipment | 810,165 | 797,570 |
| Buses | <u>339,416</u> | <u>239,800</u> |
| | <u>32,373,449</u> | <u>32,154,849</u> |
| <u>Accumulated Amortization</u> | | |
| Rental housing | \$ 522,015 | \$ 608,173 |
| Buildings | 2,460,098 | 2,220,352 |
| Houses | 8,456,963 | 8,330,438 |
| Roads | 627,052 | 621,202 |
| Infrastructure | 1,855,351 | 1,773,506 |
| Office equipment and furniture | 529,207 | 495,636 |
| Vehicles and trailers | 274,664 | 263,830 |
| Machinery and equipment | 666,796 | 575,521 |
| Bus | <u>206,415</u> | <u>184,420</u> |
| | <u>15,598,561</u> | <u>15,073,078</u> |
| <u>Net Book Value</u> | <u>\$ 16,774,888</u> | <u>\$ 17,081,771</u> |

FLYING DUST FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS for the year ended March 31, 2014

14. CONTINGENT LIABILITIES:

The First Nation is contingently liable for the following bank loans:

| <u>Borrower</u> | <u>2014</u> | <u>2013</u> |
|--------------------------|------------------|------------------|
| 625706 Saskatchewan Ltd. | \$ 3,622,828 | \$ 3,916,642 |
| FDB Holding Corporation | <u>4,609,814</u> | <u>4,918,850</u> |
| | \$ 8,232,642 | \$ 8,835,492 |

The loans were in a current position at March 31, 2014 and are secured by capital assets.

15. FINANCIAL INSTRUMENTS:

The First Nation, as part of its operations, carries a number of financial instruments which include term deposit, accounts/advances receivable, trust funds, investments, bank indebtedness, accounts/advances payable, unexpended revenue, and term debt. The carrying amounts of the First Nation's financial instruments approximates their market value due to their relatively short-term maturity or capacity for prompt liquidation. It is the management's opinion that the First Nation is not exposed to significant liquidity, interest rate, or credit risk arising from these financial instruments.

16. MANAGEMENT FEES:

The First Nation has received management fees from the following sources:

| | <u>2014</u> | <u>2013</u> |
|----------------------------------|---------------|---------------|
| Flying Energy Inc. (Note 5) | \$ 170,000 | \$ - |
| 625706 Saskatchewan Ltd (Note 5) | <u>25,000</u> | <u>25,000</u> |
| | \$ 195,000 | \$ 25,000 |

17. COMPARATIVE FIGURES:

Comparative figures for 2012/2013 have been restated to match current reporting practices.