
Consolidated financial statements of Timiskaming First Nation

March 31, 2018



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Management's Statement of Responsibility

Management's Responsibility for the Consolidated Financial Statements

The accompanying consolidated financial statements of Timiskaming First Nation are the responsibility of management and have been approved by the Chief and 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 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 statements and for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

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

On behalf of Timiskaming First Nation



Signature and title
for Timiskaming First Nation

July 17, 2018

Independent auditor's report

To the Chief and Council of
Timiskaming First Nation

We have audited the accompanying consolidated financial statements of Timiskaming First Nation, which comprise the consolidated Financial Position as at March 31, 2018 and the consolidated statements of operations, cumulative operating surplus, 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 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 Timiskaming First Nation as at March 31, 2018 and the results of its operations, cumulative operating surplus, net investment in capital assets, changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Observations

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 25 to 167 in order to satisfy to Indigenous Services Canada (ISC) and are not audited.

Deloitte LLP 1

July 17, 2018

¹ CPA auditor, CA, public accountancy permit No.A112314

Timiskaming First Nation
Consolidated Statement of Operations
Year ended March 31, 2018

	2018	2017
	\$	\$
REVENUES		
ISC - Fixed Contribution	752,086	124,709
ISC - Block Contribution	5,908,569	5,791,101
ISC - Flexible Contribution	687,300	4,271,002
ISC - Review letter	(2,973)	2,145
ISC - Set Contribution	427,610	1,264,479
Recoverable from (Refundable to) ISC	51,544	(56,624)
Administration fees	270,857	441,874
Anishnabe Long Term Care Centre (ALTCC)	56,616	76,619
Canada Economic Development	485,715	-
Canadian Mortgage and Housing Corporation (CMHC)	598,588	239,734
Contracts	2,295,425	1,891,826
First Nations Education Council (FNEC)	990,504	1,091,257
ISC - Health Branch - Flexible Contribution	2,229,880	3,571,899
ISC - Health Branch - Set Contribution	676,203	670,297
ISC - Health Branch - Review letter	(3,154)	(54,650)
Recoverable from (Refundable to) ISC - Health Branch	(53,353)	-
ANHRSD	136,139	111,126
Centre jeunesse de l'Abitibi-Témiscamingue	-	238,812
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	297,197	248,960
Secrétariat aux affaires autochtones (SAA)	80,000	286,595
Sécurité publique du Québec	241,147	238,400
Public Safety and Emergency Preparedness Canada	261,243	258,267
Transfer from (to) Social Assistance program	(20,000)	(30,667)
Western Quebec School Board Invoicing	128,778	142,404
Other revenues	1,338,300	1,285,793
Deferred revenue from previous year	2,474,567	1,757,818
Deferred revenue to following year	(1,536,265)	(2,474,567)
	18,865,523	21,481,609

Timiskaming First Nation
Consolidated Statement of Operations
Year ended March 31, 2018

	2018	2017
	\$	\$
EXPENSES		
Band Government	56,691	65,029
Administration	1,099,862	1,016,485
Education	4,295,385	4,078,110
Health	2,808,276	2,342,898
Public Works	1,849,360	1,421,839
Public Security	560,180	562,348
Social Assistance	932,645	912,018
Housing	1,273,239	1,143,895
Economic Development	2,834,968	2,384,454
Other	724,213	702,844
	<u>16,434,819</u>	<u>14,629,920</u>
SURPLUS FOR THE YEAR	<u>2,430,704</u>	<u>6,851,689</u>

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

CONCILIATION TO ISC FINANCIAL REPORTING REQUIREMENTS

	2018	2017
	\$	\$
Surplus for the year	2,430,704	6,851,689
Proceeds from long-term debt	633,500	647,850
Reimbursement of long term debt *	(327,452)	(1,156,546)
Acquisition of capital assets	(4,234,301)	(6,516,133)
Deficit for the year under ISC Financial Reporting Requirements (1)	(1,497,549)	(173,140)

(1) The operating deficit before amortization is \$393,747 (operating surplus before amortization of \$698,477 in 2017).

* In 2017, includes the canceled debt of \$ 835,000.

Timiskaming First Nation**Consolidated Statement of Cumulative Operating Surplus**

Year ended March 31, 2018

	Note	2018	2017
		\$	\$
BALANCE AT BEGINNING OF YEAR		180,910	(365,174)
SURPLUS FOR THE YEAR		2,430,704	6,851,689
TRANSFER TO NET INVESTMENT IN CAPITAL ASSETS			
ACQUISITION OF CAPITAL ASSETS		(4,234,301)	(6,516,133)
AMORTIZATION/LOSS/PROCEEDS FROM DISPOSAL OF CAPITAL ASSETS		1,103,802	885,964
PROCEEDS FROM LONG-TERM DEBT		633,500	647,850
REIMBURSEMENT OF LONG-TERM DEBT		(327,452)	(1,156,546)
USE AND DECREASE OF (ALLOCATION TO) BUS RESERVE	12	453,000	(147,500)
ALLOCATION TO EXTENSION OF THE SCHOOL RESERVE	12	(233,814)	-
DECREASE (INCREASE) OF WIDJIKIWE RESERVE	12	45,157	(63,227)
ADJUSTMENT OF RESERVES FUNDS - ARTICLES 95		(42,681)	43,987
BALANCE AT END OF YEAR		8,825	180,910

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

Timiskaming First Nation
Consolidated Statement of Net Investment in Capital Assets
Year ended March 31, 2018

	2018	2017
	\$	\$
NET INVESTMENT IN CAPITAL ASSETS AT BEGINNING OF YEAR	23,199,286	17,060,421
VARIATION OF NET INVESTMENT IN CAPITAL ASSETS		
Plus:		
Acquisition of capital assets	4,234,301	6,516,133
Reimbursement of long-term debt	327,452	1,156,546
	4,561,753	7,672,679
Less:		
Proceeds from long-term debt	633,500	647,850
Amortization	1,103,802	871,617
Loss and proceeds from disposal of capital assets	-	14,347
	1,737,302	1,533,814
NET INVESTMENT IN CAPITAL ASSETS AT END OF YEAR	26,023,737	23,199,286

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

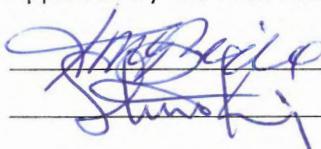
Timiskaming First Nation
Consolidated Financial Position
as at March 31, 2018

	Notes	2018	2017
		\$	\$
FINANCIAL ASSETS			
Cash		1,526,426	2,853,158
Accounts receivable	3	3,141,406	3,492,918
Restricted cash	5	604,779	477,426
		5,272,611	6,823,502
LIABILITIES			
Accounts payable and accrued liabilities	7	2,733,424	2,846,661
Due to ISC - Health Branch	8	104,594	105,825
Due to ISC	9	-	56,624
Deferred revenue	10	1,536,265	2,474,567
Current portion of long-term debt	11	333,013	327,520
Long-term debt	11	2,663,129	2,362,574
		7,370,425	8,173,771
NET DEBT		(2,097,814)	(1,350,269)
NON-FINANCIAL ASSETS			
Prepaid expenses	4	196,107	85,220
Capital assets	6	29,019,879	25,889,380
		29,215,986	25,974,600
ACCUMULATED SURPLUS	13	27,118,172	24,624,331

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

Contingency (note 22)

Approved by the First Nation's Council

 _____, Council's member
 _____, Council's member

Timiskaming First Nation
Consolidated Statement of Changes in Net Debt
Year ended March 31, 2018

	2018	2017
	\$	\$
SURPLUS FOR THE YEAR	2,430,704	6,851,689
CHANGES IN CAPITAL ASSETS		
Acquisition of capital assets	(4,234,301)	(6,516,133)
Proceeds from disposal of capital assets	-	10,500
Amortization	1,103,802	871,617
Loss from disposal of capital assets	-	3,847
	(3,130,499)	(5,630,169)
CHANGES IN OTHER NON-FINANCIAL ASSETS		
Changes in the prepaid expenses	(110,887)	(13,438)
CHANGES IN THE NON-OPERATIONAL SURPLUSES AND RESERVES		
Changes in replacement and operating reserves	101,047	8,393
Increase of In-trust fund	4,771	4,092
Adjustement of reserves funds - Article 95	(42,681)	43,987
	63,137	56,472
CHANGES IN NET DEBT	(747,545)	1,264,554
NET DEBT AT THE BEGINNING OF THE YEAR	(1,350,269)	(2,614,823)
NET DEBT AT END OF YEAR	(2,097,814)	(1,350,269)

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

Timiskaming First Nation
Consolidated Statement of Cash Flows
Year ended March 31, 2018

	Note	2018	2017
		\$	\$
Operating activities			
Surplus for the year		2,430,704	6,851,689
Items not affecting cash:			
Amortization		1,103,802	871,617
Loss from disposal of capital assets		-	3,847
Changes in non-cash operating working capital items	17	3,534,506	7,727,153
		(868,769)	879,698
		2,665,737	8,606,851
Investing activities			
Acquisition of capital assets		(4,234,301)	(6,516,133)
Proceeds from disposal of capital assets		-	10,500
Increase of the restricted cash and deposit		(127,353)	(21,270)
		(4,361,654)	(6,526,903)
Financing activities			
Adjustment of reserves funds - Article 95		(42,681)	43,987
Changes in the replacement reserve fund - Article 95		58,366	6,003
Increase of operating reserve fund		42,681	2,390
Increase of In-trust fund		4,771	4,092
Proceeds from long-term debt		633,500	647,850
Reimbursement of long-term debt		(327,452)	(1,156,546)
Long-term contribution receivable (SAA)		-	835,000
		369,185	382,776
Net (decrease) increase of cash and cash equivalents		(1,326,732)	2,462,724
Cash and cash equivalents, beginning of year		2,853,158	390,434
Cash and cash equivalents, end of year		1,526,426	2,853,158

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

(See additional information presented in Note 17)

Cash and cash equivalents consist of cash.

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.

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 Net Investment in Capital Assets when the related capital expenses are recorded, provided that the First Nation meets the eligibility criteria.

2. Summary of significant accounting policies (continued)

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. Nevertheless, the reciprocal balances have not been eliminated in the information of the annexes presented on pages 25 to 167 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.

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.

Timiskaming First Nation
Notes to the consolidated financial statements
March 31, 2018

3. Accounts receivable

	2018 \$	2017 \$
ISC receivable	1,175,148	2,256,066
CMHC receivable	695,571	318,937
First Nations Education Council receivable	141,030	153,180
ISC - Health Branch	83,417	3,864
ANHRSDC receivable	14,486	68,727
Loan advances for construction	5,397	5,397
SAA receivable	98,024	98,630
Rent receivable - Article 95	39,036	52,708
Rent receivable - Band housing	159,282	183,740
Western Quebec School Board receivable	8,266	41,592
SOCICA - Receivable	126,658	-
Anishnabe Long Term Care Center (ALTCC)	18,709	-
Other accounts receivable	811,223	537,037
Allowance for doubtful accounts	3,376,247	3,719,878
	(234,841)	(226,960)
	3,141,406	3,492,918

4. Prepaid expenses

	2018 \$	2017 \$
Prepaid expenses - Post-Secondary	63,629	59,883
Prepaid expenses - Other	132,478	25,337
	196,107	85,220

5. Restricted cash and deposits

	2018 \$	2017 \$
In-Trust fund - Capital and revenues accounts	229,591	224,820
Replacement reserve fund (note 14) *	323,229	202,810
Operating reserve fund *	51,959	49,796
	604,779	477,426

* Under the agreement with CMHC, an annual amount for housing units must be invested 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 invested the total amount, it should have been respectively \$491,578 in 2018 (lack of \$168,349) and \$433,212 in 2017 (lack of \$230,402) for the replacement reserve. It should also be \$92,483 in 2018 (lack of \$40,524) for the operating reserve fund (sufficient in 2017).

Timiskaming First Nation
Notes to the consolidated financial statements
March 31, 2018

6. Capital assets

	Cost \$	Accumulated amortization \$	2018 Net book value \$	2017 Net book value \$
Land	278,712	-	278,712	129,005
Community buildings	16,926,640	5,305,869	11,620,771	10,036,347
Private Housing	10,333,602	5,378,362	4,955,240	4,870,423
Motorized equipment	2,643,040	1,136,329	1,506,711	1,318,510
Roadway system	8,552,464	5,875,633	2,676,831	2,303,514
Office and other equipment	1,412,506	842,796	569,710	578,390
Water and sanitation systems	9,142,928	1,731,024	7,411,904	6,653,191
	49,289,892	20,270,013	29,019,879	25,889,380

Assets under construction, included in Community buildings for an amount of \$117,453, are not amortized as at March 31, 2018.

7. Accounts payable and accrued liabilities

	2018 \$	2017 \$
Suppliers	1,836,863	2,002,316
District School Board Ontario North East	-	94,156
Anishnabe Long Term Care Center (ALTCC)	-	6,291
Salaries, vacation and pension plan	460,105	343,240
Remittances payable	79,306	73,720
Other	357,150	326,938
	2,733,424	2,846,661

8. Due to ISC - Health Branch

	2018 \$	2017 \$
Communicable Diseases (Annex 41)	-	24,728
Medical transportation	104,594	81,090
Home & Community Care	-	7
	104,594	105,825

9. Due to ISC

	2018 \$	2017 \$
Repairs - ISC (Annex 114)	-	51,544
Emergency Preparedness (Annex 131)	-	5,080
	-	56,624

Timiskaming First Nation
Notes to the consolidated financial statements
March 31, 2018

10. Deferred Revenue

	2018 \$	2017 \$
Post-Secondary Education (Annex 13)	46,621	276,589
Tuition Agreements (Annex 15)	233,027	-
Education Partnerships Program (EPP) (Annex 27)	16,761	-
Accreditation (Annex 34)	-	28,056
Regional Hep-C Coordinator (Annex 35)	10,863	5,404
Hep-C documentary (Annex 37)	-	7,910
Health Services Integration Fund (HSIF) (Annex 38)	64,663	45,000
Quarterly Meetings NNADAP (Annex 39)	9,465	7,095
Brighter Futures (Annex 43)	-	9,595
Jordan's Principle (Annex 44)	22,311	-
Diabetes Education (Annex 54)	36,925	-
Health Director (Management Support) (Annex 61)	-	46,397
Major Renovations Ext. & Repairs (Annex 63)	-	427,642
First Line Project (Annex 64)	-	21,422
Tobacco Reduction Program (Annex 66)	7,377	-
Prescription drug abuse (Annex 69)	30,610	-
Mental Health - Traditionnal Healer (Annex 70)	13,769	-
Head Start Program (FNHS) (Annex 71)	-	23,517
New Horizons - Anishnabe Tails (Annex 73)	-	16,380
Eco Center - Upgrade (Annex 78)	35,284	-
Biker's meet (Annex 80)	4,921	-
Cemetery (Annex 83)	-	16,474
Arena Paving (Annex 84)	-	165,438
Arena Extension (Annex 85)	-	100,000
Kiweni Extension (Annex 87)	483,300	-
Drinking Water Upgrade (Annex 89)	134,290	1,013,597
Education - Facilities O & M (Annex 90)	-	26,602
RRAR - 70 Richard's Rd. (Annex 107)	31,364	-
Makwa (Triplex 2) (annex 109)	12,572	-
7 Chevrier (Triplex) (Annex 110)	-	90,875
RRAP - 30 Algonquin Avenue (Annex 112)	-	2,434
RRAP - 68 Polson Street (Annex 113)	-	2,980
Repairs - ISC (Annex 114)	-	44,108
Emergency repair - ISC (Annex 115)	23,035	-
Advisory services - Housing (Annex 118)	27,900	-
Capital Planning Project Infrastructure - Housing (Annex 119)	115,719	59,816
Economic Development (Annex 122)	90,117	21,025
Natural Ressources & Heritage (Annex 132)	38,189	-
TFN's Activities (Annex 137)	23,175	14,788
FNQ - Initiative to Combat Poverty (Annex 140)	21,627	1,423
Parks Canada - Pow Wow Old Fort (Annex 142)	2,380	-
	1,536,265	2,474,567

Timiskaming First Nation
Notes to the consolidated financial statements
March 31, 2018

11. Long-term debt

	2018 \$	2017 \$
Loans from CMHC, 0.98 % to 2.08 %, guaranteed by ISC, payable by monthly instalments of \$300 to \$2,089, capital and interests, maturing from 2018 to 2041	1,656,873	1,809,940
Loan, 2.95 %, guaranteed by ISC, payable by monthly instalments of \$806, capital and interests, maturing in 2019	9,520	18,766
Loan, 2.56 %, guaranteed by a motorized equipment with a net book value of \$306,453, payable by monthly instalments of \$7,078, capital and interests, maturing in 2021	212,115	290,534
Loan, 3.33 %, guarantee by a movable hypothec (first ranking security interest in the universality of all present and future assets, corporeal and incorporeal), payable by monthly instalments of \$8,152, capital and interests, maturing in 2022	286,284	373,004
Loan from CMHC, 2.39 %, guaranteed by ISC, payable by monthly instalments of \$876, capital and interests, maturing in 2043	197,850	197,850
Loan in progress, approved by CMHC, with a term of 25 years, interest and other terms to be determined	233,500	-
Loan in progress, 5.5 %, guaranteed and repaid by the Secrétariat aux affaires autochtones by semi-annual repayments of \$ 46,296 principal and interest, amortized over 5 years	400,000	-
Current portion of long-term debt	2,996,142 (333,013) 2,663,129	2,690,094 (327,520) 2,362,574

Capital payments required in each of the next five years are as follows:

	\$
2019	333,013
2020	292,867
2021	238,364
2022	103,087
2023	96,479

12. Reserves

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

	2018 \$	2017 \$
Reserve for health contingencies	20,074	20,074
Reserve for bus depreciation	-	453,000
Reserve for Widjikiwe	18,070	63,227
Reserve for extension of the school	233,814	-
	271,958	536,301

13. Accumulated surplus

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

	2018 \$	2017 \$
Reserves	271,958	536,301
In-trust fund	229,591	224,820
Operating reserve fund	92,483	49,802
Replacement reserve	491,578	433,212
Net Investment in Capital Assets	26,023,737	23,199,286
Cumulative operating Surplus	8,825	180,910
	27,118,172	24,624,331

14. Replacement reserve

The main categories of external restrictions related to fund balances are as follows:

	2018 \$	2017 \$
Balance at beginning of the year	433,212	427,209
Add : Current year addition	50,841	51,230
Adjustment from CMHC	-	1,079
Interests earned	7,525	212
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	491,578	433,212

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.

Timiskaming First Nation
Notes to the consolidated financial statements
March 31, 2018

15. Segment disclosure

	Band Government		Administration	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenues :				
Federal government transfers	53,021	57,640	669,805	655,252
Provincial government transfers	-	-	-	-
Other revenues	3,670	7,389	431,890	507,623
Total revenues	56,691	65,029	1,101,695	1,162,875
Expenses				
Salaries and fringe benefits	34,929	35,296	549,796	606,976
Amortization	-	-	22,097	26,930
Other expenses	21,762	29,733	527,969	382,579
Total expenses	56,691	65,029	1,099,862	1,016,485
Annual surplus (deficit)	-	-	1,833	146,390

	Education		Health	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenues :				
Federal government transfers	4,183,378	4,126,072	3,163,278	4,194,208
Provincial government transfers	128,778	142,404	-	238,812
Other revenues	(74)	(200,451)	681,628	(291,496)
Total revenues	4,312,082	4,068,025	3,844,906	4,141,524
Expenses				
Salaries and fringe benefits	1,830,557	1,666,625	1,270,069	1,238,230
Amortization	67,418	58,758	126,536	32,651
Other expenses	2,397,410	2,352,727	1,411,671	1,072,017
Total expenses	4,295,385	4,078,110	2,808,276	2,342,898
Annual surplus (deficit)	16,697	(10,085)	1,036,630	1,798,626

Timiskaming First Nation
Notes to the consolidated financial statements
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15. Segment disclosure (continued)

	Public Works		Public Security	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenues :				
Federal government transfers	2,191,498	5,627,020	273,021	263,894
Provincial government transfers	-	165,000	241,147	238,400
Other revenues	995,650	663,543	15,278	3,634
Total revenues	3,187,148	6,455,563	529,446	505,928

Expenses				
	2018	2017	2018	2017
	\$	\$	\$	\$
Salaries and fringe benefits	555,233	509,378	396,319	394,762
Amortization	413,685	273,054	27,040	30,246
Other expenses	880,442	639,407	136,821	137,340
Total expenses	1,849,360	1,421,839	560,180	562,348
Annual surplus (deficit)	1,337,788	5,033,724	(30,734)	(56,420)

	Social Assistance		Housing	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenues :				
Federal government transfers	1,140,770	1,026,973	998,467	985,924
Provincial government transfers	-	-	-	-
Other revenues	(91,159)	(10,041)	236,761	(79,292)
Total revenues	1,049,611	1,016,932	1,235,228	906,632

Expenses				
	2018	2017	2018	2017
	\$	\$	\$	\$
Salaries and fringe benefits	116,758	120,880	108,485	105,232
Amortization	-	-	374,927	379,465
Other expenses	815,887	791,138	789,827	659,198
Total expenses	932,645	912,018	1,273,239	1,143,895
Annual surplus (deficit)	116,966	104,914	(38,011)	(237,263)

15. Segment disclosure (continued)

	Economic Development		Other	
	2018	2017	2018	2017
	\$	\$	\$	\$
Revenues :				
Federal government transfers	308,029	175,890	144,634	141,202
Provincial government transfers	90,000	131,595	83,000	83,000
Other revenues	2,456,725	2,182,036	466,328	445,378
Total revenues	2,854,754	2,489,521	693,962	669,580
Expenses				
Salaries and fringe benefits	614,148	541,321	282,005	331,960
Amortization	44,501	45,120	27,598	25,393
Other expenses	2,176,319	1,798,013	414,610	345,491
Total expenses	2,834,968	2,384,454	724,213	702,844
Annual surplus (deficit)	19,786	105,067	(30,251)	(33,264)
Total				
	2018		2017	
		\$		\$
Revenues :				
Federal government transfers	13,125,901		17,254,075	
Provincial government transfers	542,925		999,211	
Other revenues	5,196,697		3,228,323	
Total revenues	18,865,523		21,481,609	
Expenses				
Salaries and fringe benefits	5,758,299		5,550,660	
Amortization	1,103,802		871,617	
Other expenses	9,572,718		8,207,643	
Total expenses	16,434,819		14,629,920	
Annual surplus (deficit)	2,430,704		6,851,689	

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

	2018	2017
	\$	\$

Changes in non-cash operating working capital items

Accounts receivable	351,512	(353,059)
Prepaid expenses	(110,887)	(13,438)
Accounts payable and accrued liabilities	(113,237)	471,222
Due to ISC - Health Branch	(1,231)	49,149
Due to ISC	(56,624)	9,075
Deferred revenue	(938,302)	716,749
	(868,769)	879,698

Interest paid 43,599 49,683

18. Cumulative operating and Funds balances

The Cumulative operating and Funds balances as at March 31, 2018 does not take in consideration possible modifications following the review and analysis of the present consolidated financial statements by the ISC, the CMHC, the FNEC and ISC - Health Branch. Any adjustment, included deferred revenue, resulting from this analysis will be recorded in the current year as an adjustment in the Funds or the results.

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 9.5 % of the gross salary for the native employees and 7.2 % for the nonnative employees. The employer's contribution is 2 times the amount.

An expense of \$215,711 (\$200,742 in 2017) 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 ISC and due to ISC - Health Branch 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, 2018, the net book value of all financial instruments corresponded approximately to their fair value with the exception of the following item :

	Net Book Value	Fair Value
	\$	\$
Long-term debt	2 996 142	2 875 043

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.

Interest rate risk

The long-term debt mainly 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 \$750,000, bearing interests at prime (3.45 % as at March 31, 2018) plus 1.4 % is available. The credit facility is payable on demand and fluctuates regularly. A visa business card is also available to a maximum of \$ 100,000. These credit facilities are guaranteed by a moveable hypothec - all present and future obligations- in the amount of \$7,000,000 (first ranking security interest in the universality of all present and future assets, corporel and incorporel). No amount was used as at March 31, 2018.

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 its 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, 2018, the amount that should be reimbursed if the conditions are not repeated is \$184,287.

Timiskaming First Nation
Notes to the consolidated financial statements
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23. Expenses by object

	2018	2017
	\$	\$
Salaries	5,124,890	4,768,645
Fringe benefits	633,409	782,015
Administration fees	206,444	213,636
Amortization	1,103,802	871,617
Allocations	1,298,711	1,203,151
Bad debt	8,057	48,993
Council - Honoraries	44,097	49,750
Christmas Food & Toy Drive	2,500	3,204
Contracts	1,885,319	1,078,108
Contracts - Rental of equipment	167,570	100,476
Eating Healthly Education	64,705	56,183
Election expenses	-	5,568
Electricity	155,101	141,296
FNEC Membership fees	7,955	8,632
Insurances	114,244	107,630
Interests and bank charges	2,306	5,506
Interests on long-term debt	43,587	49,980
Maintenance	240,653	211,052
Material and supplies	2,025,221	1,872,110
Medical transportation	71,358	59,351
Professional fees	565,687	623,055
Professional fees (accounting support & consultants)	117,855	78,120
Professional fees (legal)	124,971	58,969
Purchase of fuel	107,929	100,932
Summer Camp	9,463	4,270
Telecommunication	123,029	123,312
Training	106,596	47,730
Transfer to replacement reserve	50,841	51,230
Travel expenses	502,379	434,248
Tuition fees	1,087,126	1,097,164
Workshops	258,967	249,576
Other expenses	180,047	124,411
	<u>16,434,819</u>	<u>14,629,920</u>

Timiskaming First Nation
Notes to the consolidated financial statements
March 31, 2018

24. Expenses by object - ISC Financial Reporting Requirements

	2018	2017
	\$	\$
Salaries	5,124,890	4,875,109
Fringe benefits	633,409	782,015
Administration fees	270,857	441,872
Amortization	1,103,802	871,617
Allocations	1,298,711	1,203,151
Bad debt	8,057	48,993
Council - Honoraries	44,097	49,750
Christmas Food & Toy Drive	2,500	3,204
Contracts	4,948,852	6,691,818
Contracts - Rental of equipment	167,570	100,804
Eating Healthly Education	64,705	56,183
Election expenses	-	5,568
Electricity	155,101	141,296
FNEC Membership fees	7,955	8,632
Insurances	114,244	107,630
Interests and bank charges	2,306	5,506
Maintenance	240,653	211,052
Material and supplies	2,564,641	2,118,299
Medical transportation	71,358	59,351
Professional fees	636,562	789,479
Professional fees (accounting support & consultants)	117,855	78,120
Professional fees (legal)	124,971	58,969
Purchase of capital assets	496,060	154,782
Purchase of fuel	107,929	100,932
Reimbursement of long-term debt	371,039	371,526
Summer Camp	9,463	4,270
Telecommunication	123,029	123,312
Training	106,596	47,730
Transfer to replacement reserve	50,841	51,230
Travel expenses	502,379	434,248
Tuition fees	1,087,126	1,097,164
Workshops	258,967	249,576
Other expenses	180,047	124,411
Transfer to Net Investment in Capital Assets	(4,234,301)	(6,516,133)
	<u>16,762,271</u>	14,951,466