

**MISSISSAUGAS OF SCUGOG
ISLAND FIRST NATION**

FINANCIAL STATEMENTS

MARCH 31, 2016

**MISSISSAUGAS OF SCUGOG
ISLAND FIRST NATION**

FINANCIAL STATEMENTS

MARCH 31, 2016

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MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

For The Year Ended March 31, 2016

MANAGEMENT REPORT

The accompanying financial statements of the Mississaugas of Scugog Island First Nation are the responsibility of management and have been approved by Council.

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

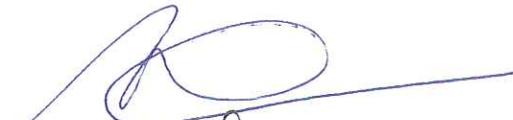
The First Nation maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The First Nation's Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving financial statements.

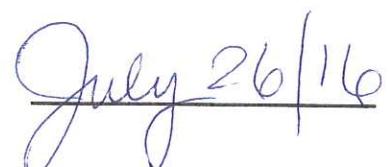
Council reviews and approves the First Nation's financial statements for issuance to the members. Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy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

The financial statements have been audited by Collins Barrow Kawarthas LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. Collins Barrow Kawarthas LLP has full and free access to Council.

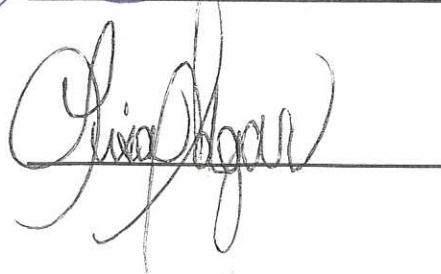
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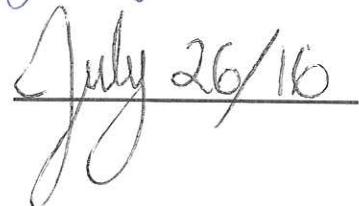
Date



First Nation Manager



Date



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INDEPENDENT AUDITORS' REPORT

To Council and the Members of Mississaugas of Scugog Island First Nation

Report on the Financial Statements

We have audited the accompanying financial statements of Mississaugas of Scugog Island First Nation, which comprise the statement of financial position as at March 31, 2016, the statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal controls as management determines are necessary to enable the preparation of 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 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 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 auditors' 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 controls 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 controls. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Mississaugas of Scugog Island First Nation as at March 31, 2016 and the results of its operations and cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Collins Barrow Kawarthas LLP

Chartered Professional Accountants
Licensed Public Accountants

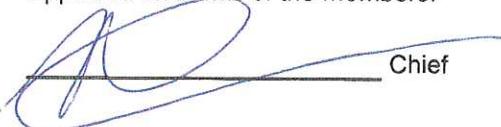
Peterborough, Ontario
August 30, 2016

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

STATEMENT OF FINANCIAL POSITION At March 31, 2016

	2016 \$	2015 \$
FINANCIAL ASSETS		
Cash (note 2)	30,245,691	26,774,720
Investments (note 3)	84,401,971	84,178,175
Due from government and other government agencies (note 4)	114,025	151,980
Accounts receivable (note 5)	17,097,359	20,453,392
Mortgages due from First Nation members (note 6)	2,830,263	2,509,739
Funds held in trust by Federal Government (note 7)	11,851	11,851
TOTAL FINANCIAL ASSETS	134,701,160	134,079,857
LIABILITIES		
Accounts payable and accrued liabilities (note 8)	3,603,590	2,954,214
Deferred revenue (note 9)	293,352	328,993
Long term debt (note 10)	869,121	915,606
TOTAL LIABILITIES	4,766,063	4,198,813
NET FINANCIAL ASSETS	129,935,097	129,881,044
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	9,237,733	9,549,993
Prepaid expenses and other (note 12)	109,646	93,811
TOTAL NON-FINANCIAL ASSETS	9,347,379	9,643,804
ACCUMULATED SURPLUS (note 13)	139,282,476	139,524,848
Accumulated surplus is comprised of:		
Accumulated operating surplus	134,191,798	131,761,262
Accumulated remeasurement gains	5,090,678	7,763,586
	139,282,476	139,524,848

Approved on behalf of the members:



Chief



Della Charles Councillor

The accompanying notes are an integral part of these financial statements

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended March 31, 2016

	Budget 2016 \$ (Unaudited)	Actual 2016 \$	Actual 2015 \$
REVENUES			
Indigenous and Northern Affairs Canada (INAC) (notes 14 and 15)	945,526	1,032,272	1,038,206
Other Government of Canada (note 15)	174,034	179,970	176,486
Canada Mortgage and Housing Corporation (note 15)	35,972	32,523	151,647
Province of Ontario contributions (note 15)	138,562	127,185	132,439
Commercial operations	15,359,095	15,213,809	14,909,863
Ontario First Nations Limited Partnership	-	431,870	428,891
Other	1,068,745	932,031	777,067
Interest earned on funds held in trust (note 7)	-	648	733
Income from investments	525,000	2,081,867	1,598,818
Other interest income	703,417	260,740	671,850
Gain on sale of tangible capital assets	-	3,526	-
TOTAL REVENUES	18,950,351	20,296,441	19,886,000
EXPENSES			
Administration	4,837,421	4,266,982	4,117,978
Community services	1,639,858	1,120,700	746,878
Economic development	13,136,823	10,847,108	10,390,726
Education	524,270	441,196	420,127
Social development	41,724	54,135	36,591
Health	882,368	798,348	587,973
Housing	452,129	337,436	331,691
TOTAL EXPENSES	21,514,593	17,865,905	16,631,964
ANNUAL SURPLUS (DEFICIT)	(2,564,242)	2,430,536	3,254,036
ACCUMULATED SURPLUS - beginning of year	131,761,262	131,761,262	128,507,226
ACCUMULATED SURPLUS - end of year	129,197,020	134,191,798	131,761,262

The accompanying notes are an integral part of these financial statements

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

STATEMENT OF REMEASUREMENT GAINS AND LOSSES For the Year Ended March 31, 2016

	Actual 2016 \$	Actual 2015 \$
ACCUMULATED REMEASUREMENT GAINS AND LOSSES - BEGINNING OF YEAR	7,763,586	-
Unrealized gain/(loss) on portfolio investments at April 1, 2014	-	5,824,078
Unrealized gain/(loss) on portfolio investments during the year	(2,398,252)	1,904,323
Realized (gain)/loss on portfolio investments reclassified to operations	(274,656)	35,185
ACCUMULATED REMEASUREMENT GAINS AND LOSSES - END OF YEAR	5,090,678	7,763,586

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the Year Ended March 31, 2016

	Budget 2016 \$	Actual 2016 \$	Actual 2015 \$
	(Unaudited)		
ANNUAL SURPLUS (DEFICIT)	(2,564,242)	2,430,536	3,254,036
Amortization of tangible capital assets	482,345	358,317	416,240
Acquisition of tangible capital assets	(86,000)	(46,057)	(145,505)
Gain on disposal of tangible capital assets	-	(3,525)	-
Proceeds on sale of tangible capital assets	-	3,525	-
(Increase)/decrease in prepaid expenses and other	-	(15,835)	15,385
	(2,167,897)	2,726,961	3,540,156
NET REMEASUREMENT GAINS/(LOSSES)	-	(2,672,908)	7,763,586
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(2,167,897)	54,053	11,303,742
NET FINANCIAL ASSETS - beginning of year	129,881,044	129,881,044	118,577,302
NET FINANCIAL ASSETS - end of year	127,713,147	129,935,097	129,881,044

The accompanying notes are an integral part of these financial statements

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

STATEMENT OF CASH FLOWS For the Year Ended March 31, 2016

	2016	2015
	\$	\$
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus (deficit)	2,430,536	3,254,036
Decrease in due from government and other government agencies	37,955	181,368
Decrease in accounts receivable	3,356,033	2,485,283
(Increase)/decrease in prepaid expenses and other	(15,835)	15,385
Increase in accounts payable and accrued liabilities	649,375	267,704
Increase/(decrease) in deferred revenue	(35,641)	21,958
Non-cash charges to operations:		
Amortization of tangible capital assets	358,317	416,240
Gain on disposal of tangible capital assets	(3,525)	-
Net increase in cash from operating transactions	6,777,215	6,641,974
CAPITAL		
Acquisition of tangible capital assets	(46,057)	(145,505)
Proceeds on disposal of tangible capital assets	3,525	-
Net decrease in cash from capital transactions	(42,532)	(145,505)
INVESTING		
Increase in mortgages due from First Nation members	(320,524)	(102,949)
Disposal of investments	14,491,969	353,633
Purchase of investments	(17,388,672)	(48,168,968)
Net decrease in cash from investing transactions	(3,217,227)	(47,918,284)
FINANCING		
Debt principal repayments	(46,485)	(81,857)
INCREASE (DECREASE) IN CASH	3,470,971	(41,503,672)
CASH - beginning of year	26,774,720	68,278,392
CASH - end of year	30,245,691	26,774,720

The accompanying notes are an integral part of these financial statements

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local governments and First Nations as set out by the Chartered Professional Accountants Public Sector Accounting (PSA) Handbook. Significant aspects of the accounting policies are as follows:

(a) Reporting Entity

These financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the Mississaugas of Scugog Island First Nation.

All interdepartmental assets and liabilities and revenues and expenses have been eliminated.

(b) Cash

Cash consists of cash on hand and balances with Canadian chartered banks.

(c) Tangible Capital Assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, if any, of tangible capital assets is amortized on a straight-line basis, over the expected useful life of the asset, as follows:

Land improvements	20 years
Buildings	25 years
Electronic office equipment	5 years
Machinery and equipment	5-10 years
Vehicles	5 years
Roads	20 years

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

Assets under construction are not amortized. When assets under construction are put into service they are transferred to the appropriate tangible capital asset classification.

(d) Recognition of Revenues and Expenses

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which the transactions or events occurred that give rise to the revenue. Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program of the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met. Expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(e) Non-financial Assets

Tangible capital and other non-financial assets are accounted for as assets by the First Nation because they can be used to provide services in future periods. These assets do not normally provide resources to discharge the liabilities of the First Nation unless they are sold.

(f) Reserves

Certain amounts, as approved by Council, are restricted for future operating and capital purposes. Transfers to and/or from restricted funds are an adjustment to the respective fund when approved.

(g) Deferred Revenue

Deferred revenues represent grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(h) Government Funding

Government funding is recognized in the financial statements as revenue in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. Reimbursement for program costs is dependent ultimately upon their acceptance by the various agencies that fund the programs.

(i) Use of Estimates

Certain items recognized in the financial statements are subject to measurement uncertainty. The recognized amounts of such items are based on the First Nation's best information and judgment. Such amounts are not expected to change materially in the near term. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant. The First Nation's significant estimates are:

- The amounts recorded for amortization and opening costs of tangible capital assets are based on estimates of useful life, residual values and valuation rates; and
- The amount recorded as allowance for doubtful accounts receivable is based on management's estimate of future payments on receivable account balances.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(j) Financial Instruments

(i) Measurement

The First Nation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The First Nation subsequently measures its financial assets and financial liabilities at amortized cost, except for those instruments that are quoted in an active market.

Financial assets measured at amortized cost include cash, due from government and other government agencies, accounts receivable, mortgages due from First Nation members and funds held in trust by Federal Government.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities and long term debt.

Financial assets measured at fair value are investments.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recognized in the statement of operations.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

2. CASH

Under the terms of an agreement with Canada Mortgage and Housing Corporation (CMHC), Mississaugas of Scugog Island First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets. These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Apartment Replacement and Subsidy Fund.

Cash consists of the following:

	2016	2015
	\$	\$
Internally Restricted		
Resource	2,092,030	3,825,101
Rent	8,349,515	5,203,161
Commercial account	3,090,931	1,265,222
Commercial operations	3,466,185	1,016,689
Licensing	258,407	138,834
Islands of the Trent	12,057,571	12,057,571
Education	19,257	19,196
	<hr/> 29,333,896	<hr/> 23,525,774
Unrestricted		
General	908,671	3,245,902
Petty cash	2,580	2,500
Gas - float	544	544
	<hr/> 911,795	<hr/> 3,248,946
	<hr/> 30,245,691	<hr/> 26,774,720

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

3. INVESTMENTS

Investments are recorded as follows:

	2016 Market Value \$	2015 Market Value \$
RBC Guaranteed Investment Certificates Due June 15, 2017, 2.05%	4,255	4,255
BMO Harris Private Banking investment portfolio	27,054,509	26,458,978
CIBC Private Wealth Management investment portfolio	47,460,026	47,674,563
TD Wealth Private Investment Counsel	9,883,181	10,040,379
	84,401,971	84,178,175

\$26,397,183 of the BMO Harris Private Banking investment portfolio is internally restricted for the Future Generations fund (Note 13).

4. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

Amounts due from government and other government organizations consists of:

	2016 \$	2015 \$
Indigenous and Northern Affairs Canada (INAC)	58,500	99,680
Provincial government	1,987	5,240
HST	53,538	47,060
	114,025	151,980

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

5. ACCOUNTS RECEIVABLE

Accounts receivable consists of:

	2016	2015
	\$	\$
Commercial operations	680,875	685,429
Accrued investment interest	21,766	41,570
Other receivables	315,970	229,946
Rent receivable	16,078,748	19,496,447
	<hr/>	<hr/>
	17,097,359	20,453,392

6. MORTGAGES DUE FROM FIRST NATION MEMBERS

The amount shown as mortgages due from First Nation members of \$2,830,263 (2015 - \$2,509,739) represents the amount of funds due with respect to approved housing loans. The unexpended portion of approved loans is not recorded until an actual expenditure has been incurred. The First Nation members have a legal obligation to repay the full amount of the approved loans. The mortgages bear one time simple interest calculated in advance at 4%. The mortgages have varying maturity dates ranging up to 25 years.

7. FUNDS HELD IN TRUST BY THE FEDERAL GOVERNMENT

The funds held by the Federal Government on behalf of the First Nation of \$11,851 (2015 - \$11,851) are for the use of the First Nation for specific projects. At the request of the First Nation, these funds can be obtained. These amounts arise from funds derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the consolidated revenue fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada.

	Opening Balance \$	Interest \$	Interest release \$	Closing Balance \$
Revenue	11,851	648	648	11,851

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2016	2015
	\$	\$
Trade payables	1,287,333	767,090
Accrued salaries	85,181	66,714
Transfers payable	2,208,541	2,083,569
Payroll and withholding taxes payable	22,535	36,841
	<hr/>	<hr/>
	3,603,590	2,954,214

9. DEFERRED REVENUE

Included in deferred revenue are the following amounts:

	Balance March 31, 2015	Funding Received 2016	Revenue Recognized 2016	Balance March 31, 2016
	\$	\$	\$	\$
Baagwating Community Association	320,843	595,942	630,433	286,352
Unearned rent	8,150	850	2,000	7,000
	<hr/>	<hr/>	<hr/>	<hr/>
	328,993	596,792	632,433	293,352

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

10. LONG TERM DEBT

(a) The balance of long term debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2016	2015
	\$	\$
Mortgage 2.11%, due January 1, 2019, repayable in blended monthly payments of \$1,662.	138,544	155,416
Mortgage 2.84%, due April 1, 2015, repayable in blended monthly payments of \$2,046.	-	376,947
Mortgage 2.35%, due September 1, 2018, repayable in blended monthly payments of \$1,765.	370,876	383,243
Mortgage 1.05%, due April 1, 2020, repayable in blended monthly payments of \$1,732.	359,701	-
	<hr/>	<hr/>
	869,121	915,606

(b) Interest paid on long term debt amounted to \$16,377 (2015 - \$23,447).

(c) The above mortgages are secured by First Nation Council Resolution and guaranteed by Indigenous and Northern Affairs Canada (INAC).

(d) Since it is the First Nation's intent to renew these mortgages as they mature, the future payments are based on the existing terms. Estimated principal repayments in each of the next five years are due as follows:

	Principal	Interest	Total
	\$	\$	\$
2017	46,590	16,027	62,617
2018	47,556	15,061	62,617
2019	48,545	14,072	62,617
2020	49,557	13,060	62,617
2021	50,594	12,023	62,617
2022 and subsequent years	626,279	90,874	717,153
	<hr/>	<hr/>	<hr/>
	869,121	161,117	1,030,238

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

11. TANGIBLE CAPITAL ASSETS

The net book value of the First Nation's tangible capital assets are:

	2016	2015
	\$	\$
General		
Land	5,310,165	5,310,165
Buildings	3,585,369	3,854,300
Vehicles and equipment	209,065	240,290
Infrastructure		
Roads	133,134	145,238
	<hr/> 9,237,733	<hr/> 9,549,993

For additional information, see the Schedule of Tangible Capital Assets.

During the year there were no write-downs of assets (2015 - \$Nil) and no interest capitalized (2015 - \$Nil)

12. PREPAID EXPENSES AND OTHER

Prepaid expenses and other consists of the following:

	2016	2015
	\$	\$
Insurance	80,321	93,636
Student allowances	21,000	-
Other prepaids	8,000	-
Inventory	325	175
	<hr/> 109,646	<hr/> 93,811

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

13. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2016	2015
	\$	\$
Surplus/(deficit)		
Operating	(5,429,195)	(1,457,676)
Invested In Capital Assets		
Tangible capital assets - net book value	9,237,733	9,549,993
Long term debt	(869,121)	(915,606)
	8,368,612	8,634,387
Surplus	2,939,417	7,176,711
Restricted		
Housing Capital Reserve Fund - Phases 1 and 2	17,708	44,137
Housing Capital Reserve Fund - Phases 3, 4, and 5	82,174	72,724
Future Generations Fund	26,397,183	25,834,308
Community Betterment Fund	93,987,517	90,970,361
OFNLP reserve	3,789,055	3,357,185
Islands of the Trent Settlement	12,057,571	12,057,571
Total Reserves	136,331,208	132,336,286
Held in Trust by the Federal Government		
Held in Trust	11,851	11,851
	139,282,476	139,524,848

The restricted fund balances consists of funds set aside for specific purposes or to meet certain obligations as follows:

- (a) The Housing Capital Reserve Fund - Phase 1 and 2 is treated as an internally restricted fund. The fund balance represents amounts that have been restricted for maintenance of the Phase 1 and Phase 2 housing units.
- (b) The Housing Capital Reserve Fund - Phases 3, 4 and 5 are treated as externally restricted funds. The fund balance represents amounts that have been restricted in compliance with an agreement with the Canada Mortgage and Housing Corporation.
- (c) The Future Generations Fund is treated as an externally restricted fund by the First Nation. This fund is set aside by the First Nation for the betterment of future generations.
- (d) The Community Betterment Fund is treated as an internally restricted fund by the First Nation. The First Nation sets aside the excess of revenue over expenditure from commercial operations in this fund. This fund covers the prior year operating deficit, if any.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

13. ACCUMULATED SURPLUS, continued

- (e) The OFNLP reserve is an internally restricted reserve to be used for future community projects.
- (f) The Islands of the Trent Settlement reserve is treated as an internally restricted fund by the First Nation until community consultation is complete.

14. RECONCILIATION OF INAC FUNDING TO FIRST NATION INAC REVENUE

	\$
2016 INAC Funding Per Confirmation	1,036,272
Less Amounts Repayable	
Special education program	4,000
INAC Revenue For The Year	1,032,272

15. GOVERNMENT TRANSFERS

Government transfers consists of the following:

	2016	2015
	\$	\$
Indigenous and Northern Affairs Canada (INAC)		
Operating	1,032,272	1,038,206
Other Government of Canada		
Health Canada	179,970	176,486
Provincial government transfers	127,185	132,439
Canada Mortgage and Housing Corporation	32,523	151,647
	1,371,950	1,498,778

16. PENSION AGREEMENTS

The First Nation makes contributions to Manulife Financial on behalf of its staff. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan.

The amount contributed by the First Nation for the year ended March 31, 2016 for current service and included as an expense on the Statement of Operations and Accumulated Surplus was \$123,371 (2015 - \$102,242).

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

17. BUDGET FIGURES

The budget, approved by the First Nation, for 2016 is reflected on the Statement of Operations and Accumulated Surplus and the Statement of Change in Net Financial Assets. The budgets established for capital investment in tangible capital assets are on a project-oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with current year's actual amounts. Budget figures have been reclassified for the purposes of these financial statements to comply with PSA reporting requirements. Budget figures are not subject to audit.

18. FINANCIAL INSTRUMENTS

The fair value of financial instruments is the amount of consideration that would be agreed upon in an arms' length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, due from government and other government agencies, funds held in trust by Federal Government, accounts receivable and accounts payable and accrued liabilities approximates their carrying amounts due to their short-term maturities.

Financial instruments which are recorded at fair value are to be classified using a three-level hierarchy. Each level reflects the inputs used to measure the fair valued recorded on the financial statements, and are as follows:

- Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs for the liabilities that are not based on observable market data (unobservable inputs).

The First Nation's fair value hierarchy is classified as Level 1 for investments. Mortgages due from First Nation members are recorded at the exchange amount, equal to amortized cost. The fair value cannot be reliably determined because there is no active market for the instrument.

19. FINANCIAL RISK MANAGEMENT

The First Nation has exposure to the following risks:

(a) Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The First Nation's interest bearing financial instruments are subject to interest rate risk.

(b) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The First Nation has exposure to credit risk as the total of all receivables are significant. Management feels the risk is low as most of the receivables are due from various levels of government, first nation members or rent receivables. Any receivables that management feels are uncollectible are allowed for.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

19. FINANCIAL RISK MANAGEMENT, continued

SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issues, or factors affecting all similar financial instruments traded in the market.

20. CONTINGENT LIABILITIES

Mississaugas of Scugog Island First Nation, along with six other Williams Treaty First Nations, are contingently liable for a loan. The purpose of the loan is to finance Treaty negotiations. Once the Treaty dispute has been concluded, the proceeds will be used to repay the loan. Mississaugas of Scugog Island's share of this loan at March 31, 2016 is \$29,700 (2015 - \$29,700).

The First Nation has been named in a number lawsuits as a result of being the landlord of the grounds lease with the Baagwating Community Association and the Association's use of the land for gaming operations. Accruals are made in instances where it is probable that liabilities may be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the First Nation has no reason to believe that the ultimate outcome of these matters would have a significant impact on its financial position. No amounts have been included in these financial statements for any of these matters.

21. SEGMENTED INFORMATION

The Mississaugas of Scugog Island First Nation provides a range of services to its members and residents. First Nation services are reported by function and their activities are separately disclosed in the segmented information.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. 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 financial statements as disclosed in Note 1. For additional information see the Schedule of Segment Disclosure.

Administration

Administration consists of the activities of Council and general financial and administrative management of the First Nation and its programs and services.

Community Services

Community services include public works, community infrastructure, water systems and buildings not included under other segments.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

21. SEGMENTED INFORMATION, continued

Economic Development

Economic development includes the operations of home rentals, land rentals, amounts from commercial operations, transfer payments, and various other economic development oriented programs of the First Nation.

Education

Education includes off reserve schools and post secondary education.

Social Development

Social development consists of general assistance to residents of the First Nation.

Health

Health services includes operations of the health and recreation centre and various health related programs for the First Nation.

Housing

Housing services includes operations of the non-profit housing to members and residents of the First Nation.

22. COMPARATIVE FIGURES

Certain comparative figures were restated, where required, to conform with the current year presentation.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

SCHEDULE OF TANGIBLE CAPITAL ASSETS For the Year Ended March 31, 2016

	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Additions	Disposals	Closing Balance	Amortization	Disposals	Closing Balance	2016
	\$	\$	\$	\$	\$	\$	\$	\$
Tangible Capital Assets								
Land	5,310,165	-	-	5,310,165	-	-	-	5,310,165
Residential buildings	4,148,649	-	-	4,148,649	2,003,554	135,162	2,138,716	2,009,933
Non-residential buildings	3,320,287	-	-	3,320,287	1,611,082	133,769	1,744,851	1,575,436
Vehicles	217,421	46,057	40,700	222,778	196,643	14,406	40,700	170,349
Computer equipment	52,631	-	-	52,631	52,337	147	-	52,429
Other equipment	930,566	-	-	930,566	711,348	62,729	-	774,077
Roads and bridges	242,066	-	-	242,066	96,828	12,104	-	108,932
	14,221,785	46,057	40,700	14,227,142	4,671,792	358,317	40,700	4,989,409
Total	14,221,785	46,057	40,700	14,227,142	4,671,792	358,317	40,700	4,989,409
								9,237,733
								9,549,993

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended March 31, 2016

	Actual 2016 \$	Administration Actual 2015 \$	Budget 2016 \$	Actual 2016 \$	Community Services Actual 2015 \$	Budget 2016 \$	Actual 2016 \$	Economic Development Actual 2015 \$	Budget 2016 \$
									(Unaudited)
Revenues									
Indigenous and Northern Affairs									
Canada (INAC)	452,443	449,991	427,144	162,337	221,048	119,930	96,542	42,887	65,408
Other Government of Canada	-	-	-	39,899	40,116	39,116	-	-	-
Province of Ontario contributions	93,325	93,000	97,379	-	-	-	-	-	-
Commercial operations	-	-	-	-	-	-	-	-	-
Ontario First Nations Limited	-	-	-	-	-	-	-	-	-
Partnership	431,870	428,891	-	1,594	28,649	-	-	-	-
Other	52,752	55,083	13,068	-	-	-	-	-	-
Interest earned on funds held in trust	648	733	-	-	-	-	-	-	-
Income from investments	2,081,867	1,598,818	525,000	-	-	-	-	-	-
Other interest income	257,792	661,106	696,417	-	-	-	-	-	-
Gain on sale of tangible capital assets	-	-	-	3,526	-	-	-	-	-
	3,370,697	3,287,622	1,759,008	207,356	289,813	159,046	15,667,527	15,215,353	15,968,700
Expenses									
Salaries and benefits	1,852,237	1,861,341	1,965,595	628,229	380,455	591,518	212,120	119,936	206,754
Materials	1,113,221	1,021,190	1,261,202	320,852	240,889	366,124	3,404,580	3,139,954	3,542,702
Contracted services	1,020,014	580,103	834,250	13,897	11,972	35,100	8,489	8,349	5,000
Bank charges and interest	5,577	4,869	5,700	-	-	-	-	-	-
Program costs	164,356	533,603	665,403	47,205	3,679	537,234	366,701	269,246	511,367
External transfers	-	-	-	-	-	-	6,855,218	6,853,241	8,871,000
Amortization	111,577	116,872	105,271	110,517	109,883	109,882	-	-	-
	4,266,982	4,117,978	4,837,421	1,120,700	746,878	1,639,858	10,847,108	10,390,726	13,136,823
Net deficit	(896,285)	(830,356)	(3,078,413)	(913,344)	(457,065)	(1,480,812)	4,820,419	4,824,627	2,831,877

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

SCHEDULE OF SEGMENT DISCLOSURE, continued For the Year Ended March 31, 2016

	Actual 2016 \$	Education Actual 2015 \$	Budget 2016 \$	Actual 2016 \$	Social Development Actual 2015 \$	Budget 2016 \$	Actual 2016 \$	Health Actual 2015 \$	Budget 2016 \$
									(Unaudited)
Revenues									
Indigenous and Northern Affairs Canada (INAC)	294,744	298,468	309,544	26,206	25,812	23,500	-	140,071	136,370
Other Government of Canada	-	-	-	-	-	-	-	-	134,918
Province of Ontario contributions	-	-	-	12,389	16,968	19,712	21,471	22,471	21,471
Other	300,966	229,502	286,405	-	-	-	101,982	82,280	103,875
	595,710	527,970	595,949	38,595	42,780	43,212	263,524	241,121	260,264
Expenses									
Salaries and benefits	68,972	71,897	91,228	26,135	25,933	30,500	398,300	240,170	382,520
Materials	13,048	11,745	15,643	1,650	-	1,200	104,207	79,662	110,448
Contracted services	-	-	-	-	-	-	924	808	1,390
Program costs	359,176	336,485	417,399	26,350	10,658	10,024	227,661	200,077	320,754
Amortization	-	-	-	-	-	-	67,256	67,256	67,256
	441,196	420,127	524,270	54,135	36,591	41,724	798,348	587,973	882,368
Net deficit	154,514	107,843	71,679	(15,540)	6,189	1,488	(534,824)	(346,852)	(622,104)

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

SCHEDULE OF SEGMENT DISCLOSURE, continued For the Year Ended March 31, 2016

	Actual 2016 \$	Housing Actual 2015 \$	Budget 2016 \$	Actual 2016 \$	Actual 2015 \$	Consolidated Totals Budget 2016 \$ (Unaudited)
Revenues						
Indigenous and Northern Affairs Canada (INAC)	-	-	-	-	1,032,272	1,038,206
Other Government of Canada	-	-	-	179,970	176,486	945,526
Canada Mortgage and Housing Corporation	32,523	151,647	35,972	32,523	151,647	174,034
Province of Ontario contributions	-	-	-	127,185	132,439	35,972
Commercial operations	-	-	-	15,213,809	14,909,863	138,562
Ontario First Nations Limited Partnership	-	-	-	431,870	428,891	15,359,095
Other	117,561	118,950	121,200	932,031	777,067	-
Interest earned on funds held in trust	-	-	-	648	733	1,068,745
Income from investments	-	-	-	2,081,867	1,598,818	-
Other interest income	2,948	10,744	7,000	260,740	671,850	525,000
Gain on sale of tangible capital assets	-	-	-	3,526	-	703,417
	153,032	281,341	164,172	20,296,441	19,886,000	18,950,351
Expenses						
Salaries and benefits	21,580	-	20,808	3,207,573	2,699,732	3,288,923
Materials	189,691	122,809	182,420	5,147,249	4,616,249	5,479,739
Contracted services	41,461	62,406	40,830	1,084,785	663,638	916,570
Bank charges and interest	15,737	23,447	29,104	21,314	28,316	34,804
Program costs	-	800	1,500	1,191,449	1,354,548	2,463,681
External transfers	-	-	-	6,855,218	6,853,241	8,871,000
Amortization	68,967	122,229	177,467	358,317	416,240	459,876
	337,436	331,691	452,129	17,865,905	16,631,964	21,514,593
Net surplus/(deficit)	(184,404)	(50,350)	(287,957)	2,430,536	3,254,036	(2,564,242)