

Consolidated financial statements of

TIMISKAMING FIRST NATION

March 31, 2017

TIMISKAMING FIRST NATION

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TIMISKAMING FIRST NATION
Management's Statement of Responsibility
Year ended March 31, 2017

The consolidated financial statements of Timiskaming First Nation as at March 31, 2017 are the responsibility of management and have been approved by the Chief and Council.

These consolidated financial statements have been prepared in conformity with Canadian public sector accounting standards as defined by the CPA Canada Public Sector Accounting Handbook and, where appropriate, include amounts that are based on management's best estimates and judgements. Management has established internal control systems to ensure that the financial information is objective and reliable and that Band assets are safeguarded.

The consolidated financial statements have been audited by the independent auditors, Deloitte LLP whose report outlines the scope of their audit and their opinion on the financial statements.

The Chief and Council carries out its responsibility for the consolidated financial statements through the Office of Chief and Council, which is comprised of a quorum of councillors. The Chief and Council meets with the auditors to review the consolidated financial statements and Independent Auditor's Report.

The financial statements have been audited by Deloitte LLP in accordance with Canadian generally accepted auditing Standards. Deloitte LLP has full and free access to Council.

Signature and title
for Timiskaming First Nation

Independent Auditors' Report

To the Chief and Council of
Timiskaming First Nation

We have audited the accompanying consolidated financial statements of Timiskaming First Nation as at March 31, 2017, which comprise the statement of Financial Position as at March 31 2017, and the statements of Operations, Cumulative Operating Surplus (Deficit), Net Investment in Capital Assets, Changes in Net Debt and Cash Flows for the year then ended and a summary of significant accounting policies and other explanatory informations.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated 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, the consolidated financial statements present fairly, in all material respects, the financial position of Timiskaming First Nation as at March 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Observation

Without modifying our opinion, we draw attention to Note 2 of the consolidated financial statements, which states that the First Nation includes certain financial information that are not required by the Canadian public sector accounting standards. This information is presented on pages 26 to 163 in order to satisfy to Indigenous and Northern Affairs Canada (INAC) and are not audited.

Other matter

The financial statements of Timiskaming First Nation, as at March 31, 2016 and the year then ended, were audited by another auditor who expressed an unmodified opinion on those financial statements on July 19, 2016.

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Deloitte LLP

¹ CPA auditor, CA, public accountancy permit No A112314

July 17th, 2017

TIMISKAMING FIRST NATION

Statement of Operations

Year ended March 31, 2017

	2017	2016
	\$	\$
REVENUES		
INAC - Fixed Contribution	124 709	224 768
INAC - Block Contribution	5 791 101	5 616 513
INAC - Flexible Contribution	4 271 002	1 500 000
INAC - Review letter	2 145	(47 549)
INAC - Set Contribution	1 264 479	685 967
Recoverable from (Refundable to) INAC	(56 624)	-
Administration fees	441 874	220 110
Anishnabe Long Term Care Centre (ALTCC)	76 619	74 357
Canadian Mortgage and Housing Corporation (CMHC)	239 734	172 937
Contracts	1 891 826	-
First Nations Education Council (FNEC)	1 091 257	662 536
Health Canada - Flexible Contribution	3 571 899	1 661 768
Health Canada - Set Contribution	670 297	903 768
Health Canada - Review letter	(54 650)	(5 469)
Recoverable from (Refundable to) Health Canada	-	(15 015)
ANHRSD	111 126	81 551
Loan revenue	(187 150)	1 459 650
Centre jeunesse de l'Abitibi-Témiscamingue	238 812	205 711
Ministère de la Culture et des Communications	10 000	10 000
Ministère des Forêts, de la Faune et des Parcs	83 000	83 000
Rent revenue	248 960	274 704
Secrétariat aux affaires autochtones (SAA)	286 595	853 024
Sécurité publique du Québec	238 400	235 694
Public Safety and Emergency Preparedness Canada	258 267	255 335
Transfer from (to) Social Assistance program	(30 667)	(7 859)
Western Quebec School Board Invoicing	142 404	139 248
Other revenues	1 285 793	1 270 635
Deferred revenue from previous year	1 757 818	260 313
Deferred revenue to following year	(2 474 567)	(1 757 818)
Transfer to Net Investment in Capital Assets	(6 516 133)	(4 461 130)
	14 778 326	10 556 749

TIMISKAMING FIRST NATION

Statement of Operations

Year ended March 31, 2017

	2017	2016
	\$	\$
EXPENSES		
Band Government	65 029	49 439
Administration	1 016 485	1 018 388
Education	4 244 998	3 943 995
Health	2 302 556	2 214 666
Public Works	1 442 278	980 379
Public Security	562 348	535 062
Social Assistance	912 018	1 005 413
Housing	1 147 712	1 020 804
Economic Development	2 460 893	736 806
Other	797 149	664 364
	14 951 466	12 169 316
DEFICIT FOR THE YEAR FOR THE PURPOSES OF INAC	(173 140)	(1 612 567)

The accompanying notes are an integral part of the consolidated financial statements.

CONCILIATION FOR CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS

Deficit for the year for the purposes of INAC	(173 140)	(1 612 567)
Proceeds from long-term debt	187 150	(1 459 650)
Reimbursement of long term debt	321 546	206 915
Acquisition of capital assets	6 516 133	4 461 130
SURPLUS (DEFICIT) FOR THE YEAR FOR THE PURPOSES OF CANADIAN PUBLIC SECTOR ACCOUNTING STANDARDS	6 851 689	1 595 828

TIMISKAMING FIRST NATION

Statement of Cumulative Operating Surplus (Deficit)

Year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
BALANCE AT BEGINNING OF YEAR	(365 174)	(105 434)
DEFICIT FOR THE YEAR FOR THE PURPOSES OF INAC (1)	(173 140)	(1 612 567)
ALLOCATION TO BUS RESERVE (Note 12)	(147 500)	(147 500)
ALLOCATION TO WIDJIKIWE RESERVE (Note 12)	(63 227)	-
TRANSFER FROM APPROPRIATED ACCUMULATED SURPLUS FOR THE COMMUNITY RESOURCE CENTRE	-	668 210
TRANSFER TO NET INVESTMENT IN CAPITAL ASSETS - AMORTIZATION/LOSS/PROCEEDS FROM DISPOSAL OF CAPITAL ASSETS	885 964	840 299
ADJUSTMENT OF RESERVES FUNDS - ARTICLE 95 (2)	43 987	(8 182)
BALANCE AT END OF YEAR	180 910	(365 174)

The accompanying notes are an integral part of the consolidated financial statements.

(1) The operating surplus before amortization is \$698,477 (operating deficit before amortization of \$772,268 in 2016).

(2) Reversal of a part of the replacement reserve to reflect the completion of certain commitments Pre-1997
Adjustment from CMHC

46 518	-
<u>(2 531)</u>	<u>(8 182)</u>
43 987	(8 182)

TIMISKAMING FIRST NATION
Statement of Net Investment in Capital Assets
Year ended March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
NET INVESTMENT IN CAPITAL ASSETS AT BEGINNING OF YEAR	17 060 421	14 692 325
ACQUISITION OF CAPITAL ASSETS	6 516 133	4 461 130
LOSS AND PROCEEDS FROM DISPOSAL OF CAPITAL ASSETS	(14 347)	-
REIMBURSEMENT OF LONG-TERM DEBT *	1 156 546	206 915
PROCEEDS FROM LONG-TERM DEBT	(647 850)	(1 459 650)
AMORTIZATION	(871 617)	(840 299)
NET INVESTMENT IN CAPITAL ASSETS AT END OF YEAR	23 199 286	17 060 421

The accompanying notes are an integral part of the consolidated financial statements.

* Includes the canceled debt of \$835,000.

TIMISKAMING FIRST NATION

Statement of Financial Position

As at March 31, 2017

	<u>2017</u>	<u>2016</u>
	\$	\$
FINANCIAL ASSETS		
Cash	2 853 158	390 434
Accounts receivable (Note 3)	3 492 918	3 139 859
Restricted cash and deposits (Note 5)	477 426	456 156
Long-term contribution receivable (SAA)	-	835 000
	<u>6 823 502</u>	<u>4 821 449</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	2 846 661	2 375 439
Due to Health Canada (Note 8)	105 825	56 676
Due to INAC (Note 9)	56 624	47 549
Deferred revenue (Note 10)	2 474 567	1 757 818
Current portion of long-term debt (Note 11)	327 520	299 762
Long-term debt (Note 11)	2 362 574	2 899 028
	<u>8 173 771</u>	<u>7 436 272</u>
NET DEBT	<u>(1 350 269)</u>	<u>(2 614 823)</u>
NON-FINANCIAL ASSETS		
Capital assets (Note 6)	25 889 380	20 259 211
Prepaid expenses (Note 4)	85 220	71 782
	<u>25 974 600</u>	<u>20 330 993</u>
ACCUMULATED SURPLUS (Note 13)	<u>24 624 331</u>	<u>17 716 170</u>

The accompanying notes are an integral part of the consolidated financial statements.

Contingency (note 22)

APPROVED BY THE FIRST NATION'S COUNCIL

TIMISKAMING FIRST NATION
Statement of Changes in Net Debt
Year ended March 31, 2011

	<u>2017</u>	<u>2016</u>
	\$	\$
DEFICIT FOR THE YEAR FOR THE PURPOSES OF INAC	(173 140)	(1 612 567)
CHANGES IN CAPITAL ASSETS		
Acquisition of capital assets	(6 516 133)	(4 461 130)
Proceeds from disposal of capital assets	10 500	-
Amortization	871 617	840 299
Loss from disposal of capital assets	3 847	-
	(5 630 169)	(3 620 831)
CHANGES IN OTHER NON-FINANCIAL ASSETS		
Change in the prepaid expenses	(13 438)	12 617
Change in inventories	-	27 000
	(13 438)	39 617
CHANGES IN THE NON-OPERATIONAL SURPLUSES AND RESERVES		
Changes in replacement and operating reserves	8 393	60 992
Increase of In-trust fund	4 092	4 585
Net financing by capital assets surplus	7 024 829	3 208 395
Adjustment of reserves funds - Article 95	43 987	(8 182)
	7 081 301	3 265 790
CHANGES IN NET DEBT	1 264 554	(1 927 991)
NET DEBT AT BEGINNING OF YEAR	(2 614 823)	(686 832)
NET DEBT AT END OF YEAR	(1 350 269)	(2 614 823)

The accompanying notes are an integral part of the consolidated financial statements.

TIMISKAMING FIRST NATION

Statement of Cash Flows

Year ended March 31, 2017

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
DEFICIT FOR THE YEAR FOR THE PURPOSES OF INAC	(173 140)	(1 612 567)
Items not affecting cash:		
Amortization	871 617	840 299
Loss from disposal of capital assets	3 847	-
	702 324	(772 268)
Changes in non-cash operating working capital items (Note 17)	879 698	1 021 241
	1 582 022	248 973
INVESTING ACTIVITIES		
Acquisition of capital assets	(6 516 133)	(4 461 130)
Proceeds from disposal of capital assets	10 500	-
Increase of the restricted cash and deposit	(21 270)	(7 346)
	(6 526 903)	(4 468 476)
FINANCING ACTIVITIES		
Adjustment of reserves funds - Article 95	43 987	(8 182)
Net financing by capital assets surplus	7 024 829	3 208 395
Changes in the replacement reserve fund - Article 95	6 003	52 355
Increase of operating reserve fund	2 390	8 637
Increase of In-trust fund	4 092	4 585
Proceeds from Long-term debt	647 850	1 459 650
Reimbursement of long-term debt *	(1 156 546)	(206 915)
Long-term contribution receivable (SAA)	835 000	(835 000)
	7 407 605	3 683 525
NET INCREASE (NET DECREASE) IN CASH AND CASH	2 462 724	(535 978)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	390 434	926 412
CASH AND CASH EQUIVALENTS AT END OF YEAR	2 853 158	390 434

The accompanying notes are an integral part of the consolidated financial statements.

Cash and cash equivalents consist of cash.

Additional information (Note 17)

* Includes the canceled debt of \$ 835,000.

TIMISKAMING FIRST NATION

Notes to the consolidated financial statements

Year ended March 31, 2017

1. DESCRIPTION OF THE ORGANIZATION

The First Nation is an unincorporated legal body as defined in the Indian Act. A band council is considered a form of local government consisting of a Chief and two or more councillors who are chosen by election or band custom to carry out the functions of government for the First Nation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards applicable to local governments issued by the CPA Canada Public Sector Accounting Handbook.

The principles of fund accounting have been used in the preparation of these consolidated financial statements in accordance with Canadian public sector accounting standards. Accounts are classified into funds in accordance with specified requirements, activities and objectives. The accrual method is followed for the recognition of revenues and expenses.

Cash and cash equivalents

Cash and cash equivalents include cash, bank overdraft, bank loan and short-term investments with a term to maturity of three months or less at the date of acquisition.

Capital assets

The capital assets is composed of all capital assets recorded at cost. The methods, the term and depreciation rates for the capital assets are as follows:

Community buildings	2.5%	diminishing balance
Private housing	25 years	straight line
Motorized equipment	10% & 20%	diminishing balance
Roadway system	2.5%	diminishing balance
Office and other equipment	20%	diminishing balance
Water and sanitation systems	2.5%	diminishing balance

Revenue recognition

Revenue is recorded in the period specified in funding agreements entered into with government agencies and other organizations. Assistance received in advance of making the related expenses is deferred. Revenues are recognized when persuasive evidence of an arrangement exists, and price or amount is fixed or determinable and collection is reasonably assured.

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reimbursements of capital and interests

The reimbursement of capital and interests on the long-term debt are treated as expenses in the housing operations projects where as the rent charged by the First Nation to the tenants and the grant coming from CMHC are treated as revenues in these same projects.

Revenues and expenses related to the acquisition of capital assets

Revenues and expenses related to the acquisition of capital assets are primarily recorded in the Statement of Operations and then in the Net Investment in Capital Assets when the related capital expenses are recorded, provided that the First Nation meets the eligibility criteria.

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Key components of the consolidated financial statements requiring management to make estimates include the provision for doubtful accounts in respect of receivables, the useful lives of long-lived assets, the deferred revenues and liabilities under legal contingencies. Actual results could differ from these estimates.

Principle of consolidation

The consolidated financial statements include the accounts of the First Nation and the organization under its control Timiskaming First Nation Economic Development Corporation (TEDCO - company incorporated under the Canada Business Corporation Act). TFN controls 100 % of TEDCO which is fully responsible of Widjikiwe as general partner of this limited partnership. Transactions concluded between these organizations and reciprocal balances are eliminated. If so, the reciprocal balances have not been eliminated in the information of the annexes presented on pages 26 to 163 neither than in the segment disclosure (Note 15).

Pension plan

The cost of the defined pension plan is equal to the pension plan expenses.

The pension plan is a multiemployer defined benefit pension plan that is accounted for as a defined contribution plan.

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans

Loans with significant concessionary terms are presented at face value discounted by the amount of the grant portion.

Proceeds from disposal of capital assets and the related revenues

Proceeds from disposal of capital assets and from assets held for sale are recorded in the Net Investment in Capital Assets.

3. ACCOUNTS RECEIVABLE

	<u>2017</u>	<u>2016</u>
	\$	\$
INAC receivable	2 256 066	1 167 893
CMCH receivable	318 937	81 302
First Nations Education Council receivable	153 180	95 343
Health Canada receivable	3 864	397 490
ANHRSD receivable	68 727	3 814
Loan advances for construction	5 397	10 149
SAA receivable	98 630	93 547
Rent receivable - Article 95	52 708	227 860
Rent receivable - Band housing	183 740	25 929
Loan receivable RBC	-	835 000
Western Quebec School Board receivable	41 592	52 683
Other accounts receivable	537 037	326 816
	<u>3 719 878</u>	<u>3 317 826</u>
Allowance for doubtful accounts	(226 960)	(177 967)
	<u>3 492 918</u>	<u>3 139 859</u>

4. PREPAID EXPENSES

	<u>2017</u>	<u>2016</u>
	\$	\$
Prepaid expenses - Post-Secondary	59 883	47 328
Prepaid expenses - Other	25 337	24 454
	<u>85 220</u>	<u>71 782</u>

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

5. RESTRICTED CASH AND DEPOSITS

	<u>2017</u>	<u>2016</u>
	\$	\$
In-Trust fund - Capital and revenues accounts	224 820	220 728
Replacement reserve fund (Note 14) *	202 810	200 481
Operating reserve fund	49 796	34 947
	<u>477 426</u>	<u>456 156</u>

* Under the agreement with CMHC, an annual amount for housing units must be placed for the replacement reserve in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then capital. However, the First Nation did not place the total amount, it should have been respectively \$433,000 in 2017 and \$427,209 in 2016.

6. CAPITAL ASSETS

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value</u>	
	\$	\$	<u>2017</u>	<u>2016</u>
			\$	\$
Land	129 005	-	129 005	129 005
Community buildings	15 058 116	5 021 769	10 036 347	7 813 131
Private Housing	9 898 204	5 027 781	4 870 423	5 029 875
Motorized equipment	2 284 986	966 476	1 318 510	1 452 436
Roadway system	8 116 105	5 812 591	2 303 514	2 362 578
Office and other equipment	1 303 468	725 078	578 390	466 342
Water and sanitation systems	8 265 706	1 612 515	6 653 191	3 005 844
	<u>45 055 590</u>	<u>19 166 210</u>	<u>25 889 380</u>	<u>20 259 211</u>

Assets under construction, included in Private Housing, Community buildings, Office and other equipment and Water and sanitation systems for amounts of respectively \$194,517, \$2,667,360, \$88,655 and \$4,702,864 for a total of \$7,653,396, are not amortized as at March 31, 2017.

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2017</u>	<u>2016</u>
	\$	\$
Suppliers	2 002 316	1 631 275
District School Board Ontario North East	94 156	111 651
Anishnabe Long Term Care Center (ALTCC)	6 291	7 423
Salaries, vacation and pension plan	343 240	340 605
Remittances payable	73 720	74 293
Other	326 938	210 192
	<u>2 846 661</u>	<u>2 375 439</u>

8. DUE TO HEALTH CANADA

	<u>2017</u>	<u>2016</u>
	\$	\$
Communicable Diseases (Annex 42)	24 728	-
Medical transportation	81 090	41 021
New Project - Health Infrastructure (Annex 69)	-	15 015
Home & Community Care	7	640
	<u>105 825</u>	<u>56 676</u>

9. DUE TO INAC

	<u>2017</u>	<u>2016</u>
	\$	\$
Environmental Monitoring (NTD4, NTDE) (Annex 77)	-	5 135
Ground Water Monitoring (Annex 78)	-	680
Social Assistance (Annex 89)	-	41 734
Repairs - INAC (Annex 106)	51 544	-
Emergency Preparedness (Annex 122)	5 080	-
	<u>56 624</u>	<u>47 549</u>

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

10. DEFERRED REVENUE

	<u>2017</u>	<u>2016</u>
	\$	\$
Instructional Services Formula (Annex 9)	-	44 923
Post-Secondary Education (Annex 12)	276 589	-
Education - Facilities O & M (Annex 27)	26 602	-
Head Start Program (FNHS) (Annex 29)	23 517	-
Accreditation (Annex 34)	28 056	-
Regional Hep-C Coordinator (Annex 35)	5 404	-
Hep-C documentary (Annex 37)	7 910	-
Health Services Integration Fund (HSIF) (Annex 38)	45 000	-
Quarterly Meetings NNADAP (Annex 39)	7 095	2 171
Communicable Diseases (Annex 42)	-	24 728
Brighter Futures (Annex 44)	9 595	-
NHW Aids Program (Annex 46)	-	980
Health director (Management Support) (Annex 63)	46 397	158 117
Major Renovations Ext. & Repairs (Annex 65)	427 642	24 245
Centre jeunesse First Line Project (Annex 66)	21 422	1 249
Arena (Annex 75)	-	835 000
Capital Planning Project Infrastructure (NTF0, NTK0, NTM0) (Annex 76)	59 816	-
Cemetery (Annex 80)	16 474	-
Arena Paving (Annex 81)	165 438	-
Drinking Water Upgrade (Annex 83)	1 013 597	584 250
Band Owned (Annex 95)	-	7 500
RRAP 37 Algonquin Avenue (Annex 103)	-	6 719
7 Chevrier (Triplex) (Annex 105)	90 875	-
Repairs - INAC (Annex 106)	44 108	-
RRAP - 30 Algonquin Avenue (Annex 108)	2 434	-
RRAP - 68 Polson Street (Annex 109)	2 980	-
Economic Development (Annex 112)	21 025	-
Arena Extension - Phase 2 (Annex 113)	100 000	-
Sports (Annex 130)	14 788	18 814
FNQ-Initiative to Combat Poverty (Annex 132)	1 423	24 122
New Horizons - Anishnabe Tails (Annex 134)	16 380	25 000
	2 474 567	1 757 818

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

11. LONG-TERM DEBT

	<u>2017</u>	<u>2016</u>
	\$	\$
Loans from CMHC, 0.98 % to 2.08 %, guaranteed by INAC, payable by monthly instalments of \$300 to \$3,839 capital and interests, maturing from 2018 to 2041	1 809 940	1 963 684
Loan, 2.7 %, guaranteed by INAC, payable by monthly instalments of \$803, capital and interests, maturing in 2020	18 766	33 133
Loan, 2.6 %, guaranteed by a motorized equipment with a net book value of \$340,503, payable by monthly instalments of \$7,078, capital and interests, maturing in 2021	290 534	366 973
Loan, 4.14 %	-	835 000
Loan, 3.33 %, payable by monthly instalments of \$8,152, capital and interests, maturing in 2022	373 004	-
Loan in progress, approved by CMHC, with a term of 25 years, interests and other terms to be determined	197 850	-
	2 690 094	3 198 790
Current portion	(327 520)	(299 762)
	2 362 574	2 899 028

Capital payments due within each of the next five years are as follows:

	\$
2018	327 520
2019	292 385
2020	290 376
2021	232 548
2022	105 205

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

12. RESERVES

These reserves are created from the cumulative operating surplus and when events for which they were created will occur, they shall be reversed against the cumulative operating deficit.

	<u>2017</u>	<u>2016</u>
	\$	\$
Reserve for health contingencies	20 074	20 074
Reserve for bus depreciation	453 000	305 500
Reserve for Widjikiwe	63 227	-
	<u>536 301</u>	<u>325 574</u>

13. ACCUMULATED SURPLUS

The accumulated surplus of Timiskaming First Nation is divided among several surpluses and reserves, as detailed below :

	<u>2017</u>	<u>2016</u>
	\$	\$
Reserves (Note 12)	536 301	325 574
In-trust fund	224 820	220 728
Operating reserve fund	49 802	47 412
Replacement reserve (Note 14)	433 212	427 209
Net Investment in Capital Assets	23 199 286	17 060 421
Cumulative operating Surplus (Deficit)	180 910	(365 174)
	<u>24 624 331</u>	<u>17 716 170</u>

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

14. REPLACEMENT RESERVE

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance at beginning of the year	427 209	374 854
Add : Current year addition and interests	51 229	52 355
Adjustment from CMHC	1 080	-
Less : Reversal of a part of the replacement reserve to reflect the completion of certain commitments Pre-1997	(46 518)	-
Balance at end of the year	433 000	427 209

Under the terms of the agreement with CMHC, the replacement reserve account is to be credited annually. These funds along with accumulated interests must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interests first and then capital.

15. SEGMENT DISCLOSURE

	<u>Band Government</u>		<u>Administration</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:				
Federal government transfers	57 640	41 714	655 252	649 651
Other revenues	7 389	7 725	507 623	257 802
Total revenues	65 029	49 439	1 162 875	907 453
Expenses				
Salaries and benefits	35 296	20 014	606 976	553 918
Debt servicing	-	-	-	-
Amortization	-	-	26 930	27 224
Other expenses	29 733	29 425	399 585	480 803
Total expenses	65 029	49 439	1 033 491	1 061 945
Annual surplus (deficit)	-	-	129 384	(154 492)

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

15. SEGMENT DISCLOSURE (continued)

	Education		Health	
	2017	2016	2017	2016
Revenues:				
Federal government transfers	3 253 205	3 250 605	4 155 356	2 520 682
Provincial government transfers	1 233 661	801 784	238 812	205 711
Other revenues	(243 757)	(27 041)	(292 986)	798
Total revenues	4 243 109	4 025 348	4 101 182	2 727 191
Expenses				
Salaries and benefits	1 771 923	1 857 350	1 207 639	1 173 564
Amortization	58 758	61 270	32 651	30 464
Other expenses	2 463 048	2 025 375	2 870 105	1 555 942
Total expenses	4 293 729	3 943 995	4 110 395	2 759 970
Annual surplus (deficit)	(50 620)	81 353	(9 213)	(32 779)

	Public Works		Public Security	
	2017	2016	2017	2016
Revenues:				
Federal government transfers	5 774 302	2 727 599	263 894	256 868
Provincial government transfers	165 000	835 000	238 400	235 694
Other revenues	66 507	(502 031)	3 634	8 516
Total revenues	6 005 809	3 060 568	505 928	501 078
Expenses				
Salaries and benefits	396 442	252 954	394 762	364 068
Debt servicing	89 669	-	-	-
Amortization	273 054	225 763	30 246	34 161
Other expenses	5 032 445	3 633 814	137 340	136 833
Total expenses	5 791 610	4 112 531	562 348	535 062
Annual surplus (deficit)	214 199	(1 051 963)	(56 420)	(33 984)

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

15. SEGMENT DISCLOSURE (continued)

	Social Assistance		Housing	
	2017	2016	2017	2016
Revenues:				
Federal government transfers	1 190 953	1 149 792	464 603	221 567
Other revenues	(174 021)	(45 359)	475 584	619 457
Total revenues	1 016 932	1 104 433	940 187	841 024
Expenses				
Salaries and benefits	120 880	89 297	211 696	210 153
Debt servicing	-	-	196 916	206 109
Amortization	-	-	379 465	406 283
Other expenses	791 138	916 116	554 151	540 127
Total expenses	912 018	1 005 413	1 342 228	1 362 672
Annual surplus (deficit)	104 914	99 020	(402 041)	(521 648)

	Economic Development		Other	
	2017	2016	2017	2016
Revenues:				
Federal government transfers	172 669	141 097	205 611	74 999
Provincial government transfers	131 595	10 000	83 000	101 024
Other revenues	2 185 257	1 013 973	475 276	460 252
Total revenues	2 489 521	1 165 070	763 887	636 275
Expenses				
Salaries and benefits	541 321	413 235	370 189	285 376
Debt servicing	84 941	35 392	-	-
Amortization	45 120	28 804	25 393	26 330
Other expenses	1 888 218	657 625	401 569	352 657
Total expenses	2 559 600	1 135 056	797 151	664 363
Annual surplus (deficit)	(70 079)	30 014	(33 264)	(28 088)

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

15. SEGMENT DISCLOSURE (continued)

	Total	
	<u>2017</u>	
Revenues:		
Federal government transfers	16 193 485	11 034 574
Provincial government transfers	2 090 468	2 189 213
Other revenues	<u>3 010 506</u>	<u>1 794 092</u>
Total revenues	<u>21 294 459</u>	<u>15 017 879</u>
Expenses		
Salaries and benefits	5 657 124	5 219 929
Debt servicing	371 526	241 501
Amortization	871 617	840 299
Other expenses	<u>14 567 332</u>	<u>10 328 717</u>
Total expenses	<u>21 467 599</u>	<u>16 630 446</u>
Annual surplus (deficit)	<u>(173 140)</u>	<u>(1 612 567)</u>

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.

17. ADDITIONAL INFORMATION RELATING TO THE STATEMENT OF CASH FLOWS

Changes in non-cash operating working capital items

	<u>2017</u>	<u>2016</u>
	\$	\$
Accounts receivable	(353 059)	(1 584 195)
Inventories	-	27 000
Prepaid expenses	(13 438)	12 617
Accounts payable and accrued liabilities	471 222	1 000 281
Due to INAC	9 075	47 549
Deferred revenue	716 749	1 497 505
Due to Health Canada	<u>49 149</u>	<u>20 484</u>
	<u>879 698</u>	<u>1 021 241</u>

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Notes to the consolidated financial statements
Year ended March 31, 2017

18. UNAPPROPRIATED DEFICIT

The unappropriated deficit as at March 31, 2017 does not take in consideration possible modifications following the review and analysis of the present consolidated financial statements by the INAC, the CMHC, the FNEC and Health Canada. Any adjustment, included deferred revenue, resulting from this analysis will be recorded in the current year as an adjustment.

19. BUDGET

Budget figures are unaudited and are presented in each statement of Revenues and Expenses by project, when available.

20. PENSION PLAN

The First nation supports the contributory defined benefit pension plan for substantially all of its employees (except for the police department which is described below). It is a multiemployer plan that is administered by the Native Benefit Plan. The pension for native employees is 8.5 % of the gross salary and the employer contributes 1.82 time the employee contribution, for the non-native it is 6.8 % of the gross salary and the employer contributes of 1.82 time the employee contribution.

For the police department, the rate is 8.5 % of the gross salary for the native employees and 7.2 % for the non-native employees. The employer's contribution is 2 times the amount.

An expense of \$200,742 (\$184,718 in 2016) is included in salaries and fringe benefits of various departments.

21. FINANCIAL INSTRUMENTS

Fair value of financial assets and liabilities

The fair value of cash, accounts receivable, restricted cash and deposits, accounts payable and accrued liabilities, due to INAC and due to Health Canada is approximately equal to their carrying value due to their short-term maturity date.

The fair value represents approximately the amounts of the financial instruments that would be exchanged between the consenting parties, according to the current market value of instruments which the risk, capital and duration are the same. Certain estimates and decisions were required to arrive at the fair value of financial instruments which was based upon actualization and other evaluation methods which depend largely on hypothesis of estimated cash flows and the actualization rate depending on different degrees of risk.

As at March 31, 2017, the net book value of all financial instruments corresponded approximately to their fair value with the exception of the following item :

	<u>Net Book Value</u>	<u>Fair Value</u>
	\$	\$
Long-term debt	2 690 094	2 650 106

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

21. FINANCIAL INSTRUMENTS (continued)

Credit risk

The First Nation provides credit to its tenants in the normal course of its operations. It carries out, on a continuing basis, credit checks on its clients and maintains provisions for potential credit losses.

Interests rate risk

The long-term debt generally bears interests at fixed rates. Consequently, the cash flows exposure is not significant. However, the fair value of loans having fixed rates of interests could fluctuate because of changes in market interests rates. The short-term loans represent a limited exposure to interests rate risk due to their short-term maturity.

Credit facility

An authorized amount of \$600,000, bearing interests at prime (2.7 % as at March 31, 2017) plus 1.4 % is available. The credit facility is payable on demand and fluctuates regularly. No amount was used as at March 31, 2017.

22. CONTINGENCY

The Timiskaming First Nation entered into forgivable loans agreements with CMHC for the Residential Rehabilitation Assistance Program On-Reserve (RRAP). If the same person owns and occupies the house for the term of the loan, which could vary for periods from two to five years, ending different dates until 2018, the loan will be earned of the full amount. Failing which, the unearned portion of this forgivable loan plus interests will become due and payable. Timiskaming First Nation must notify CMHC if the property is sold, rented or transferred before the loan being fully earned. In that case, CMHC, at it's sole discretion, could approve an assignment of this forgivable loan if the property is sold to a Band member who is eligible and meets the RRAP program criteria. As at March 31, 2017, the amount that should be reimbursed if the conditions are not repected is \$142,614.

TIMISKAMING FIRST NATION
Notes to the consolidated financial statements
Year ended March 31, 2017

23. EXPENSES BY OBJECT

Salaries and fringe benefits	5 657 124	5 219 929
Administration fees	441 872	215 292
Amortization	871 617	840 299
Allocations	1 203 151	1 303 275
Bad debt	48 993	81 976
Council - Honoraries	49 750	41 100
Christmas Food & Toy Drive	3 204	1 407
Contracts	6 691 818	1 580 163
Contracts - Rental of equipment	100 804	78 145
Eating Healthy Education	56 183	63 137
Election expenses	5 568	-
Electricity	141 296	119 329
FNEC Membership fees	8 632	14 804
Insurances	107 630	104 564
Interests and bank charges	5 506	1 090
Maintenance	211 052	162 167
Material and supplies	2 118 133	982 801
Medical transportation	59 351	75 720
Professional fees	789 479	2 448 090
Professional fees (accounting support & consultants)	78 120	80 976
Professional fees (legal)	58 969	138 024
Purchase of capital assets	154 782	781 314
Purchase of fuel	100 932	89 671
Reimbursement of long-term debt	371 526	241 501
Summer Camp	4 270	17 290
Telecommunication	123 312	100 577
Training	47 730	83 063
Transfer to replacement reserve	51 230	49 930
Travel expenses	434 248	294 625
Travel expenses - Chief and Council	-	50 659
Tuition fees	1 097 164	1 045 236
Workshops	249 576	214 630
Other expenses	124 577	109 662
Transfer to Net Investment in Capital Assets	(6 516 133)	(4 461 130)
	14 951 466	12 169 316