

**MISSISSAUGAS OF SCUGOG
ISLAND FIRST NATION**

CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2018

**MISSISSAUGAS OF SCUGOG
ISLAND FIRST NATION**

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TABLE OF CONTENTS

	Page Number
MANAGEMENT REPORT	
INDEPENDENT AUDITOR'S REPORT	
CONSOLIDATED FINANCIAL STATEMENTS	
Statement of Financial Position	1
Statement of Operations and Accumulated Surplus	2
Statement of Remeasurement Gains and Losses	3
Statement of Change in Net Financial Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 - 19
Schedule of Tangible Capital Assets	20
Schedules of Segment Disclosure	21 - 23



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MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

For The Year Ended March 31, 2018

MANAGEMENT REPORT

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

The consolidated 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 auditor, 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 independent auditor's report.

The consolidated 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.

Councillor

Date

First Nation Manager

Date

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mississaugas of Scugog Island First Nation, which comprise the consolidated statement of financial position as at March 31, 2018, the consolidated statements of operations and accumulated surplus, remeasurement gains and losses, 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 consolidated 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 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 consolidated financial statements present fairly, in all material respects, the financial position of Mississaugas of Scugog Island First Nation as at March 31, 2018 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 29, 2018

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION At March 31, 2018

	2018 \$	2017 \$
FINANCIAL ASSETS		
Cash (note 2)	36,230,193	26,419,514
Investments (note 3)	94,753,453	91,769,135
Due from government and other government agencies (note 4)	206,494	520,363
Accounts receivable (note 5)	3,948,269	5,574,410
Mortgages due from First Nation members (note 6)	2,859,672	3,013,867
Funds held in trust by Federal Government (note 7)	11,851	11,851
TOTAL FINANCIAL ASSETS	138,009,932	127,309,140
LIABILITIES		
Accounts payable and accrued liabilities (note 8)	4,638,562	3,870,598
Deferred revenue (note 9)	878,578	1,391,617
Long term debt (note 10)	774,182	822,059
TOTAL LIABILITIES	6,291,322	6,084,274
NET FINANCIAL ASSETS	131,718,610	121,224,866
NON-FINANCIAL ASSETS		
Tangible capital assets (note 11)	23,273,077	12,203,749
Prepaid expenses and other (note 12)	116,566	106,550
Inventory	141,267	-
TOTAL NON-FINANCIAL ASSETS	23,530,910	12,310,299
ACCUMULATED SURPLUS (note 13)	155,249,520	133,535,165
Accumulated surplus is comprised of:		
Accumulated operating surplus	147,127,444	124,740,644
Accumulated remeasurement gains	8,122,076	8,794,521
	155,249,520	133,535,165

Approved on behalf of the members:



Councillor



Councillor

The accompanying notes are an integral part of these financial statements

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS For the Year Ended March 31, 2018

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
(Unaudited)			
REVENUES			
Indigenous and Northern Affairs Canada (INAC) (notes 14 and 15)	1,359,378	2,295,817	1,372,218
Other Government of Canada (note 15)	203,186	419,546	377,166
Canada Mortgage and Housing Corporation (note 15)	35,991	147,083	32,209
Province of Ontario contributions (note 15)	145,928	1,125,204	424,102
Commercial operations	18,719,185	23,824,327	18,515,220
Ontario First Nations Limited Partnership	415,352	493,737	487,258
Other	498,675	5,642,734	4,424,511
Contributed capital assets	-	7,279,676	-
Interest earned on funds held in trust	-	648	648
Income from investments	1,000,000	2,446,596	2,255,039
Other interest income	200,000	354,354	259,324
(Loss)/gain on disposal of tangible capital assets	-	-	(24,461)
TOTAL REVENUES	22,577,695	44,029,722	28,123,234
EXPENSES			
Administration	4,875,929	7,862,672	8,659,872
Community services	2,189,784	2,338,029	1,936,903
Economic development	11,663,690	9,584,530	25,304,561
Education	757,251	625,063	645,760
Social development	57,018	44,969	48,704
Health	945,090	816,363	762,746
Housing	335,537	371,296	215,841
TOTAL EXPENSES	20,824,299	21,642,922	37,574,387
ANNUAL SURPLUS/(DEFICIT)	1,753,396	22,386,800	(9,451,153)
ACCUMULATED SURPLUS - beginning of year		124,740,644	134,191,797
ACCUMULATED SURPLUS - end of year		147,127,444	124,740,644

The accompanying notes are an integral part of these financial statements

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES For the Year Ended March 31, 2018

	Actual 2018 \$	Actual 2017 \$
ACCUMULATED REMEASUREMENT GAINS AND LOSSES		
- BEGINNING OF YEAR	8,794,521	5,090,678
Unrealized gain/(loss) on portfolio investments during the year	(782,482)	3,677,012
Realized (gain)/loss on portfolio investments reclassified to operations	110,037	26,831
NET REMEASUREMENT GAINS/(LOSSES) FOR THE YEAR	(672,445)	3,703,843
ACCUMULATED REMEASUREMENT GAINS AND LOSSES		
- END OF YEAR	8,122,076	8,794,521

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS For the Year Ended March 31, 2018

	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$
	(Unaudited)		
ANNUAL SURPLUS/(DEFICIT)	1,753,396	22,386,800	(9,451,153)
Amortization of tangible capital assets	427,848	680,947	427,847
Acquisition of tangible capital assets	(3,000,000)	(4,470,599)	(3,585,323)
Loss on disposal of tangible capital assets	-	-	24,460
Proceeds on sale of tangible capital assets	-	-	167,000
Contributed tangible capital assets	-	(7,279,676)	-
(Increase)/decrease in prepaid expenses and other	-	(151,283)	3,096
	(818,756)	11,166,189	(12,414,073)
ANNUAL NET REMEASUREMENT GAINS/(LOSSES)			
FOR THE YEAR	-	(672,445)	3,703,843
INCREASE (DECREASE) IN NET FINANCIAL ASSETS	(818,756)	10,493,744	(8,710,230)
NET FINANCIAL ASSETS - beginning of year	121,224,866	121,224,866	129,935,096
NET FINANCIAL ASSETS - end of year	120,406,110	131,718,610	121,224,866

The accompanying notes are an integral part of these financial statements

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED STATEMENT OF CASH FLOWS For the Year Ended March 31, 2018

	2018	2017
	\$	\$
CASH PROVIDED BY (USED IN)		
OPERATING ACTIVITIES		
Annual surplus/(deficit)	22,386,800	(9,451,153)
Items not involving cash		
Amortization of tangible capital assets	680,947	427,847
Loss on disposal of tangible capital assets	-	24,460
Contributed tangible capital assets	(7,279,676)	-
Change in non-cash assets and liabilities		
Due from government and other government agencies	313,869	(406,338)
Accounts receivable	1,626,141	11,522,949
Prepaid expenses and other	(151,283)	3,096
Accounts payable and accrued liabilities	767,964	267,008
Deferred revenue	(513,039)	1,098,265
Net change in cash from operating activities	17,831,723	3,486,134
CAPITAL ACTIVITIES		
Purchase of tangible capital assets	(4,470,599)	(3,585,323)
Proceeds on disposal of tangible capital assets	-	167,000
Net change in cash from capital activities	(4,470,599)	(3,418,323)
INVESTING ACTIVITIES		
Advances of mortgages due from First Nation members	(54,281)	(384,290)
Repayments of mortgages due from First Nation members	208,476	200,686
Disposal of investments	18,794,349	8,114,440
Purchase of investments	(22,451,112)	(11,777,761)
Net change in cash from investing activities	(3,502,568)	(3,846,925)
FINANCING ACTIVITIES		
Debt principal repayments	(47,877)	(47,062)
NET CHANGE IN CASH	9,810,679	(3,826,176)
CASH - beginning of year	26,419,514	30,245,690
CASH - end of year	36,230,193	26,419,514

The accompanying notes are an integral part of these financial statements

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated 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 consolidated financial statements reflect the assets, liabilities, revenues, expenses and accumulated surplus of the reporting entity.

The reporting entity includes the reporting entity 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 include:

- Noozhoo Nokiiyan GP Inc.
- Noozhoo Nokiiyan LP (NNLP)
- MSIFN (Island Road) Holdings Inc.

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

Noozhoo Nokiiyan Limited Partnership's financial statements have been prepared with a fiscal year end of December 31, 2017. No significant events affecting the consolidated financial position or results of operations of the Mississaugas of Scugog Island First Nation occurred subsequent to NNLP's reporting date.

(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	10-20 years
Buildings	25 years
Computer equipment	5 years
Other equipment	5-10 years
Vehicles	5 years
Roads and bridges	20 years
Waste water treatment plant	13-21 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.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(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. Expenses are recognized in the period the goods or services are acquired and a legal liability is incurred or transfers are due.

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.

Revenues from commercial operations are recorded when the services have been performed or the goods have been delivered. Interest income is recognized as earned over time or through changes in the fair value of financial instruments quoted in a public market.

(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.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

1. SIGNIFICANT ACCOUNTING POLICIES, continued

(h) 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.

(i) 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, funds held in trust by Federal Government and investments not quoted in an active market.

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

Financial assets measured at fair value are investments quoted in an active market.

(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.

(j) Inventory

Inventory, which consists of goods available for resale is recorded at the lower of cost, as determined by the first-in, first-out method, and market.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

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:

	2018	2017
	\$	\$
Externally Restricted		
Housing - CMHC	78,914	72,460
Internally Restricted		
Resource	3,055,647	3,016,017
Rent	366,180	7,598,712
Commercial account	20,216,167	10,803,952
Commercial operations	4,141,628	4,092,727
Licensing	314,072	311,261
Education	19,383	19,313
	28,113,077	25,841,982
Unrestricted		
General	7,438,463	502,052
Noozhoor Nokiiyan Limited Partnership	597,139	-
Petty cash	2,600	2,735
Gas - float	-	285
	8,038,202	505,072
	36,230,193	26,419,514

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

3. INVESTMENTS

Investments are recorded as follows:

	2018 Market Value \$	2017 Market Value \$
RBC Guaranteed Investment Certificates		
Due June 15, 2017, 2.05%	-	4,255
Due June 15, 2022, 1.60%	4,596	-
	4,596	4,255
BMO Harris Private Banking investment portfolio	31,724,952	30,270,610
CIBC Private Wealth Management investment portfolio	51,168,606	50,569,272
TD Wealth Private Investment Counsel	10,850,801	10,644,907
Investment in WeedMD Rx Inc.	1,004,498	280,091
	94,753,453	91,769,135

The investment in WeedMD Rx Inc. is recorded at fair value as this company is publicly traded and is not controlled by the First Nation.

\$26,331,550 (2017 - \$27,039,209) of the BMO Harris Private Banking investment portfolio is internally restricted for the Future Generations fund (Note 13). \$10,962,571 (2017 - \$10,962,571) of the CIBC Private Wealth Management investment portfolio is internally restricted for the Islands of the Trent Settlement fund (Note 13).

4. DUE FROM GOVERNMENT AND OTHER GOVERNMENT ORGANIZATIONS

Amounts due from government and other government organizations consists of:

	2018 \$	2017 \$
Indigenous and Northern Affairs Canada (INAC)	3,118	198,500
Provincial government	76,069	234,201
HST	52,938	-
Federal government (SCF)	74,369	87,662
	206,494	520,363

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

5. ACCOUNTS RECEIVABLE

Accounts receivable consists of:

	2018	2017
	\$	\$
Commercial operations	512,523	524,995
Accrued investment interest	-	18,892
Ontario Lottery and Gaming Corporation	3,061,232	3,237,758
Other receivables	374,514	292,765
Rent receivable	-	1,500,000
	<hr/>	<hr/>
	3,948,269	5,574,410

6. MORTGAGES DUE FROM FIRST NATION MEMBERS

The amount shown as mortgages due from First Nation members of \$2,859,672 (2017 - \$3,013,867) 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 (2017 - \$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.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consists of the following:

	2018	2017
	\$	\$
Trade payables	1,982,427	1,028,890
Accrued salaries	98,703	79,997
Transfers payable	2,547,668	2,353,754
HST payable	-	377,510
Payroll and withholding taxes payable	9,764	30,447
	4,638,562	3,870,598

9. DEFERRED REVENUE

Included in deferred revenue are the following amounts:

	Balance March 31, 2017 \$	Funding Received 2018 \$	Revenue Recognized 2018 \$	Balance March 31, 2018 \$
Unearned rent	6,442	12,728	1,542	17,628
Ontario Lottery and Gaming Corporation	565,000	-	565,000	-
Independent Electricity System Operator	35,221	12,954	35,221	12,954
Williams Treaty First Nations	585,473	1,981,591	1,876,930	690,134
Indigenous and Northern Affairs Canada - lands management	178,600	-	101,753	76,847
Indigenous and Northern Affairs Canada - special education	-	91,725	10,980	80,745
Other	20,881	270	20,881	270
	1,391,617	2,099,268	2,612,307	878,578

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

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:

	2018	2017
	\$	\$
Mortgage 2.35%, due September 1, 2018, repayable in blended monthly payments of \$1,765.	345,203	358,181
Mortgage 2.11%, due January 1, 2019, repayable in blended monthly payments of \$1,662.	103,699	121,301
Mortgage 1.05%, due April 1, 2020, repayable in blended monthly payments of \$1,732.	325,280	342,577
	<hr/> <u>774,182</u>	<hr/> <u>822,059</u>

(b) Interest paid on long term debt amounted to \$14,030 (2017 - \$16,027).

(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
	\$	\$	\$
2019	48,545	14,073	62,618
2020	49,558	13,060	62,618
2021	50,594	12,023	62,617
2022	51,656	10,962	62,618
2023	52,743	9,875	62,618
2024 and subsequent years	<u>521,086</u>	<u>70,037</u>	<u>591,123</u>
	<hr/> <u>774,182</u>	<hr/> <u>130,030</u>	<hr/> <u>904,212</u>

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

11. TANGIBLE CAPITAL ASSETS

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

	2018	2017
	\$	\$
General		
Land	5,315,165	5,315,165
Buildings	9,457,509	4,049,952
Vehicles and equipment	161,027	190,627
Waste water treatment plant	7,189,245	-
Infrastructure		
Roads	108,928	121,033
	22,231,874	9,676,777
Assets under construction	1,041,203	2,526,972
	23,273,077	12,203,749

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

During the year there were no write-downs of assets (2017 - \$Nil) and no interest capitalized (2017 - \$Nil)

12. PREPAID EXPENSES AND OTHER

Prepaid expenses and other consists of the following:

	2018	2017
	\$	\$
Insurance	97,086	79,956
Student allowances	-	10,410
Other prepaids	17,140	14,444
Inventory	143,607	1,740
	257,833	106,550

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

13. ACCUMULATED SURPLUS

Accumulated surplus consists of the following:

	2018	2017
	\$	\$
Surplus/(deficit)		
Operating	(6,244,886)	(4,652,237)
Invested In Capital Assets		
Tangible capital assets - net book value	23,273,077	12,203,749
Long term debt	(774,182)	(822,059)
Unfunded capital	(887,948)	(1,965,657)
	21,610,947	9,416,033
Surplus	15,366,061	4,763,796
Restricted		
Housing Capital Reserve Fund - Phases 3, 4, and 5	78,914	72,460
Future Generations Fund	26,331,550	27,039,209
Community Betterment Fund	98,087,285	86,483,588
Lawn maintenance reserve	4,000	-
OFNLP reserve	4,407,288	4,201,690
Islands of the Trent Settlement	10,962,571	10,962,571
Total Restricted	139,871,608	128,759,518
Held in Trust by the Federal Government		
Held in Trust	11,851	11,851
	155,249,520	133,535,165

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 - 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.
- (b) 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.
- (c) 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.
- (d) The lawn maintenance reserve is an internally restricted reserve to be used for future lawn maintenance expenditures.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

13. ACCUMULATED SURPLUS, continued

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

14. RECONCILIATION OF INAC FUNDING TO FIRST NATION INAC REVENUE

	\$
2018 INAC Funding Received Per Confirmation	2,482,763
Add 2017 Deferred Revenue	
Lands management	178,600
Less 2018 Deferred Revenue	
Lands management	76,847
Special education	80,745
	157,592
Less Amounts Repayable	
Discussion tables	207,954
INAC Revenue For The Year	2,295,817

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

15. GOVERNMENT TRANSFERS

Government transfers consist of the following:

	2018	2017
	\$	\$
Indigenous and Northern Affairs Canada (INAC) Operating	2,295,817	1,372,218
Other Government of Canada		
Health Canada	233,384	214,965
Canada 150	52,835	57,165
Small Communities Fund	129,034	95,612
Other	4,293	9,424
	419,546	377,166
Provincial government transfers	1,125,204	424,102
Canada Mortgage and Housing Corporation	147,083	32,209
	3,987,650	2,205,695

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, 2018 for current service and included as an expense on the Statement of Operations and Accumulated Surplus was \$130,208 (2017 - \$116,351).

17. BUDGET FIGURES

The budget, approved by the First Nation, for 2018 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.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

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 value 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.

(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.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

20. CONTINGENT LIABILITIES

The First Nation has been named in a number of lawsuits as a result of being the landlord of the grounds lease with the Ontario Lottery and Gaming Corporation and the Corporation'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. This function also includes the administration of the Williams Treaties' litigation and negotiations for the group of seven Williams Treaties First Nation communities.

Community Services

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

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.

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

21. SEGMENTED INFORMATION, continued

Housing

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

22. SUBSEQUENT EVENTS

Subsequent to year end, the First Nation entered into a 50% limited partnership interest in Dunhill Power Limited Partnership for an aggregate purchase price of \$6,500,000.

23. 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, 2018

	Cost			Accumulated Amortization			Net Book Value	
	Opening Balance	Additions	Transfers	Closing Balance	Opening Balance	Amortization	Closing Balance	2018 \$
Tangible Capital Assets								
Land	5,315,165	-	-	5,315,165	-	-	-	5,315,165
Residential buildings	3,837,154	-	-	3,837,154	2,180,581	119,203	2,299,784	1,537,370
Non-residential buildings	4,312,738	3,845,959	2,070,150	10,228,847	1,919,357	389,351	2,308,708	7,920,139
Vehicles	222,778	-	-	222,778	184,755	14,406	199,161	23,617
Computer equipment	52,631	-	-	52,631	52,631	-	52,631	38,023
Other equipment	979,066	40,259	-	1,019,325	826,462	55,453	881,915	137,410
Roads and bridges	242,066	-	-	242,066	121,035	12,103	133,138	108,928
Waste water treatment plant	-	7,279,676	-	7,279,676	-	90,431	90,431	7,189,245
	14,961,598	11,165,894	2,070,150	28,197,642	5,284,821	680,947	5,965,768	22,231,874
Assets Under Construction								
Non-residential buildings	2,526,972	584,381	(2,070,150)	1,041,203	-	-	-	1,041,203
	2,526,972	584,381	(2,070,150)	1,041,203	-	-	-	2,526,972
Total	17,488,570	11,750,275	-	29,238,845	5,284,821	680,947	5,965,768	23,273,077
								12,203,749

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE For the Year Ended March 31, 2018

	Actual 2018 \$	Administration Actual 2017 \$	Budget 2018 \$	Actual 2018 \$	Community Services Actual 2017 \$	Budget 2018 \$	Actual 2018 \$	Economic Development Actual 2017 \$	Budget 2018 \$
Revenues									
Indigenous and Northern Affairs Canada (INAC)	1,424,257	589,218	560,936	284,876	147,305	126,950	194,733	257,830	221,542
Other Government of Canada	4,293	9,123	-	238,343	193,635	29,667	-	-	-
Province of Ontario contributions	792,046	141,570	3,650	142,564	149,412	(2,832)	-	90,000	90,000
Commercial operations	-	-	-	-	-	-	23,824,327	18,518,052	18,719,185
Ontario First Nations Limited Partnership	19,985	487,258	158,332	88,097	-	110,680	-	-	-
Other	5,117,219	3,606,289	21,000	34,726	185,319	17,840	109,823	124,773	59,927
Interest earned on funds held in trust	648	648	-	-	-	-	-	-	-
Income from investments	2,446,596	2,255,039	1,000,000	-	-	-	-	-	-
Other interest income	349,777	259,324	197,280	-	-	-	-	-	-
Gain (loss) on sale of tangible capital assets	-	-	-	-	(24,461)	-	-	7,279,676	-
Contributed capital assets	-	-	-	-	-	-	-	-	-
	10,154,821	7,348,469	1,941,198	788,606	648,378	285,137	31,498,559	18,990,655	19,090,654
Expenses									
Salaries and benefits	1,690,419	1,466,159	2,036,089	994,324	883,121	1,067,434	410,368	223,681	155,597
Materials	943,804	327,289	689,924	608,698	622,901	603,554	1,726,866	17,950,346	2,149,663
Contracted services	4,140,216	6,404,163	830,724	127,491	93,453	44,945	140,799	-	-
Bank charges and interest	8,230	12,319	5,000	-	-	-	-	-	-
Program costs	1,049,607	418,752	1,283,002	134,540	158,364	294,787	83,488	37,007	25,430
External transfers	-	-	-	-	-	-	7,221,399	7,093,527	9,333,000
Amortization	30,396	31,190	31,190	472,976	179,064	179,064	1,610	-	-
	7,862,672	8,659,872	4,875,929	2,338,029	1,936,903	2,189,784	9,584,530	25,304,561	11,663,690
Net deficit	2,292,149	(1,311,403)	(2,934,731)	(1,549,423)	(1,288,525)	(1,904,647)	21,914,029	(6,313,906)	7,426,964

MISSISAUGA OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE, continued For the Year Ended March 31, 2018

	Actual 2018 \$	Education Actual 2017 \$	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Social Development Actual 2017 \$ (Unaudited)	Budget 2018 \$ (Unaudited)	Actual 2018 \$	Health Actual 2017 \$ (Unaudited)	Budget 2018 \$ (Unaudited)
Revenues									
Indigenous and Northern Affairs Canada (INAC)	357,827	343,823	368,518	27,496	26,617	27,296	6,628	7,425	3,000
Other Government of Canada	-	-	-	-	-	-	176,910	174,408	173,519
Province of Ontario contributions	6,265	-	-	17,558	21,649	30,512	76,771	21,471	21,766
Ontario First Nations Limited Partnership	305,521	-	25,000	-	-	-	80,134	-	121,340
Other	38,875	123,976	116,736	-	-	-	258,949	284,512	148,423
	708,488	467,799	510,254	45,054	48,266	57,808	599,392	487,816	468,048
Expenses									
Salaries and benefits	110,208	70,279	117,115	27,936	26,699	32,206	421,070	404,073	440,594
Materials	19,291	10,556	60,640	1,200	1,200	1,200	20,506	14,995	73,569
Contracted services	-	13,593	19,497	-	-	-	9,141	9,572	11,440
Program costs	495,564	551,332	559,999	15,833	20,805	23,612	258,647	255,397	340,778
Amortization	-	-	-	-	-	-	106,999	78,709	78,709
	625,063	645,760	757,251	44,969	48,704	57,018	816,363	762,746	945,090
Net deficit	83,425	(177,961)	(246,997)	85	(438)	790	(216,971)	(274,930)	(477,042)

MISSISSAUGAS OF SCUGOG ISLAND FIRST NATION

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE, continued For the Year Ended March 31, 2018

	Actual 2018 \$	Housing Actual 2017 \$	Budget 2018 \$	Actual 2018 \$	Actual 2017 \$	Consolidated Totals
						Budget 2018 \$ (Unaudited)
Revenues						
Indigenous and Northern Affairs Canada (INAC)	-	-	-	2,295,817	1,372,218	1,359,378
Other Government of Canada	-	-	-	419,546	377,166	203,186
Canada Mortgage and Housing Corporation	147,083	32,209	35,991	147,083	32,209	35,991
Province of Ontario contributions	-	-	-	1,125,204	424,102	145,928
Commercial operations	-	-	-	23,824,327	18,515,220	18,719,185
Ontario First Nations Limited Partnership	-	-	-	493,737	487,258	415,352
Other	83,142	99,642	134,749	5,642,734	4,424,511	498,675
Interest earned on funds held in trust	-	-	-	648	648	-
Income from investments	-	-	-	2,446,596	2,255,039	1,000,000
Other interest income	4,577	-	2,720	354,354	259,324	200,000
Gain (loss) on sale of tangible capital assets	-	-	-	-	-	-
Contributed capital assets	-	-	-	-	(24,461)	-
	234,802	131,851	173,460	44,029,722	28,123,234	22,577,695
Expenses						
Salaries and benefits	4,620	-	4,620	3,658,945	3,074,012	3,853,655
Materials	238,466	85,924	197,978	3,558,831	19,013,211	3,776,528
Contracted services	35,394	46,105	34,868	4,453,041	6,566,886	941,474
Bank charges and interest	14,030	14,845	29,104	22,260	27,164	34,104
Program costs	9,819	-	-	2,047,498	1,441,657	2,527,608
External transfers	-	68,967	68,967	7,221,399	7,093,527	9,333,000
Amortization	68,967	68,967	68,967	680,948	357,930	357,930
	371,296	215,841	335,537	21,642,922	37,574,387	20,824,299
Net surplus/(deficit)	(136,494)	(83,990)	(162,077)	22,386,800	(9,451,153)	1,753,396