

**Iskatewizaagegan No. 39 Independent
First Nation
Consolidated Financial Statements
For the year ended March 31, 2016**

Iskatewizaagegan No. 39 Independent First Nation
Consolidated Financial Statements
For the year ended March 31, 2016

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the Iskatewizaagegan No. 39 Independent First Nation and all the information in this annual report are the responsibility of management and have been approved by the Chief and Council of the Band.

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 judgments. 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 Council is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Chief and Council review the First Nation's financial statements and recommend their approval. The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the annual report, the financial statements and the external auditors' report. The Chief and Council takes this information into consideration when approving the financial statements for issuance to the Members. The Chief and Council also consider the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian auditing standards on behalf of the members. BDO Canada LLP has full access to the First Nation Council.



Chief

Councilor



Councilor

Councilor



Councilor



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300 - 301 First Avenue S
Kenora ON P9N 4E9 Canada

Independent Auditor's Report

To the Chief and Council of
Iskatewizaagegan No. 39 Independent First Nation

We have audited the accompanying financial statements of Iskatewizaagegan No. 39 Independent First Nation, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statement of operations, consolidated statement of changes in net debt and consolidated statement of 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 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

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

Basis for Qualified Opinion

The Summary of Significant Accounting Policies describes the capitalization policies with respect to the First Nation's tangible capital assets. The First Nation has not completed an assessment of their tangible capital assets with respect to PS 3150 Tangible Capital Assets adoption. The capital assets recorded are only those assets that have been acquired since 1996 and as such the tangible capital asset amounts reported may not be complete. The First Nation has not reviewed the remaining useful lives or condition of recorded capital assets which may impact the valuation of capital assets and the accuracy and completeness of accumulated amortization. This caused us to modify our audit opinion on the financial statements relating to the years ended March 31, 2016 and 2015. Accordingly, we were unable to determine whether any adjustments might be necessary to tangible capital assets, accumulated amortization and accumulated surplus as at April 1, 2015 and 2016 and March 31, 2016 and 2015 and amortization expense and annual surplus (deficit) for the years ended March 31, 2016 and 2015.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of Iskatewizaagegan No. 39 Independent First Nation as at March 31, 2016 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Kenora, Ontario

August 2, 2016

Iskatewizaagegan No. 39 Independent First Nation

Consolidated Statement of Financial Position

| As at March 31 | 2016 | 2015 |
|-----------------------|-------------|-------------|
|-----------------------|-------------|-------------|

Financial Assets

| | | |
|--------------------------------|------------|------------|
| Cash and bank (Note 1) | \$ 240,412 | \$ 135,945 |
| Temporary investments (Note 2) | 367,560 | 360,000 |
| Accounts receivable (Note 3) | 654,157 | 465,966 |
| Replacement reserve (Note 10) | 70,352 | 66,852 |
| | 1,332,481 | 1,028,763 |

Liabilities

| | | |
|--|-----------|-----------|
| Bank indebtedness (Note 5) | 319,812 | 459,176 |
| Accounts payable and accruals (Note 6) | 691,340 | 840,707 |
| Deferred revenue (Note 7) | 204,512 | 139,030 |
| Long-term debt (Note 8) | 973,376 | 920,647 |
| | 2,189,040 | 2,359,560 |

Net Debt

| | |
|------------------|--------------------|
| (856,559) | (1,330,797) |
|------------------|--------------------|

Non Financial Assets

| | | |
|---|------------|------------|
| Inventory | 67,258 | 54,365 |
| Prepaid expenses and other current assets | 127,391 | 74,687 |
| Capital assets (Note 9) | 12,643,127 | 13,062,075 |
| | 12,837,776 | 13,191,127 |

| | | |
|--------------------------------------|----------------------|----------------------|
| Accumulated surplus (Note 10) | \$ 11,981,217 | \$ 11,860,330 |
|--------------------------------------|----------------------|----------------------|

Approved on behalf of the Band Council:



 Chief

 Councilor



 Councilor

 Councilor



 Councilor

Iskatewizaagegan No. 39 Independent First Nation

Consolidated Statement of Operations

| For the year ended March 31 | Budget | 2016 | 2015 |
|--|--------------|---------------|---------------|
| | (Note 14) | | |
| Revenue (Note 13) | | | |
| Aboriginal Affairs and Northern Development Canada | \$ 3,601,848 | \$ 3,619,787 | \$ 3,698,488 |
| Anishinaabe Abinoojii Family Services | 121,162 | 122,655 | 16,994 |
| Bimose Tribal Council | 35,000 | 50,420 | 29,508 |
| Casino Rama | 540,000 | 550,233 | 546,800 |
| Canada Mortgage and Housing Corporation | 89,642 | 80,642 | 40,852 |
| Health Canada | 643,211 | 643,211 | 763,519 |
| Independent Electricity Systems Operator | 89,980 | 28,120 | - |
| Kenora Chiefs Advisory | 63,897 | 63,897 | 59,758 |
| Ministry of Aboriginal Affairs | 231,421 | 231,421 | 86,500 |
| Ministry of Community and Social Services | 460,578 | 838,129 | 655,677 |
| Ministry of Citizenship and Culture | 23,939 | 25,939 | 26,108 |
| Ministry of Health and Long-Term Care | 48,286 | 47,924 | 47,886 |
| Ministry of Education | 461,331 | 461,331 | 413,257 |
| Ministry of Northern Development and Mines | 3,920 | 3,920 | - |
| Other revenue | 230,245 | 303,674 | 299,626 |
| Rent | 102,525 | 61,897 | 49,355 |
| Revenue deferred from prior year | 60,833 | 60,596 | 167,200 |
| Revenue deferred to subsequent year | - | (126,577) | (139,030) |
| Sales | - | 1,611,233 | 1,672,441 |
| Shooniyya Wa-Blitong | 128,465 | 136,667 | 134,312 |
| Surplus repayable | - | (2,458) | (1,049) |
| | 6,936,283 | 8,812,661 | 8,568,202 |
| Expenses | | | |
| Band Support Programs | 802,443 | 687,967 | 719,928 |
| Casino Rama Programs | 153,846 | 165,642 | 199 |
| Economic Development Programs | 268,979 | 283,606 | 262,745 |
| Social Service Programs | 492,016 | 898,825 | 786,905 |
| Infrastructure Programs | 1,364,922 | 1,217,153 | 1,386,229 |
| Training Programs | 85,837 | 1,825 | 68,124 |
| Education Programs | 2,227,679 | 2,324,455 | 2,323,524 |
| Health Programs | 995,151 | 949,427 | 879,684 |
| Child Care Programs | 725,176 | 638,964 | 542,894 |
| Commercial Enterprises | 41,998 | 1,523,910 | 1,731,400 |
| | 7,158,047 | 8,691,774 | 8,701,632 |
| Annual surplus (deficit) | \$ (221,764) | 120,887 | (133,430) |
| Accumulated surplus, beginning of year | | 11,860,330 | 11,993,760 |
| Accumulated surplus, end of year | | \$ 11,981,217 | \$ 11,860,330 |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Iskatewizaagegan No. 39 Independent First Nation
Consolidated Statement of Changes in Net Debt

| For the year ended March 31 | Budget | 2016 | 2015 |
|---|--------------------|--------------------|--------------------|
| | (Note 14) | | |
| Annual surplus (deficit) for the year | \$ (221,764) | \$ 120,887 | \$ (133,430) |
| Acquisition of tangible capital assets | (262,744) | (397,469) | (285,741) |
| Amortization of tangible capital assets | 816,417 | 816,417 | 819,499 |
| | <u>331,909</u> | <u>539,835</u> | <u>400,328</u> |
| Acquisition of prepaid expenses and inventory | - | (194,647) | (129,050) |
| Use/consumption of prepaid expenses and inventory | - | 129,050 | 221,287 |
| | <u>-</u> | <u>(65,597)</u> | <u>92,237</u> |
| Net change in net debt | 331,909 | 474,238 | 492,565 |
| Net debt, beginning of year | <u>(1,330,797)</u> | <u>(1,330,797)</u> | <u>(1,823,362)</u> |
| Net debt, end of year | \$ (998,888) | \$ (856,559) | \$ (1,330,797) |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Iskatewizaagegan No. 39 Independent First Nation

Consolidated Statement of Cash Flows

| For the year ended March 31 | 2016 | 2015 |
|---|--------------------|---------------------|
| Operating activities | | |
| Annual surplus (deficit) for the year | \$ 120,887 | \$ (133,430) |
| Item not affecting cash | | |
| Amortization | 816,417 | 819,499 |
| Changes to non-cash operating balances | | |
| Temporary investments | (7,560) | (42,912) |
| Accounts receivable | (188,191) | (54,625) |
| Accounts payable and accruals | (149,368) | 253,830 |
| Deferred revenue | 65,482 | (28,170) |
| Inventory | (12,893) | 16,141 |
| Prepaid expense and other current assets | (52,703) | 76,097 |
| | <u>592,071</u> | <u>906,430</u> |
| Financing activities | | |
| Repayment of long term debt | (72,271) | (40,766) |
| Proceeds from long term debt | 125,000 | 40,000 |
| | <u>52,729</u> | <u>(766)</u> |
| Investing activities | | |
| Purchase of capital assets | (397,469) | (285,741) |
| Increase in reserve fund | (3,500) | (3,674) |
| | <u>(400,969)</u> | <u>(289,415)</u> |
| Increase in cash | 243,831 | 616,249 |
| Bank indebtedness, beginning of year | (323,231) | (939,480) |
| Bank indebtedness, end of year | \$ (79,400) | \$ (323,231) |
| Consists of: | | |
| Cash and bank | \$ 240,412 | \$ 135,945 |
| Bank indebtedness | (319,812) | (459,176) |
| | <u>\$ (79,400)</u> | <u>\$ (323,231)</u> |

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Iskatewizaagegan No. 39 Independent First Nation Summary of Significant Accounting Policies

March 31, 2016

Basis of Accounting These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the CPA Canada Public Sector Accounting Handbook.

These consolidated financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Basis of Consolidation The Iskatewizaagegan No. 39 Independent First Nation reporting entity includes the Iskatewizaagegan No. 39 Independent First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the Iskatewizaagegan No. 39 Independent First Nation.

The following controlled entities' results of operations are included in these financial statements:

Canada Mortgage and Housing Corporation project - 100% controlled
Ombigi Aawasoon Childcare Centre - 100% controlled
Social Services - 100% controlled
Mr. Bubbles Laundromat - 100% owned
Shoal Lake Landing - 100% owned

Revenue Recognition Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.

Revenue from the Shoal Lake Landing and Mr. Bubbles Laundromat is recognized at point-of sale.

Measurement Uncertainty The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make assumptions and estimates that have an effect on the reported amounts of assets and liabilities and disclosure at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could be different from those estimates.

Inventory Inventory is valued at the lower of cost and net realizable value and includes the inventory at Shoal Lake Landing and Mr. Bubbles Laundromat.

Iskatewizaagegan No. 39 Independent First Nation Summary of Significant Accounting Policies

March 31, 2016

Capital Assets

Prior to April 1, 1996, acquired tangible capital assets were recognized as operating expenses and were not reported in the consolidated statement of financial position.

Subsequent to March 31, 1996, capital assets in excess of \$5,000 are recorded at cost less accumulated amortization. Cost includes all costs directly attributable to acquisition or construction of the tangible capital assets including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs.

Amortization is recorded over the estimated useful life of the tangible capital asset commencing once the asset is available for productive use using the declining balance basis at the following annual rates:

| | |
|-------------------------------------|-----------|
| Housing | 5% |
| Housing renovations | 10% |
| Infrastructure | 4 and 10% |
| Community buildings and renovations | 10% |
| Equipment | 10% |
| Laundromat investment | 5 and 6% |
| Computer equipment | 30% |
| Gravel pit | 10% |
| Vehicles | 30% |

**Replacement
Reserve Fund**

Under agreement with Canada Mortgage and Housing Corporation (CMHC) the replacement reserve account for project #18-677-518 is to be increased annually by an amount approved by CMHC. The replacement reserve fund, along with accumulated interest is a restricted fund to be held in a separate bank account and/or invested, only in accounts or instruments insured by the Canada Deposit Insurance Corporation. The funds in the accounts may only be drawn for authorized major renovations and repairs.

Pension Plan

The First Nation maintains a defined contribution pension plan for its personnel. Expenses for this plan are equal to the First Nation's required contribution for the year.

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2016

1. Cash and Bank

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Unrestricted | | |
| General | \$ 47,548 | \$ 52,313 |
| ATM | 43,843 | 34,285 |
| Casino Rama | 50,175 | 30 |
| Social Services | 53,225 | 49,317 |
| | <u>194,791</u> | <u>135,945</u> |
| Externally Restricted | | |
| Funds held in trust for day care renovations | 45,621 | - |
| | <u>\$ 240,412</u> | <u>\$ 135,945</u> |

2. Temporary Investments

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Externally Restricted | | |
| GIC, 20% of original \$300,000 maturing annually, interest earned at 2.10%, maturing January 2020, held as cash collateral on general operating line of credit | \$ 246,300 | \$ 300,000 |
| GIC, non-redeemable, interest earned at 1.50%, maturing January 2021, held as cash collateral on general operating line of credit | 60,000 | - |
| GIC, 20% of original \$600,000 maturing annually, interest earned at 2.10%, maturing January 2020, held as cash collateral on landing operating line of credit | 49,260 | 60,000 |
| GIC, non-redeemable, interest earned at 1.50%, maturing January 2021, held as cash collateral on landing operating line of credit | 12,000 | - |
| | <u>\$ 367,560</u> | <u>\$ 360,000</u> |

3. Accounts Receivable

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Aboriginal Affairs and Northern Development Canada | \$ 30,833 | \$ 97,503 |
| Kenora Chiefs Advisory | 26,888 | - |
| Health Canada | 76,611 | - |
| Ministry of Education | 59,621 | 108,256 |
| Shooniyaa Wa-Biitong | 118,973 | 10,559 |
| Other government funding | 166,869 | 92,153 |
| Members | 102,140 | 88,205 |
| HST rebates | 50,251 | 28,631 |
| Other | 77,538 | 96,226 |
| Allowance for doubtful accounts | (55,567) | (55,567) |
| | <u>\$ 654,157</u> | <u>\$ 465,966</u> |

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2016

4. Funds Held in Trust

| | Revenue | Capital | 2016 | 2015 |
|----------------------------|-----------|----------|-----------|-----------|
| Ottawa Trust Fund | | | | |
| Balance, beginning of year | \$ 57,734 | \$ 3,373 | \$ 61,107 | \$ 59,425 |
| Interest for the year | 1,296 | - | 1,296 | 1,682 |
| Balance, end of year | \$ 59,030 | \$ 3,373 | \$ 62,403 | \$ 61,107 |

The Ottawa Trust accounts arise from monies 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. These funds are restricted in their use. The First Nation is permitted to use its revenue for any purpose that will promote the general progress and welfare of the First Nation and First Nation members. The expenditure of capital funds requires the consent of Aboriginal Affairs and Northern Development Canada and generally must be for projects of a capital nature. Withdrawals of revenue or capital funds are recorded as revenue in the applicable fund where the monies are expended.

Trust Funds administered by Aboriginal Affairs and Northern Development Canada for the benefit of the First Nation have not been included in the statement of financial position nor have the operations been included in the statement of operations.

5. Bank Indebtedness

| | 2016 | 2015 |
|---|-------------------|-------------------|
| General operating account | \$ 97,109 | \$ 73,949 |
| Shoal Lake Landing | 10,153 | 5,276 |
| Ombigi Aawasoon Childcare Centre | 27,550 | 4,951 |
| General - RBC business operating line of credit | 185,000 | 325,000 |
| Landing - RBC business operating line of credit | - | 50,000 |
| | \$ 319,812 | \$ 459,176 |

The general line of credit is a revolving demand facility with a maximum credit capacity of \$300,000 and bears interest at prime plus 0.90%. The unused credit capacity at year end was \$115,000.

The Landing line of credit is a revolving demand facility with a maximum credit capacity of \$60,000 and bears interest at prime plus 0.90%. The unused credit capacity at year end was \$10,000.

Other facilities are:

- a revolving lease line of credit to finance the acquisition of capital assets. This credit facility was not in use at year-end.
- Visa Business to a maximum amount of \$30,000.

Security consists of a general security agreement and cash collateral agreements assigning GICs in the amount of \$300,000 against the general line and \$60,000 against the Landing line.

Iskatewizaagegan No. 39 Independent First Nation
Notes to Financial Statements

March 31, 2016

6. Accounts Payable and Accruals

| | <u>2016</u> | <u>2015</u> |
|--------------------------|-------------------|-------------------|
| Trade and other payables | \$ 582,604 | \$ 734,781 |
| Payroll payables | 102,349 | 101,942 |
| Surpluses repayable | 6,387 | 3,984 |
| | <u>\$ 691,340</u> | <u>\$ 840,707</u> |

7. Deferred Revenue

| | <u>Opening balance</u> | <u>Funding received</u> | <u>Revenue recognized</u> | <u>Closing balance 2016</u> | <u>Closing balance 2015</u> |
|--|----------------------------|-----------------------------|-------------------------------|-------------------------------------|-------------------------------------|
| Aboriginal Affairs and Northern Development Canada - O&M water | \$77,935 | \$ - | \$ - | \$77,935 | \$77,935 |
| Ministry of Tourism, Culture and Sport | 12,765 | - | (12,765) | - | 12,765 |
| Casino Rama | 48,068 | 550,233 | (598,301) | - | 48,068 |
| CMHC - RRAP | | 32,000 | - | 32,000 | - |
| Shooniyaa Wa-Biitong - daycare | 262 | - | (262) | - | 262 |
| Shooniyaa Wa-Biitong - training | - | 4,956 | - | 4,956 | - |
| Ministry of Aboriginal Affairs - day care renovations | - | 141,421 | (51,800) | 89,621 | - |
| | <u>\$139,030</u> | <u>\$ 728,610</u> | <u>\$(663,128)</u> | <u>\$204,512</u> | <u>\$139,030</u> |

Iskatewizaagegan No. 39 Independent First Nation Notes to Financial Statements

March 31, 2016

8. Long Term Debt

| | 2016 | 2015 |
|--|-------------------|-------------------|
| Mortgage payable, repayable in monthly installments of \$5,043 including interest at 5.04%, guaranteed by Aboriginal Affairs and Northern Development Canada, next renewal date March 1, 2017 | \$ 356,983 | \$ 398,561 |
| Bank loan payable, repayable in monthly installments of \$746 including interest at 4.5%, secured by specific automotive equipment, maturing 2020 | 31,449 | 38,792 |
| Promissory note payable to Minister of Aboriginal Affairs and Northern Development Canada, interest free unless in default, repayable on the earlier of March 31, 2020 or a date on which the Garden Island Claim is settled | 264,722 | 264,722 |
| Promissory note payable to Minister of Aboriginal Affairs and Northern Development Canada, interest free unless in default, repayable on the earlier of March 31, 2020 or a date on which the Flooding Claim is settled | 218,572 | 218,572 |
| Obligation under capital lease, repayable in monthly installments of \$3,714 including interest at 4.68%, secured by specific automotive equipment, maturing 2018 | 101,650 | - |
| | \$ 973,376 | \$ 920,647 |

The estimated principal repayments on the above long term debt over the next four years are as follows:

| | |
|------|-------------------|
| 2017 | \$ 405,365 |
| 2018 | 50,678 |
| 2019 | 26,779 |
| 2020 | 490,554 |
| | \$ 973,376 |

Iskatewizaagegan No. 39 Independent First Nation **Notes to Financial Statements**

March 31, 2016

9. Capital Assets

| | Cost | | | Accumulated Amortization | | | 2016 | | 2015 | |
|--------------------------------|---------------------|-------------------|-------------|--------------------------|----------------------|------------------------|---------------------|---------------------|----------------|--|
| | Opening Balance | Additions | Disposals | Closing Balance | Opening Balance | Amortization Disposals | Net Book Value | | Net Book Value | |
| Housing | \$5,811,330 | \$ 110,971 | \$ - | \$5,922,301 | \$ 2,042,094 | \$ 197,102 | \$ 3,683,105 | \$ 3,769,236 | | |
| Housing renovations | 476,077 | - | - | 476,077 | 347,689 | 12,839 | 115,549 | 128,388 | | |
| Infrastructure | 13,227,505 | 117,467 | - | 13,344,972 | 6,518,620 | 398,736 | 6,427,616 | 6,708,885 | | |
| Community buildings | 2,835,118 | - | - | 2,835,118 | 973,653 | 74,458 | 1,787,007 | 1,861,465 | | |
| Community building renovations | 512,177 | - | - | 512,177 | 349,061 | 14,294 | 148,822 | 163,116 | | |
| Equipment | 518,153 | 38,298 | - | 556,451 | 305,945 | 35,195 | 215,311 | 212,208 | | |
| Laundromat investment | 51,069 | - | - | 51,069 | 45,946 | 307 | 4,816 | 5,123 | | |
| Computer equipment | 83,614 | - | - | 83,614 | 63,648 | 7,132 | 12,834 | 19,966 | | |
| Gravel pit | 30,000 | - | - | 30,000 | 25,106 | 489 | 4,405 | 4,894 | | |
| Motor vehicles | 392,402 | 130,733 | - | 523,135 | 203,608 | 75,865 | 243,662 | 188,794 | | |
| | \$23,937,445 | \$ 397,469 | \$ - | \$24,334,914 | \$ 10,875,370 | \$ 816,417 | \$12,643,127 | \$13,062,075 | | |

Motor vehicles includes assets under capital lease obligation with an original cost of \$125,000 (2015 - \$nil.)

The net book value of tangible capital assets not being amortized because they are under construction or development or otherwise not yet available for use is \$244,744 (2015 - \$nil).

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2016

10. Accumulated Surplus

The First Nation segregates its accumulated surplus into the following categories:

| | 2016 | 2015 |
|------------------------------|----------------------|----------------------|
| Current funds | \$ (242,180) | \$ (831,244) |
| Investment in capital assets | 12,153,045 | 12,624,722 |
| Replacement reserve | 70,352 | 66,852 |
| | <u>\$ 11,981,217</u> | <u>\$ 11,860,330</u> |

The investment in capital assets represents amounts already spent and invested in capital assets.

Current funds represent the general activities of the First Nation.

The replacement reserve reports on the CMHC replacement reserve activities.

Activity in the CMHC replacement reserve was as follows:

| | 2016 | 2015 |
|----------------------------|------------------|------------------|
| Balance, beginning of year | \$ 66,852 | \$ 63,178 |
| Interest income | - | 174 |
| Allocation to reserve | 3,500 | 3,500 |
| Expenditures | - | - |
| Balance, end of year | <u>\$ 70,352</u> | <u>\$ 66,852</u> |

11. Defined Contribution Pension Plan

The expense for the First Nation's pension plan for the year was \$72,820 (2015 - \$67,130). The plan is funded equally by the organization and the First Nation's employees at rates of 3%, 5% or 8% of the employee's salary. The funds are invested in segregated funds as directed by the First Nations' individual employees' investment directives.

Iskatewizaagegan No. 39 Independent First Nation

Notes to Financial Statements

March 31, 2016

12. Segmented Information

Iskatewizaagegan No. 39 Independent First Nation is a diversified local government that provides a wide range of services to its citizens and members, including band support, economic development, social services, infrastructure, training and education, health, child care and commercial enterprises. The Casino Rama segment includes the use of funds received under Ontario First Nations Limited Partnership agreements.

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. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Operations and maintenance fee allocations have been made to each building based on a percentage of overall maintenance costs. Administrative fees, based on a percentage of revenues, have been allocated to programs where permitted by the funder.

13. Government Transfers

| | 2016 | | | 2015 | | |
|---------------|-------------|------------|-------------|-------------|------------|--------------|
| | Operating | Capital | Total | Operating | Capital | Total |
| Federal | | | | | | |
| AANDC | \$3,449,950 | \$ 169,837 | \$3,619,787 | \$3,450,250 | \$ 248,238 | \$ 3,698,488 |
| Health Canada | 637,717 | 5,494 | 643,211 | 759,119 | 4,400 | 763,519 |
| CMHC | 80,642 | - | 80,642 | 40,852 | - | 40,852 |
| Sub-total | 4,168,309 | 175,331 | 4,343,640 | 4,250,221 | 252,638 | 4,502,859 |
| Provincial | 1,608,664 | - | 1,608,664 | 1,229,428 | - | 1,229,428 |
| Total | \$5,776,973 | \$ 175,331 | \$5,952,304 | \$5,479,649 | \$ 252,638 | \$ 5,732,287 |

14. Budget

The program budgets approved by Chief and Council were not prepared on a basis consistent with that used to report actual financial statements results (Public Sector Accounting Standards). The budgets were prepared on a modified accrual basis while Public Sector Accounting Standards require a full accrual basis. The budgets expensed all capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statement of operations and changes in net debt represent the budgets adopted by Council with adjustments as follows. As well, the budget approved by Chief and Council was not prepared on a consolidated basis and does not include all of the activities of the First Nation. As a result, budget figures are only presented on where available.

| | |
|-------------------------------------|--------------|
| Budget surplus | \$ 286,831 |
| Add: | |
| Capital expenditures | 262,744 |
| Budgeted payments of long term debt | 41,578 |
| Budget reserve fund surplus | 3,500 |
| Less: | |
| Amortization | (816,417) |
| Budget per statement of operations | \$ (221,764) |

Iskatewizaagegan No. 39 Independent First Nation Notes to Financial Statements

March 31, 2016

15. Tangible Capital Assets

For the year ending March 31, 2011, the Band was required to comply with Section 3150, Tangible capital assets of the Public Sector Accounting Board Handbook. Section 3150 requires the capitalization and amortization of tangible capital assets in the financial statements. As at March 31, 2016, this has not been completed. As a transitional provision, Public Sector Guideline - 7, Tangible Capital Assets of Local Governments, requires disclosure of information for each major class of tangible capital assets for which all the relevant information can be provided for the complete stock of tangible capital assets of that category. The First Nation has completed inventories of several categories of tangible capital assets, however total amounts for cost and accumulated amortization have not been completed.

16. Contingent Liabilities

The Band has made a claim against the City of Winnipeg. If unsuccessful, the claim could potentially result in a liability for costs. The outcome of the claims is not yet determinable and no amounts have been recorded in the accounts relating to this claim or possible claims.

The First Nation has been co-named in a claim for \$17.1 million in damages, plus interest and legal costs. In the opinion of management and legal counsel, the outcome of the claim is not yet determinable. Should any loss result from the resolution of the claim, such losses will be expensed to operations in the year of resolution.

Iskatewizaagegan No. 39 Independent First Nation
Segmented Disclosure
For the year ended March 31, 2016

| | Band Support | Casino Rama | Economic Development | Social Services | Infrastructure | Training and Education | Health | Child Care | Commercial Enterprises | Consolidated 2016 |
|---|--------------|-------------|----------------------|-----------------|----------------|------------------------|------------|------------|------------------------|-------------------|
| Revenue | | | | | | | | | | |
| Government transfers \$ | 710,323 | \$ - | \$ 184,709 | \$ 809,833 | \$ 525,260 | \$ 2,236,127 | \$ 859,376 | \$ 567,637 | \$ - | \$ 5,893,265 |
| Sales | - | - | - | - | - | - | - | - | 1,611,233 | 1,611,233 |
| Other | 87,767 | 598,301 | 10,000 | 63,897 | 168,198 | 126,860 | 176,926 | 76,214 | - | 1,308,163 |
| | 798,090 | 598,301 | 194,709 | 873,730 | 693,458 | 2,362,987 | 1,036,302 | 643,851 | 1,611,233 | 8,812,661 |
| Expenses | | | | | | | | | | |
| Amortization | 15,973 | 3,846 | 87,770 | 23,266 | 547,657 | 55,118 | 24,095 | 16,694 | 41,998 | 816,417 |
| Debt servicing | - | - | - | - | 18,937 | - | - | - | - | 18,937 |
| Purchases for resale | - | - | - | - | - | - | - | - | 1,297,212 | 1,297,212 |
| Salaries and benefits | 341,177 | - | 110,811 | 250,110 | 212,851 | 846,611 | 443,862 | 448,102 | 122,156 | 2,775,680 |
| Other expenses | 330,817 | 161,796 | 85,025 | 625,449 | 437,708 | 1,424,551 | 481,470 | 174,168 | 62,544 | 3,783,528 |
| | 687,967 | 165,642 | 283,606 | 898,825 | 1,217,153 | 2,326,280 | 949,427 | 638,964 | 1,523,910 | 8,691,774 |
| Excess of revenue (expense) | 110,123 | 432,659 | (88,897) | (25,095) | (523,695) | 36,707 | 86,875 | 4,887 | 87,323 | 120,887 |
| Transfer from other funds | 90,361 | - | 14,861 | 745 | 246,733 | 24,177 | 82,663 | 28,101 | 28,874 | 516,515 |
| Transfer to other funds | - | (436,505) | - | - | (14,000) | - | (66,010) | - | - | (516,515) |
| Excess of revenue (expense) for the year | \$ 200,484 | \$ (3,846) | \$ (74,036) | \$ (24,350) | \$ (290,962) | \$ 60,884 | \$ 103,528 | \$ 32,988 | \$ 116,197 | \$ 120,887 |

Iskatewizaagegan No. 39 Independent First Nation
Segmented Disclosure
For the year ended March 31, 2016

| | Band Support | Casino Rama | Economic Development | Social Services | Infrastructure | Training and Education | Health | Child Care | Commercial Enterprises | Consolidated 2015 |
|---|--------------|-------------|----------------------|-----------------|----------------|------------------------|------------|------------|------------------------|-------------------|
| Revenue | | | | | | | | | | |
| Government transfers \$ | 457,217 | \$ - | \$ 150,525 | \$ 749,493 | \$ 934,978 | \$ 2,267,667 | \$ 864,428 | \$ 470,379 | \$ - | \$ 5,894,687 |
| Sales | - | - | - | - | - | - | - | - | 1,672,441 | 1,672,441 |
| Other | 116,430 | 500,762 | - | 59,758 | 62,449 | 144,765 | 49,896 | 67,014 | - | 1,001,074 |
| | 573,647 | 500,762 | 150,525 | 809,251 | 997,427 | 2,412,432 | 914,324 | 537,393 | 1,672,441 | 8,568,202 |
| Expenses | | | | | | | | | | |
| Amortization | 13,758 | - | 95,054 | 16,598 | 577,660 | 46,707 | 17,889 | 11,377 | 40,452 | 819,495 |
| Debt servicing | - | - | - | - | 20,956 | - | - | - | - | 20,956 |
| Purchases for resale | - | - | - | - | - | - | - | - | 1,531,216 | 1,531,216 |
| Salaries and benefits | 326,673 | - | 99,824 | 236,760 | 255,419 | 896,236 | 358,817 | 417,937 | 87,140 | 2,678,806 |
| Other expenses | 379,497 | 199 | 67,867 | 533,547 | 532,194 | 1,448,705 | 502,978 | 113,580 | 72,592 | 3,651,159 |
| | 719,928 | 199 | 262,745 | 786,905 | 1,386,229 | 2,391,648 | 879,684 | 542,894 | 1,731,400 | 8,701,632 |
| Excess of revenue (expense) | (146,281) | 500,563 | (112,220) | 22,346 | (388,802) | 20,784 | 34,640 | (5,501) | (58,959) | (133,430) |
| Transfer from other funds | 377,441 | - | 29,233 | - | 126,038 | 198,429 | 70,118 | - | 24,507 | 825,766 |
| Transfer to other funds | - | (500,567) | - | - | (141,523) | (137,519) | (46,157) | - | - | (825,766) |
| Excess of revenue (expense) for the year | \$ 231,160 | \$ (4) | \$ (82,987) | \$ 22,346 | \$ (404,287) | \$ 81,694 | \$ 58,601 | \$ (5,501) | \$ (34,452) | \$ (133,430) |