

Temagami First Nation
Consolidated Financial Statements
For the year ended March 31, 2016

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Temagami First Nation Management's Responsibility for the Consolidated Financial Statements

March 31, 2016

The accompanying consolidated financial statements of Temagami First Nation are the responsibility of management and have been approved by the Chief and the Executive Director on behalf of Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

Management is responsible for the integrity and objectivity of these consolidated financial statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is provided.

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

The Audit Committee meets at least twice annually to prepare for and review the annual financial statements and to monitor the investments of Temagami First Nation. The committee contributes to ensuring strong accountability (gway a ko ch! gewin) and improving the quality of financial information available to Temagami First Nation members.

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

The external auditors, BDO Canada LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of Temagami First Nation and meet when required.


Arnold Paul, Chief


Virginia Paul, Executive Director



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BDO Canada LLP
101 McIntyre Street W, Suite 301
North Bay ON P1B 2Y5 Canada

Independent Auditor's Report

To the Members of Temagami First Nation

We have audited the accompanying consolidated financial statements of Temagami 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 financial assets 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 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 consolidated 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 Temagami First Nation as at March 31, 2016 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

Temagami First Nation has also prepared another set of financial statements for the year ended March 31, 2016 in accordance with Canadian public sector accounting standards. However, these financial statements include unaudited supplementary schedules which present detailed program revenues and expenditures prepared to assist management of Temagami First Nation to meet reporting requirements of various funding agencies. Our audit report on the other set of financial statements was issued to Chief and Council of Temagami First Nation and was dated July 20, 2016.

BDO Gnode LLP

Chartered Professional Accountants, Licensed Public Accountants

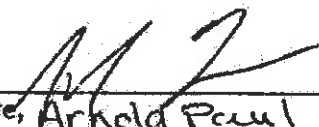
North Bay, Ontario
July 20, 2016


Temagami First Nation
Consolidated Statement of Financial Position

March 31	2016	2015
Financial Assets		
Cash and cash equivalents	\$ 681,730	\$ 699,702
Investments (Note 2)	5,237,241	5,293,907
Funds held in trust by INAC (Note 4)	39,338	38,521
Accounts receivable (Note 3)	795,658	623,704
	<u>6,753,967</u>	<u>6,655,834</u>
Liabilities		
Accounts payable and accrued liabilities	770,496	509,896
Deferred revenue (Note 9)	244,018	293,785
Long-term debt (Note 10)	2,616,213	2,698,463
	<u>3,630,727</u>	<u>3,502,144</u>
Net financial assets	<u>3,123,240</u>	<u>3,153,690</u>
Non-Financial Assets		
Tangible capital assets (Note 8a)	7,996,021	7,536,847
Prepaid expenses	47,515	35,509
	<u>8,043,536</u>	<u>7,572,356</u>
Accumulated surplus (Note 5)	<u>\$11,166,776</u>	<u>\$ 10,726,046</u>

Commitments (Note 8b)

Contingent asset (Note 12)

Signature, 
Title **Chief**

Signature, 
Title **Executive Director**

Temagami First Nation Consolidated Statement of Operations

For the year ended March 31	2016 Budget (Note 15)	2016 Actual	2015 Actual
Revenues			
INAC (Note 13)	\$ 2,505,896	\$ 2,799,500	\$ 2,754,528
Health Canada	1,471,990	1,590,627	1,646,658
Government of Canada	192,416	254,206	38,367
CMHC subsidy	-	124,013	118,809
Province of Ontario	965,538	1,286,112	1,200,473
Ontario First Nation General Partner	804,890	814,681	809,285
Band Generated and other	1,062,878	1,107,908	1,196,880
	<u>7,003,608</u>	<u>7,977,047</u>	<u>7,765,000</u>
Expenses (Note 14)			
Administration	821,117	825,391	846,646
Operations and maintenance programs	598,794	969,701	987,079
Housing programs	348,571	316,420	293,283
Education programs	1,295,857	1,386,004	1,300,720
Health and social programs	2,175,781	2,386,823	2,413,429
Community development programs	1,048,717	996,505	889,139
OFNLP	459,000	414,920	540,105
Independent First Nations (IFN)	260,000	240,553	471,134
	<u>7,007,837</u>	<u>7,536,317</u>	<u>7,741,535</u>
Annual surplus	(4,229)	440,730	23,465
Accumulated surplus, beginning of year	<u>10,726,046</u>	<u>10,726,046</u>	<u>10,702,581</u>
Accumulated surplus, end of year (Note 5)	<u>\$ 10,721,817</u>	<u>\$ 11,166,776</u>	<u>\$ 10,726,046</u>

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

Temagami First Nation

Consolidated Statement of Changes in Net Financial Assets

For the year ended March 31	2016 Budget	2016 Actual	2015 Actual
Annual surplus	\$ (4,229)	\$ 440,730	\$ 23,465
Acquisition of tangible capital assets	(189,987)	(1,126,538)	(381,820)
Amortization of tangible capital assets	-	583,731	603,233
Loss (gain) on disposal of tangible capital assets	-	44,324	(1,038)
Proceeds on disposal of tangible capital assets	-	39,309	1,350
	(194,216)	(18,444)	245,190
Acquisition of prepaid expenses	-	(47,515)	(35,509)
Use of prepaid expenses	-	35,509	45,326
	-	(12,006)	9,817
Change in net financial assets	(194,216)	(30,450)	255,007
Net financial assets, beginning of year	3,153,690	3,153,690	2,898,683
Net financial assets, end of year	\$ 2,959,474	\$ 3,123,240	\$ 3,153,690

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

Temagami First Nation

Consolidated Statement of Cash Flows

For the year ended March 31

2016

2015

Cash provided by (used in):

Operating activities

Annual surplus	\$ 440,730	\$ 23,465
Items not involving cash		
Amortization of tangible capital assets	583,731	603,233
Loss (gain) on disposal of tangible capital assets	44,324	(1,038)
	<u>1,068,785</u>	<u>625,660</u>
Changes in non-cash working capital balances		
Funds held in trust by INAC	(817)	(1,061)
Accounts receivable	(171,954)	(114,529)
Prepaid expenses	(12,006)	9,817
Accounts payable and accrued liabilities	260,600	12,838
Deferred revenue	(49,767)	143,738
	<u>1,094,841</u>	<u>676,463</u>

Capital activities

Proceeds of disposition on tangible capital assets	39,309	1,350
Purchase of tangible capital assets	(1,126,538)	(381,820)
	<u>(1,087,229)</u>	<u>(380,470)</u>

Investing activities

Decrease (increase) in investments	<u>56,666</u>	<u>(249,533)</u>
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Financing activities

Advances of long-term debt	-	294,000
Debt principal repayments	(82,250)	(107,717)
	<u>(82,250)</u>	<u>186,283</u>

(Decrease) increase in cash and cash equivalents during the year (17,972) 232,743

Cash and cash equivalents, beginning of year 699,702 466,959

Cash and cash equivalents, end of year \$ 681,730 \$ 699,702

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2016

1. Significant Accounting Policies

Accounting Principles The consolidated financial statements of the Temagami First Nation ("TFN") are the representation of management prepared in accordance with Canadian public sector accounting principles as prescribed by the Canadian Public Sector Accounting Board.

Method of Accounting Sources of financing and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Basis of Consolidation TFN reporting entity consolidates the assets, liabilities and results of operations for TFN government and all related entities which are accountable to TFN and are either owned or controlled by TFN, including the OFNLP, which is administered by TFN.

Cash and Cash Equivalents Cash and cash equivalents includes cash on hand, current bank accounts and short-term deposits, if any, with terms to maturity of less than 90 days.

Investments Investments are recorded at market value.

Funds Held in Trust by INAC Band funds held in trust by Indigenous and Northern Affairs Canada ("INAC") 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. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2016

1. Significant Accounting Policies (continued)

**Tangible
Capital Assets**

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes all costs attributable to acquisition or construction of the tangible capital asset including but not limited to transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue, when fair value can be reasonably estimated. Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing in the year the asset is available for productive use as follows:

Buildings	25 to 50 years
Vehicles	3 to 20 years
Machinery and equipment	3 to 10 years
Land improvements	7 to 40 years
Infrastructure	15 to 75 years
IT equipment	2 to 4 years

Construction in progress is not amortized until construction is substantially complete and the assets are ready for use.

**Reserves and Reserve
Funds**

Certain amounts as approved by TFN's Chief and Council, are set aside for future purposes. Transfers to and from reserves and reserve funds are an adjustment to the respective reserve when approved.

Revenue Recognition

Revenue is recognized as it is received or becomes receivable under the terms of applicable contribution agreements. Certain government funding received but not expended is reported as deferred revenue on the Consolidated Statement of Financial Position, depending on the nature of the funding agreements.

All other revenue is recorded as the applicable service is provided and collection is reasonably assured.

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2016

1. Significant Accounting Policies (continued)

**Management
Estimates**

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates.

Accounts receivable and accounts payable are reported based on amounts expected to be recovered or incurred and reflect an appropriate allowance for unrecoverable amounts based on management's estimates. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life.

Temagami First Nation

Notes to Consolidated Financial Statements

March 31, 2016

2. Investments

Short-term and portfolio investments are recorded at market value and consist of the following:

	2016	2015
GIC's ⁽ⁱ⁾	\$ 3,557,371	\$ 3,570,670
Mutual funds, T-Bill funds, bonds and equities	1,679,870	1,723,237
	<u>\$ 5,237,241</u>	<u>\$ 5,293,907</u>

(i) GIC's balance consists of six guaranteed investment certificates maturing between September and December 2016, bearing interest at rates ranging from 0.61% to 0.90%

3. Accounts Receivable

	2016	2015
Indigenous and Northern Affairs Canada (INAC)	\$ -	\$ 3,121
Health Canada	141,960	5,311
Government of Canada	40,844	66,240
Province of Ontario	115,339	107,046
Other ⁽ⁱ⁾ (net of allowance for doubtful accounts of \$98,458 (2015 - \$100,233))	497,515	441,986
	<u>\$ 795,658</u>	<u>\$ 623,704</u>

(i) Included in Other receivables are three loans receivable in the amount of \$65,254 (2015 - \$74,956), receivable over 13 to 15 years and all bearing interest at a rate of 5% per annum

4. Funds Held in Trust by INAC

	2016	2015
Revenue	\$ 36,985	\$ 36,168
Capital	2,353	2,353
	<u>\$ 39,338</u>	<u>\$ 38,521</u>

These funds are held by Indigenous and Northern Affairs Canada in trust for TFN. These funds can only be used with approval from the TFN community.

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2016

5. Accumulated Surplus

	2016	2015
Investment in tangible capital assets (Note 8)	\$ 7,996,021	\$ 7,536,847
Less: Debt (Note 10)	1,615,631	1,697,881
Net band infrastructure	6,380,390	5,838,966
Net operating assets ⁱ⁾	502,212	558,246
Reserve and earmarked funds		
Doreen Potts Health Centre MAR ⁱⁱ⁾	1,560	1,560
Water treatment plant ⁱⁱⁱ⁾	71,194	75,850
Canada Mortgage and Housing Corporation ⁱⁱⁱ⁾	209,281	181,758
Future generations fund ^{iv)}	1,679,870	1,723,237
Housing ^{iv)}	3,958	3,958
Elder's complex ^{iv)}	439,716	671,054
Multi-use facility ^{iv)}	1,396,598	1,315,650
Manitou Proceeds ^{iv)}	74,392	75,993
	3,876,569	4,049,060
Unallocated surplus	407,605	279,774
	\$ 11,166,776	\$ 10,726,046

i) Net operating assets consist of the following:

Cash and cash equivalents	\$ 681,730	\$ 699,702
Funds held in trust by INAC	39,338	38,521
Accounts receivable	795,658	623,704
Accounts payable and accrued liabilities	(770,496)	(509,896)
Deferred revenue	(244,018)	(293,785)
	\$ 502,212	\$ 558,246

ii) This represent a moveable asset reserve for acquisition of tangible capital assets.

iii) These are reserve funds established for future capital repairs and construction.

iv) These are earmarked funds for revenue generation and planned capital projects.

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2016

6. Pension and Benefit Plans

TFN has a defined contribution pension plan for permanent employees. Under the terms of this plan, employee contributions of up to 5.5% of salary are matched by TFN. All investment decisions are the responsibility of the individual employee. During the year, TFN made contributions to this plan in the amount of \$175,301 (2015 - \$176,667).

In addition, TFN has a benefit plan for active employees covering supplemental health and dental costs. The full cost of this plan is covered by TFN.

7. Resource Revenue Sharing

The Temagami First Nation (TFN) and the Teme Augama Anishnabai (TAA) receive revenues from mining activities on N'Daki Menan. A resource agreement previously concluded provides participation opportunities and certain financial benefits for the TFN and the TAA. During the year, payments received under this agreement and investment income earned on the account amounted to \$922,953 (2015 - \$424,592). Expenses related to monitoring the agreement and approved allocations amounted to \$185,813 (2015 - \$236,998). At March 31, 2016 there is \$2.524 million (2015 - \$1.787 million) in cash and short-term investments which are not included in these financial statements pending completion of a process to determine how these proceeds will be further allocated and used.

Temagami First Nation Notes to Financial Statements

March 31, 2016

8. Tangible Capital Assets

a. Tangible capital assets

	2016							
	Buildings - CMHC	Vehicles	Machinery and equipment	Land Improvements	Infrastructure	Buildings	IT Equipment	Construction in Progress
								Total
Cost, beginning of year	\$ 2,723,091	\$ 1,241,656	\$ 703,626	\$ 161,052	\$ 5,368,730	\$ 3,695,859	\$ 395,360	\$ 140,304
Additions	2,980	108,586	129,016	-	44,296	28,440	31,197	782,023
Disposals	-	(100,510)	(250)	-	-	(149,627)	(35,681)	(1,456)
Transfers	-	-	-	-	-	-	-	(287,524)
Cost, end of year	\$ 2,226,071	\$ 1,249,732	\$ 832,392	\$ 161,052	\$ 5,413,026	\$ 3,574,672	\$ 390,876	\$ 920,871
Accumulated amortization, beginning of year	\$ 428,741	\$ 827,049	\$ 456,105	\$ 47,285	\$ 2,407,754	\$ 1,874,492	\$ 351,405	\$ -
Amortization	82,249	137,766	58,293	6,037	166,769	101,276	31,341	583,731
Disposals	-	(65,620)	(25)	-	-	(105,375)	(32,871)	(203,891)
Accumulated amortization, end of year	\$ 510,990	\$ 899,195	\$ 514,373	\$ 53,322	\$ 2,574,523	\$ 1,870,393	\$ 349,875	\$ -
Net carrying amount, end of year	\$ 1,715,081	\$ 350,537	\$ 318,019	\$ 107,730	\$ 2,838,503	\$ 1,704,279	\$ 41,001	\$ 920,871
								\$ 7,996,021

Temagami First Nation
Notes to Financial Statements

March 31, 2016

8. Tangible Capital Assets (continued)

a. Tangible capital assets (continued)

	2015							
	Buildings - CMHC	Vehicles	Machinery and equipment	Land Improvements	Infrastructure	Buildings	IT Equipment	Construction in Progress
Cost, beginning of year	\$ 1,861,092	\$ 1,312,156	\$ 636,453	\$ 137,372	\$ 5,362,528	\$ 3,672,837	\$ 394,461	\$ 266,643
Additions	107,562	7,500	67,173	23,680	6,202	10,816	18,583	140,304
Disposals	-	(78,000)	-	-	-	-	(17,684)	-
Transfers	254,437	-	-	-	-	12,206	-	(266,643)
Cost, end of year	\$ 2,223,091	\$ 1,241,656	\$ 703,626	\$ 161,052	\$ 5,368,730	\$ 3,695,859	\$ 395,360	\$ 140,304
Accumulated amortization, beginning of year	\$ 357,624	\$ 753,164	\$ 402,578	\$ 42,432	\$ 2,241,615	\$ 1,763,342	\$ 324,215	\$ -
Amortization	71,117	151,885	53,527	4,853	166,139	111,150	44,562	-
Disposals	-	(78,000)	-	-	-	-	(17,372)	-
Accumulated amortization, end of year	\$ 428,741	\$ 827,049	\$ 456,105	\$ 47,285	\$ 2,407,754	\$ 1,874,492	\$ 351,405	\$ -
Net carrying amount, end of year	\$ 1,794,350	\$ 414,607	\$ 247,521	\$ 113,767	\$ 2,960,976	\$ 1,821,367	\$ 43,955	\$ 140,304
								\$ 7,536,847

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2016

8. Tangible Capital Assets (continued)

b. Construction In Progress and Commitments

	Multi-use Facility	Elders' Complex	Temporary Band office	Total
Project budget	\$ 5,766,000	\$ 2,220,000	\$ -	\$ 7,986,000
Construction in progress, beginning of year	\$ 138,848	\$ -	\$ -	\$ 138,848
Additions	288,620	147,047	346,356	782,023
Construction in progress, end of year	\$ 427,468	\$ 147,047	\$ 346,356	\$ 920,871

The multi-use facility and business centre will comprise of new band offices including economic development and lands and resources, showcases for artists and artifacts, meeting rooms and a recreation/gathering centre. It is expected to be completed by January 2018.

The Elders' Complex will provide 10 housing units as well as a common area and is scheduled for completion by August 2017.

The temporary band office was substantially completed by June 10, 2016. Upon completion of the multi-use facility the temporary band office will be reconfigured to provide two rental housing units.

Subsequent to year-end contracts were awarded for construction management of the multi-use facility and the Elders' Complex and for the demolition of the existing band office and recreation centre. Total commitments to date, at the time of financial statement preparation, amount to approximately \$765,000.

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2016

9. Deferred Revenue

Deferred revenue by program is detailed as follows:

	<u>2016</u>	<u>2015</u>
Administration		
- Governance development (INAC)	\$ -	\$ 3,500
Education Programs		
- Library	2,000	2,443
Community Development		
- Multi-use Facility (INAC)	155,563	153,617
- Lands and Resources	35,825	41,463
- SEDF	17,504	-
- GIS Technician	5,406	-
- Energy Plan	27,720	-
IFN Health Coordinator	-	92,762
	<u>\$ 244,018</u>	<u>\$ 293,785</u>

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2016

10. Long-Term Debt

	<u>2016</u>	<u>2015</u>
Canada Mortgage and Housing Corporation mortgage receivable, repayable in monthly instalments of \$2,718 including interest at 0.94%. The loan matures August 2035. ⁽ⁱⁱ⁾	\$ 579,251	\$ 604,868
Canada Mortgage and Housing Corporation mortgage, repayable in monthly instalments of \$2,073 including interest at 1.65%. The loan matures June 2027. ⁽ⁱⁱ⁾	255,665	276,177
Canada Mortgage and Housing Corporation mortgage, repayable in monthly instalments of \$1,632 including interest at 1.65%. The loan matures June 2032. ⁽ⁱⁱ⁾	279,558	294,435
Canada Mortgage and Housing Corporation mortgage, repayable in monthly instalments of \$1,287 including interest at 1.65%. The loan matures May 2032. ⁽ⁱⁱ⁾	219,375	231,118
Canada Mortgage and Housing Corporation mortgage, repayable in monthly instalments of \$1,213 including interest at 1.77%. The loan matures October 2039. ⁽ⁱⁱ⁾	<u>281,782</u>	<u>291,283</u>
Total debt (Note 5)	1,615,631	1,697,881
Loan payable, contingent on the settlement of the land claim. ⁽ⁱ⁾	<u>1,000,582</u>	<u>1,000,582</u>
	<u>\$ 2,616,213</u>	<u>\$ 2,698,463</u>

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2016

10. Long-Term Debt (continued)

Assuming refinancing of mortgages under similar terms, principal payments due over the next five years and thereafter, are as follows:

2017	\$ 84,707
2018	85,931
2019	87,174
2020	1,089,017
2021	89,716
Thereafter	<u>1,179,668</u>
	<u>\$ 2,616,213</u>

In 2016, interest expense of \$27,730 (2015 - \$31,781) has been reflected in the Consolidated Statement of Operations.

- (i) The loan payable of \$1,000,582 owing to the Research Branch of Indigenous and Northern Affairs Canada was made for the research, development and negotiation of the land claim. An amount of \$50,000 was loaned to the Band in 1976, a further \$75,584 loaned in the 1980-81 fiscal year, \$190,000 in the 1981-82 fiscal year, \$423,000 in the 1982-83 fiscal year, \$177,000 in the 1983-84 fiscal year, \$27,523 in the 1984-85 fiscal year to cover deficiencies from 1981 to 1984, and \$57,475 was loaned in the 1985-86 fiscal year. The loan repayment is contingent on the settlement of the land claim, at which time it will be repayable. (See Note 12)
- (ii) The CMHC loan in the amount of \$231,118 represents a loan made by CMHC to TFN to construct two apartment duplexes as rental units. The other CMHC loans are made to TFN to enable Band members to purchase rent-to-own houses.

11. Intergovernmental Arrangements

TFN continues to be involved in historical funding arrangements with the Government of Canada, particularly INAC, that enable TFN to administer its operations and provide services to its members. Funding provided to TFN pursuant to these agreements constitutes a significant portion of TFN's revenues. The nature of these arrangements continues to evolve.

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2016

12. Contingent Asset

TFN remains in ongoing land claim negotiations. It is expected that the parties will negotiate an amount of financial compensation to be paid by the Government of Ontario to TFN. At the date of the consolidated financial statement preparation the outcome of these negotiations and any financial compensation is unknown and cannot be reasonably estimated.

13. Funding Reconciliation

INAC revenue per funding confirmation	<u>\$ 2,799,500</u>
INAC revenue per the consolidated financial statements	<u>\$ 2,799,500</u>

Of the above \$2,799,500, \$2,172,109 relates to core funding and \$627,391 to non-core funding.

14. Expenses by Object

	<u>2016</u>	<u>2015</u>
Salaries, wages and benefits	\$ 3,291,947	\$ 3,225,625
Materials, supplies and capital	1,246,581	1,286,014
Contracted services	1,341,806	1,519,341
Rents and financial	51,549	56,755
Travel and training	617,087	715,746
Other	403,616	334,821
Amortization	583,731	603,233
	<u>\$ 7,536,317</u>	<u>\$ 7,741,535</u>

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2016

15. Budget

The Budget adopted by Council on June 3, 2015 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget expensed principal payments on long-term debt, did not include amortization expense or transfers to and from reserves. As a result, the budget figures presented on the Consolidated Statements of Operations and Changes in Net Financial Assets represent the financial plan adopted by Council with adjustments as follows:

	<u>2016</u>
Budgeted deficit for the year	\$ -
Add:	
Investments in tangible capital assets	189,987
Less:	
Transfers from reserves	<u>(194,216)</u>
Budget surplus per consolidated statement of operations	<u>\$ (4,229)</u>

Temagami First Nation

Notes to Consolidated Financial Statements

March 31, 2016

16. Segmented Information

TFN is a diversified government institution that provides a wide range of services to its members, including education, infrastructure maintenance, medical and other health services, administration, capital, enterprises and other services.

Services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Ontario First Nation Limited Partnership (OFNLP)

With revenues received through this partnership, Temagami First Nation provides its citizens that reside both on and off-reserve with an array of programs within the five areas of approved spending which include Education, Health, Economic, Cultural and Community Development.

Community Development

TFN provides a wide array of other services, including ferry and air boat services, fire protection, dog control, postal services, youth employment projects and economic development. Also included are forestry and mining resources and community events such as the PowWow and Community Days.

Health and Social

The department provides a diverse bundle of services directed towards the well being of members including such activities as medical transportation, home support services, pre-natal and early childhood care, nursing, health representation, traditional healing, family violence prevention and many other smaller programs designed to enhance the health of members.

The social assistance department is responsible for administering assistance payments as well as providing services directed towards members.

Administration

The administration department oversees the delivery of all governmental services. The department is responsible for ensuring that there are adequate policies and procedures in place to safeguard assets and to properly report financial activities. In addition, this department includes the governance activities of Chief and Council.

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2016

16. Segmented Information (continued)

Operations and Maintenance

This department is responsible for public services such as the operation and maintenance of roads, the water and sanitation system and waste management. Maintenance of Band buildings and community infrastructure is also included in this segment.

Education

The education department provides services to elementary students through operation of the Laura McKenzie Learning Centre and the public library. It also provides support for secondary students, primarily by entering into service contracts with provincially funded area school boards. In addition, the department supports post-secondary students by providing funds for tuition fees, books and living allowances.

Housing

This department is responsible for all housing including rental units, CMHC rent-to-own housing and any Residential Repair Assistance Programs (RRAP).

Independent First Nation (IFN)

TFN administers funds received for the Independent First Nations Co-ordinator and Health Co-ordinator that are not solely for the benefit of TFN.

For each reported segment, revenues and expenses include 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, including transfers that have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

Temagami First Nation Segment Disclosure

For the year ended March 31, 2016

16. Segmented Information (continued)

	OFNLP	Community Development	Health and Social	Administration	Operations & Maintenance	Education	Housing	IFN	Total
Revenues									
Indigenous and Northern Affairs Canada	\$ -	\$ 371,413	\$ 71,954	\$ 451,028	\$ 620,997	\$ 1,202,995	\$ 81,113	\$ -	\$ 2,799,500
Province of Ontario	-	406,471	846,171	-	17,142	16,328	-	-	1,286,112
Health Canada	-	-	1,350,074	-	-	-	-	240,553	1,590,627
CMHC subsidy	-	-	-	-	-	-	124,013	-	124,013
Government of Canada	-	226,598	372	27,236	-	-	-	-	254,206
OFNLP and OFNLP transfers	186,138	361,840	32,000	96,851	95,000	42,852	-	-	814,681
Band Generated and other	(859)	424,171	180,732	206,216	61,776	108,047	127,825	-	1,107,908
	185,279	1,790,493	2,481,303	781,331	794,915	1,370,222	332,951	240,553	7,977,047
Expenses									
Salaries, wages and benefits	-	461,034	1,252,122	578,297	348,480	521,419	58,376	72,219	3,291,947
Materials, supplies and capital	200,204	81,254	659,842	24,009	102,468	102,198	33,167	43,439	1,246,581
Contracted services	26,436	334,381	171,585	109,757	167,611	407,110	84,945	39,981	1,341,806
Rents and financial expenses	9,674	6,000	-	2,218	-	5,927	27,730	-	51,549
Travel and training	60,087	76,412	202,308	70,990	85,612	34,419	2,345	84,914	617,087
Other	118,519	-	-	-	-	285,097	-	-	403,616
	414,920	959,081	2,285,857	785,271	704,171	1,356,170	206,563	240,553	6,952,586
Annual (deficit) surplus before amortization	(229,641)	831,412	195,446	(3,940)	90,744	14,052	126,388	-	1,024,461
Amortization	-	37,424	100,966	40,120	265,530	29,834	109,857	-	583,731
Annual (deficit) surplus	\$ (229,641)	\$ 793,988	\$ 94,480	\$ (44,060)	\$ (174,786)	\$ (15,782)	\$ 16,531	\$ -	\$ 440,730
Tangible capital assets purchased	\$ -	\$ 811,923	\$ 153,009	\$ 1,751	\$ 131,442	\$ 13,978	\$ 14,435	\$ -	\$ 1,126,538

Temagami First Nation Segment Disclosure

For the year ended March 31, 2015

16. Segmented Information (continued)

	OFNLP	Community Development	Health and Social	Administration	Operations & Maintenance	Education	Housing	IFN	Total
Revenues									
Indigenous and Northern Affairs Canada	\$ -	\$ 354,684	\$ 61,340	\$ 415,004	\$ 646,371	\$ 1,165,872	\$ 111,257	\$ -	\$ 2,754,528
Province of Ontario	-	275,419	743,308	-	17,142	17,525	-	147,079	1,200,473
Health Canada	-	-	1,359,334	-	-	-	-	287,324	1,646,658
CMHC subsidy	-	-	-	-	-	-	118,809	-	118,809
Government of Canada	-	38,367	-	-	-	-	-	-	38,367
OFNLP and OFNLP transfers	589,616	92,573	-	118,000	-	9,096	-	-	809,285
Band Generated and other	261,545	168,139	184,702	272,384	69,795	80,244	123,340	36,731	1,196,880
	851,161	929,182	2,348,684	805,388	733,308	1,272,737	353,406	471,134	7,765,000
Expenses									
Salaries, wages and benefits	-	390,890	1,212,878	580,577	354,997	521,989	46,474	117,820	3,225,625
Materials, supplies and capital	181,166	76,460	695,773	25,864	94,677	90,107	42,494	79,473	1,286,014
Contracted services	149,934	295,759	188,806	135,541	214,147	391,723	72,169	71,262	1,519,341
Rents and financial expenses	12,026	6,000	984	2,357	-	888	31,781	2,719	56,755
Travel and training	85,516	79,732	193,282	56,913	62,928	34,581	2,934	199,860	715,746
Other	111,463	-	-	(3,332)	-	226,690	-	-	334,821
	540,105	848,841	2,291,723	797,920	726,749	1,265,978	195,852	471,134	7,138,302
Annual surplus (deficit) before amortization	311,056	80,341	56,961	7,468	6,559	6,759	157,554	-	626,698
Amortization	-	40,298	121,706	48,726	260,330	34,742	97,431	-	603,233
Annual surplus (deficit)	\$ 311,056	\$ 40,043	\$ (64,745)	\$ (41,258)	\$ (253,771)	\$ (27,983)	\$ 60,123	\$ -	\$ 23,465
Tangible capital assets purchased	\$ -	\$ 149,520	\$ 11,893	\$ 4,709	\$ 92,447	\$ 2,802	\$ 120,449	\$ -	\$ 381,820