

**Temagami First Nation
Consolidated Financial Statements
For the year ended March 31, 2017**

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For the year ended March 31, 2017**

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TEMAGAMI FIRST NATION

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

March 31, 2017

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

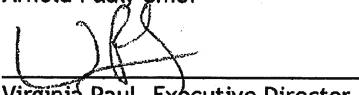
Management is responsible for the integrity and objectivity of these consolidated financial statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is provided.

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 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
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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, 2017, 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, 2017 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, 2017 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 12, 2017.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

North Bay, Ontario
July 12, 2017

Temagami First Nation
Consolidated Statement of Financial Position

<u>March 31</u>	<u>2017</u>	<u>2016</u>
Financial Assets		
Cash and cash equivalents	\$ 618,691	\$ 681,730
Investments (Note 2)	<u>4,826,311</u>	<u>5,237,241</u>
Funds held in trust by INAC (Note 4)	40,067	39,338
Accounts receivable (Note 3)	<u>864,314</u>	<u>795,658</u>
	<u><u>6,349,383</u></u>	<u><u>6,753,967</u></u>
Liabilities		
Accounts payable and accrued liabilities	433,450	770,496
Deferred revenue (Note 9)	<u>163,902</u>	<u>244,018</u>
Long-term debt (Note 10)	<u>2,531,221</u>	<u>2,616,213</u>
	<u><u>3,128,573</u></u>	<u><u>3,630,727</u></u>
Net financial assets	<u><u>3,220,810</u></u>	<u><u>3,123,240</u></u>
Non-Financial Assets		
Tangible capital assets (Note 8a)	7,710,105	7,996,021
Prepaid expenses	<u>71,959</u>	<u>47,515</u>
	<u><u>7,782,064</u></u>	<u><u>8,043,536</u></u>
Accumulated surplus (Note 5)	<u><u>\$ 11,002,874</u></u>	<u><u>\$ 11,166,776</u></u>

Commitments (Note 8b)

Contingent asset (Note 12)

Contingent liabilities (Note 14)

Signature,
Title

Chief

Signature,
Title

Executive Director

Temagami First Nation
Consolidated Statement of Operations

For the year ended March 31	2017 Budget (Note 16)	2017 Actual	2016 Actual
Revenues			
INAC (Note 13)	\$ 2,472,465	\$ 2,546,420	\$ 2,799,500
Health Canada	1,228,995	1,327,332	1,590,627
Government of Canada	104,312	69,459	254,206
CMHC subsidy	-	164,288	124,013
Province of Ontario	1,075,885	1,563,287	1,286,112
Ontario First Nation General Partner	931,950	920,786	814,681
Band Generated and other	1,357,658	1,888,236	1,107,908
	<hr/> 7,171,265	<hr/> 8,479,808	<hr/> 7,977,047
Expenses (Note 15)			
Administration	776,038	858,518	825,391
Operations and maintenance programs	676,566	927,223	969,701
Housing programs	348,739	341,532	316,420
Education programs	1,460,700	1,558,492	1,386,004
Health and social programs	2,238,321	2,696,421	2,386,823
Community development programs	1,170,599	1,117,516	996,505
OFNLP	508,000	365,018	414,920
Independent First Nations (IFN)	-	-	240,553
	<hr/> 7,178,963	<hr/> 7,864,720	<hr/> 7,536,317
Annual surplus before other items	(7,698)	615,088	440,730
Write-off of construction in progress (Note 8b)	-	(778,990)	-
Annual (deficit) surplus for the year	(7,698)	(163,902)	440,730
Accumulated surplus, beginning of year	11,166,776	11,166,776	10,726,046
Accumulated surplus, end of year (Note 5)	\$ 11,159,078	\$ 11,002,874	\$ 11,166,776

Temagami First Nation
Consolidated Statement of Changes in Net Financial Assets

For the year ended March 31	2017 Budget	2017 Actual	2016 Actual
Annual (deficit) surplus	\$ (7,698)	\$ (163,902)	\$ 440,730
Acquisition of tangible capital assets	(70,520)	(1,119,114)	(1,126,538)
Amortization of tangible capital assets	- 623,499	583,731	
Loss on disposal of tangible capital assets	- 935	44,324	
Proceeds on disposal of tangible capital assets	- 1,606	39,309	
Write-off of construction in progress	- 778,990		
	(78,218)	122,014	(18,444)
Acquisition of prepaid expenses	- (71,959)	(47,515)	
Use of prepaid expenses	- 47,515	35,509	
	- (24,444)	(12,006)	
Change in net financial assets	(78,218)	97,570	(30,450)
Net financial assets, beginning of year	3,123,240	3,123,240	3,153,690
Net financial assets, end of year	\$ 3,045,022	\$ 3,220,810	\$ 3,123,240

Temagami First Nation
Consolidated Statement of Cash Flows

For the year ended March 31 2017 2016

Cash provided by (used in):

Operating activities

Annual (deficit) surplus	\$ (163,902)	\$ 440,730
Items not involving cash		
Amortization of tangible capital assets	623,499	583,731
Loss on disposal of tangible capital assets	935	44,324
Write-off of construction in progress	<u>778,990</u>	-
	1,239,522	1,068,785
Changes in non-cash working capital balances		
Funds held in trust by INAC	(729)	(817)
Accounts receivable	(68,656)	(171,954)
Prepaid expenses	(24,444)	(12,006)
Accounts payable and accrued liabilities	(337,046)	260,600
Deferred revenue	<u>(80,116)</u>	<u>(49,767)</u>
	728,531	1,094,841

Capital activities

Proceeds of disposition on tangible capital assets	1,606	39,309
Purchase of tangible capital assets	<u>(1,119,114)</u>	<u>(1,126,538)</u>
	(1,117,508)	(1,087,229)

Investing activities

Decrease in investments	<u>410,930</u>	<u>56,666</u>
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Financing activities

Long-term debt repayments	<u>(84,992)</u>	<u>(82,250)</u>
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Decrease in cash and cash equivalents during the year

(63,039) (17,972)

Cash and cash equivalents, beginning of year

681,730 699,702

Cash and cash equivalents, end of year

\$ 618,691 \$ 681,730

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2017

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 and the Daki Menan Lands and Resources Corporation which is controlled 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, 2017

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, 2017

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, 2017

2. Investments

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

	2017	2016
GIC's ⁽ⁱ⁾	\$ 3,012,856	\$ 3,557,371
Mutual funds, T-Bill funds, bonds and equities	<u>1,813,455</u>	<u>1,679,870</u>
	<u>\$ 4,826,311</u>	<u>\$ 5,237,241</u>

(i) GIC's balance consists of three guaranteed investment certificates maturing between April and September 2017, bearing interest at rates ranging from 0.94% to 0.99%

3. Accounts Receivable

	2017	2016
Indigenous and Northern Affairs Canada (INAC)	\$ 10,593	\$ -
Health Canada	6,905	141,960
Government of Canada	1,450	40,844
Province of Ontario	184,320	115,339
Other ⁽ⁱ⁾ (net of allowance for doubtful accounts of \$99,144 (2016 - \$98,458)	<u>661,046</u>	<u>497,515</u>
	<u>\$ 864,314</u>	<u>\$ 795,658</u>

(i) Included in Other receivables are three loans receivable in the amount of \$59,665 (2016 - \$65,254), receivable over 12 to 14 years and all bearing interest at a rate of 5% per annum

4. Funds Held in Trust by INAC

	2017	2016
Revenue	\$ 37,714	\$ 36,985
Capital	<u>2,353</u>	<u>2,353</u>
	<u>\$ 40,067</u>	<u>\$ 39,338</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, 2017

5. Accumulated Surplus

	2017	2016
Investment in tangible capital assets (Note 8)	\$ 7,710,105	\$ 7,996,021
Less: Debt (Note 10)	<u>1,530,639</u>	<u>1,615,631</u>
Net band infrastructure	6,179,466	6,380,390
Net operating assets ⁱ⁾	925,720	502,212
Reserve and earmarked funds		
Doreen Potts Health Centre MAR ⁱⁱ⁾	1,560	1,560
Water treatment plant ⁱⁱⁱ⁾	71,194	71,194
Canada Mortgage and Housing Corporation ⁱⁱⁱ⁾	243,412	209,281
Future generations fund ^{iv)}	1,813,455	1,679,870
Housing ^{iv)}	3,958	3,958
Elder's complex ^{iv)}	388,133	439,716
Multi-use facility ^{iv)}	1,349,476	1,396,598
Manitou Proceeds ^{iv)}	<u>74,392</u>	<u>74,392</u>
	3,945,580	3,876,569
Unallocated surplus (deficit)	(47,892)	407,605
	\$ 11,002,874	\$ 11,166,776

i) Net operating assets consist of the following:

Cash and cash equivalents	\$ 618,691	\$ 681,730
Funds held in trust by INAC	40,067	39,338
Accounts receivable	864,314	795,658
Accounts payable and accrued liabilities	(433,450)	(770,496)
Deferred revenue	<u>(163,902)</u>	<u>(244,018)</u>
	\$ 925,720	\$ 502,212

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, 2017

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 \$156,081 (2016 - \$175,301).

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 \$427,309 (2016 - \$922,953). Expenses related to monitoring the agreement and approved allocations amounted to \$176,643 (2016 - \$185,813). At March 31, 2017 there is \$2.775 million (2016 - \$2.524 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, 2017

8. Tangible Capital Assets

a. Tangible capital assets

	2017								
	Buildings - CMHC	Vehicles	Machinery and equipment	Land Improvements	Infrastructure	Buildings	IT Equipment	Construction in Progress	Total
Cost, beginning of year	\$ 2,226,071	\$ 1,249,732	\$ 832,392	\$ 161,052	\$ 5,413,026	\$ 3,574,672	\$ 390,876	\$ 920,871	\$ 14,768,692
Additions	744	176,879	93,339		5,300	111,539	70,600	660,713	1,119,114
Disposals		(12,675)				(1,500)		(778,990)	(793,165)
Transfers						412,010		(412,010)	
Cost, end of year	<u>\$ 2,226,815</u>	<u>\$ 1,413,936</u>	<u>\$ 925,731</u>	<u>\$ 161,052</u>	<u>\$ 5,418,326</u>	<u>\$ 4,096,721</u>	<u>\$ 461,476</u>	<u>\$ 390,584</u>	<u>\$ 15,094,641</u>
Accumulated amortization, beginning of year	\$ 510,990	\$ 899,195	\$ 514,373	\$ 53,322	\$ 2,574,523	\$ 1,870,393	\$ 349,875	\$ -	\$ 6,772,671
Amortization	84,991	151,903	74,172	6,037	169,219	108,066	29,111		623,499
Disposals						(1,500)			(11,634)
Accumulated amortization, end of year	<u>\$ 595,981</u>	<u>\$ 1,040,964</u>	<u>\$ 588,545</u>	<u>\$ 59,359</u>	<u>\$ 2,743,742</u>	<u>\$ 1,976,959</u>	<u>\$ 378,986</u>	<u>\$ -</u>	<u>\$ 7,384,536</u>
Net carrying amount, end of year	<u>\$ 1,630,834</u>	<u>\$ 372,972</u>	<u>\$ 337,186</u>	<u>\$ 101,693</u>	<u>\$ 2,674,584</u>	<u>\$ 2,119,762</u>	<u>\$ 82,490</u>	<u>\$ 390,584</u>	<u>\$ 7,710,105</u>

Temagami First Nation
Notes to Financial Statements

March 31, 2017

8. Tangible Capital Assets (continued)

a. Tangible capital assets (continued)

	2016								
	Buildings - CMHC	Vehicles	Machinery and equipment	Land Improvements	Infrastructure	Buildings	IT Equipment	Construction in Progress	Total
Cost, beginning of year	\$ 2,223,091	\$ 1,241,656	\$ 703,626	\$ 161,052	\$ 5,368,730	\$ 3,695,859	\$ 395,360	\$ 140,304	\$ 13,929,678
Additions	2,980	108,586	129,016	-	44,296	28,440	31,197	782,023	1,126,538
Disposals	-	(100,510)	(250)	-	-	(149,627)	(35,681)	(1,456)	(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	\$ 14,768,692
Accumulated amortization, beginning of year	\$ 428,741	\$ 827,049	\$ 456,105	\$ 47,285	\$ 2,407,754	\$ 1,874,492	\$ 351,405	\$ -	\$ 6,392,831
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	\$ -	\$ 6,772,671
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 Consolidated Financial Statements

March 31, 2017

8. Tangible Capital Assets (continued)

b. Construction In Progress and Commitments

	Multi-use Facility	Elders' Complex	Temporary Band office	Total
Project budget	\$ 6,000,000	\$ 2,220,000	\$ -	\$ 8,220,000
Construction in progress, beginning of year	\$ 427,468	\$ 147,047	\$ 346,356	\$ 920,871
Additions	538,755	56,304	65,654	660,713
Transfers	-	-	(412,010)	(412,010)
Write-down (i)	(600,576)	(178,414)	-	(778,990)
Construction in progress, end of year	\$ 365,647	\$ 24,937	\$ -	\$ 390,584

(i) During the year it became evident that the project budget for the Multi-Use facility was inadequate. The project was placed on hold. The scope of the project was reviewed and significantly reduced (from approximately 29,000 square feet to 16,200 square feet). The contracts of the project manager, architect and construction manager were terminated.

Costs incurred to date that are necessary expenditures for the revised project have been carried forward in construction in progress. Costs in the amount of \$600,576 were written off.

The proposed facility will continue to comprise of a recreation/gathering centre, meeting rooms, band offices including economic development and land and resources, and showcases for artists and artifacts. Subsequent to year end an architectural contract for approximately \$500,000 was signed. The building is expected to be completed by July 2019.

The Elder's Complex has been put on hold until 2018 in order to focus on construction of the Multi-Use facility. The previous planning and architectural design will not be utilized going forward so costs in the amount of \$178,414 were written off.

With the construction of these two facilities three-phase power is required. A contract with Hydro One was recently signed for approximately \$300,000 to bring this service to Bear Island.

The Temporary Band Office was completed during the year and has been occupied since November 2017.

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2017

9. Deferred Revenue

Deferred revenue by program is detailed as follows:

	2017	2016
Administration		
- Communications strategy (INAC)	\$ 27,700	\$ -
Operations and Maintenance		
- Solid waste diversion plan (INAC)	33,800	-
Education Programs		
- Library	-	2,000
- Special education (INAC)	83,102	-
Community Development		
- Multi-use Facility (INAC)	-	155,563
- Lands and Resources	15,383	35,825
- SEDF	-	17,504
- GIS Technician	-	5,406
- Energy Plan	485	27,720
Other	<u>3,432</u>	-
	<hr/>	<hr/>
	\$ 163,902	\$ 244,018

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2017

10. Long-Term Debt

	<u>2017</u>	<u>2016</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⁾	\$ 551,913	\$ 579,251
Canada Mortgage and Housing Corporation mortgage, repayable in monthly instalments of \$2,073 including interest at 1.65%. The loan matures June 2027. ⁽ⁱⁱ⁾	234,796	255,665
Canada Mortgage and Housing Corporation mortgage, repayable in monthly instalments of \$1,632 including interest at 1.65%. The loan matures June 2032. ⁽ⁱⁱ⁾	264,416	279,558
Canada Mortgage and Housing Corporation mortgage, repayable in monthly instalments of \$1,287 including interest at 1.65%. The loan matures May 2032. ⁽ⁱⁱ⁾	207,423	219,375
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>272,091</u>	<u>281,782</u>
Total debt (Note 5)	1,530,639	1,615,631
Loan payable, contingent on the settlement of the land claim. ⁽ⁱ⁾	1,000,582	1,000,582
	<u>\$ 2,531,221</u>	<u>\$ 2,616,213</u>

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2017

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:

2018	\$ 85,931
2019	87,174
2020	1,089,017
2021	89,716
2022	91,017
Thereafter	<u>1,088,366</u>
	<u>\$ 2,531,221</u>

In 2017, interest expense of \$22,083 (2016 - \$27,730) 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, 2017

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	\$ 2,691,022
Deferred revenue	(144,602)
Amounts repaid / repayable	—
INAC revenue per the consolidated financial statements	<u>\$ 2,546,420</u>

Of the above \$2,691,022, \$2,218,337 relates to core funding and \$472,685 to non-core funding.

14. Contingent Liabilities

Two lawsuits have been filed against the First Nation, it is the opinion of management and legal counsel, that the outcome of these lawsuits, now pending, is not determinable. Since the final outcome of the above noted actions cannot be determined as likely and any loss cannot be reasonably estimated, no provision has been made in these financial statements.

15. Expenses by Object

	2017	2016
Salaries, wages and benefits	\$ 3,410,301	\$ 3,291,947
Materials, supplies and capital	1,371,344	1,246,581
Contracted services	1,437,221	1,341,806
Rents and financial	41,150	51,549
Travel and training	555,576	617,087
Other	425,629	403,616
Amortization	623,499	583,731
	<u>\$ 7,864,720</u>	<u>\$ 7,536,317</u>

Temagami First Nation
Notes to Consolidated Financial Statements

March 31, 2017

16. Budget

The Budget adopted by Council on May 10, 2016 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>2017</u>
Budgeted deficit for the year	\$ -
Add:	
Investments in tangible capital assets	70,520
Less:	
Transfers from reserves	<u>(78,218)</u>
Budget surplus per consolidated statement of operations	\$ (7,698)

Temagami First Nation Notes to Consolidated Financial Statements

March 31, 2017

17. 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, prenatal 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, 2017

17. 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).

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, 2017

17. Segmented Information (continued)

	OFNLP	Community Development	Health and Social Administration	Operations & Maintenance	Education	Housing	IFN	Total
Revenues								
Indigenous and Northern Affairs Canada	\$ -	\$ 103,299	\$ 59,908	\$ 458,328	\$ 581,921	\$ 1,278,710	\$ 64,254	\$ 2,546,420
Province of Ontario	\$ 529,069	\$ 999,665	\$ -	\$ 17,658	\$ 16,895	\$ -	\$ -	\$ 1,563,287
Health Canada	\$ -	\$ 1,327,332	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,327,332
CNHC subsidy	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,288
Government of Canada	\$ 69,459	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,459
OFNLP and OFNLP transfers	\$ 53,682	\$ 511,261	\$ 9,000	\$ 127,705	\$ 89,268	\$ 129,870	\$ -	\$ 920,786
Band Generated and other	\$ 170,345	\$ 767,455	\$ 367,262	\$ 222,644	\$ 96,720	\$ 135,589	\$ 128,221	\$ 1,888,236
224,027	1,980,543	2,763,167	808,677	785,567	1,561,064	356,763	-	8,479,808
Expenses								
Salaries, wages and benefits	\$ 511,590	\$ 1,333,984	\$ 547,490	\$ 335,289	\$ 620,846	\$ 61,102	\$ -	\$ 3,410,301
Materials, supplies and capital	\$ 169,204	\$ 114,647	\$ 793,046	\$ 31,455	\$ 111,515	\$ 116,610	\$ 34,867	\$ 1,371,344
Contracted services	\$ 36,739	\$ 334,741	\$ 218,867	\$ 161,246	\$ 165,065	\$ 415,493	\$ 105,070	\$ 1,437,221
Rents and financial expenses	\$ 4,410	\$ 9,000	\$ 2,725	\$ 2,460	\$ -	\$ 472	\$ 22,083	\$ 41,150
Travel and training	\$ 48,495	\$ 109,362	\$ 231,589	\$ 61,004	\$ 50,477	\$ 49,525	\$ 5,124	\$ 555,576
Other	\$ 106,170	\$ -	\$ -	\$ -	\$ -	\$ 319,459	\$ -	\$ 425,629
365,018	1,079,340	2,580,211	803,655	662,346	1,522,405	228,246	-	7,241,221
Annual (deficit) surplus before amortization								
(140,991)	901,203	182,956	5,022	123,221	38,659	128,517	-	1,238,587
Amortization and writeoffs								
Annual (deficit) surplus	\$ (140,991)	\$ 84,037	\$ 66,746	\$ (49,841)	\$ (141,656)	\$ 2,572	\$ 15,231	\$ -
Tangible capital assets purchased	\$ -	\$ 781,334	\$ 173,389	\$ 5,177	\$ 111,409	\$ 38,371	\$ 9,434	\$ 1,119,114

**Temagami First Nation
Segment Disclosure**

For the year ended March 31, 2016

17. Segmented Information (continued)

	Community Development	Health and Social Administration	Operations & Maintenance	Education	Housing	IFN	Total
	OFNLP	OFNLP	OFNLP	OFNLP	OFNLP	OFNLP	OFNLP
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	1,350,074	17,142	16,328	-	1,286,112
Health Canada	-	-	-	-	-	240,553	1,590,627
CMHC subsidy	-	-	372	27,236	-	124,013	124,013
Government of Canada	226,598	32,000	96,851	95,000	42,852	-	254,206
OFNLP and OFNLP transfers	361,840	180,732	206,216	61,776	108,047	127,825	814,681
Band Generated and other	(859)	424,171	-	-	-	-	1,107,908
185,279	1,790,493	2,481,303	781,331	794,915	1,370,222	332,951	240,553
Expenses							
Salaries, wages and benefits	461,034	1,252,122	578,297	348,480	521,419	58,376	72,219
Materials, supplies and capital	200,204	81,254	659,842	24,009	102,468	33,167	43,439
Contracted services	26,436	334,381	171,585	109,757	167,611	407,110	39,981
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	84,914
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
Annual surplus (deficit) before amortization							
	(229,641)	831,412	195,446	(3,940)	90,744	14,052	126,388
Amortization	-	37,424	100,966	40,120	265,530	29,834	109,857
Annual surplus (deficit)	\$ (229,641)	\$ 793,988	\$ 94,480	\$ (44,060)	\$ (174,786)	\$ (15,782)	\$ 16,531
Tangible capital assets purchased	-	-	\$ 153,009	\$ 1,751	\$ 131,442	\$ 13,978	\$ 14,435
							\$ 1,126,538