

LAC SEUL FIRST NATION

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2016

LAC SEUL FIRST NATION
MARCH 31, 2016

COUNCIL

Chief	Clifford Bull
Councillors	Leonard Trout
	Gerald Kejick
	Elvis Trout
	Raymond Angeconebe
	Selina Vincent
	E. Derek Maud
	Donald Dean Ross
	Samantha Kejick

FIRST NATION ADMINISTRATION

Administration Finance Administrator	Roylene Ogemah
Social Services Finance Administrator	Ida Brisket
Education Director	Jennifer Manitowski
Education Finance Administrator	Dinah Maud
Health Director	Leroy Quoquat
Public Works Manager	William Quedent
Economic Development Manager	Barry King
Housing Manager	David Gordon
Human Resources Manager	Dorothy Trout
ODC Finance	Andrea Ignace
Social Director	Chris Lawson
Social Services Manager	Donna Ningewance
Economic Development Officer	Carol Goodwin

LAC SEUL FIRST NATION
INDEX
FOR THE YEAR ENDED MARCH 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

EXHIBIT

INDEPENDENT AUDITORS' REPORT	"A"
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	"B"
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS	"C"
CONSOLIDATED STATEMENT OF OPERATIONS	"D"
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT	"E"
CONSOLIDATED STATEMENT OF CASH FLOWS	"F"
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	"G"

LAC SEUL FIRST NATION
FINANCIAL STATEMENTS
MARCH 31, 2016

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Lac Seul First Nation are the responsibility of management and have been approved by Chief and Council.

Management is responsible for the integrity and objectivity of the financial statements. Estimates are necessary in the preparation of these financial statements and, based on careful judgments, have been properly reflected. Management has established systems of internal control, which are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for the preparation of financial information.

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

The consolidated financial statements have been audited by Holukoff Chiarella in accordance with Canadian generally accepted auditing standards on behalf of the Members. Holukoff Chiarella has full and free access to Council.



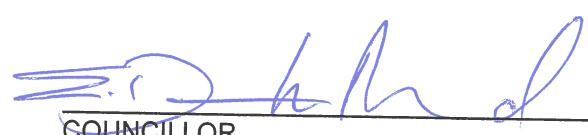
Jefford Charles
CHIEF



Donald Robb
COUNCILLOR



Levi T. D.
COUNCILLOR



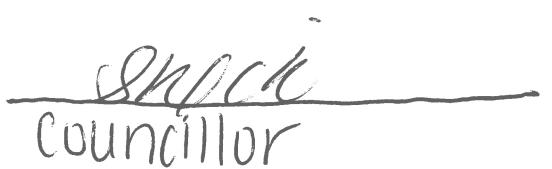
John D.
COUNCILLOR



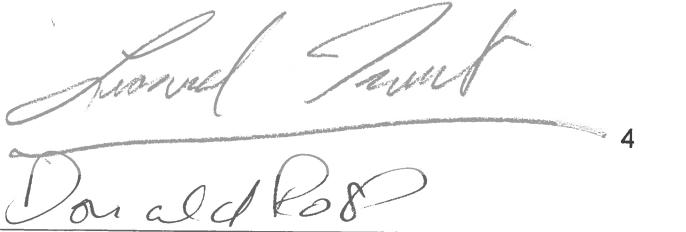
Selina Vincent
COUNCILLOR



Robert S. C.
COUNCILLOR



Shawnie
Councillor



Shawnie
Donald Robb

Holukoff Chiarella

CHARTERED ACCOUNTANTS

Kevin Masse, B.Comm. (Hons), C.A.
(Practising as Kevin Masse Chartered Accountant Ltd.)
Ralph Orr, B.Comm. (Hons), C.A.
(Practising as Ralph Orr Chartered Accountant Ltd.)

EXHIBIT "A"

101 - 1180 Pembina Highway
Winnipeg, Manitoba R3T 2A4
Telephone (204) 452-6449
Fax (204) 452-3397

INDEPENDENT AUDITORS' REPORT

To the Chief, Council and Members of
Lac Seul First Nation

We have audited the accompanying financial statements of Lac Seul First Nation, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statement of accumulated surplus, operations, change 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 Financial Statements

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

Auditors' Responsibility

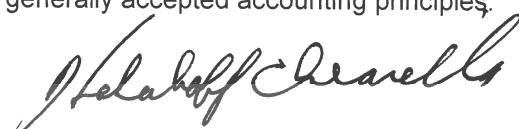
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate 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 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 Lac Seul First Nation as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



WINNIPEG, MANITOBA
August 22, 2016.

CHARTERED PROFESSIONAL ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2016

EXHIBIT "B"

	<u>2016</u>	<u>2015</u>
FINANCIAL ASSETS		
Cash	\$ 5,840,403	4,347,106
Restricted cash and trust funds, Note 2	369,906	314,238
Accounts receivable, Note 3	1,759,994	1,463,249
Long term investments, Note 4	<u>4,846,749</u>	<u>4,822,064</u>
	<u>12,817,052</u>	<u>10,946,657</u>
LIABILITIES		
Accounts payable and accrued liabilities, Note 5	3,351,674	2,084,969
Band trust funds refundable, Note 6	175,436	175,436
Deferred revenue, Note 7	2,821,494	2,975,551
Long term debt, Note 8	15,400,419	13,770,546
Native claims loan, Note 9	3,975,898	3,975,898
Reserves, Note 10	<u>1,294,809</u>	<u>1,048,985</u>
	<u>27,019,730</u>	<u>24,031,385</u>
NET DEBT	<u>(14,202,678)</u>	<u>(13,084,728)</u>
NON FINANCIAL ASSETS		
Goodwill	50,000	50,000
Inventory	18,763	18,711
Prepaid expenses		2,050
Tangible capital assets, Note 11	<u>56,136,208</u>	<u>56,884,462</u>
	<u>56,204,971</u>	<u>56,955,223</u>
ACCUMULATED SURPLUS, Exhibit "C", Note 12	\$ 42,002,293	43,870,495

APPROVED BY:

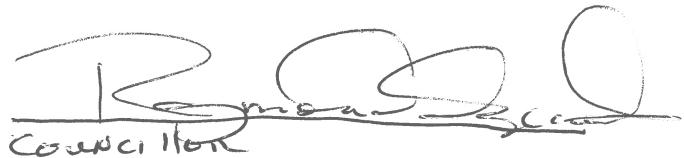

Chief


COUNCILLOR


COUNCILLOR


COUNCILLOR


COUNCILLOR


COUNCILLOR


COUNCILLOR

EXHIBIT "C"

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
BALANCE AT BEGINNING OF YEAR	\$ 43,870,495	45,896,847
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	<u>(1,868,202)</u>	<u>(2,026,352)</u>
BALANCE AT END OF YEAR	<u>\$ 42,002,293</u>	<u>43,870,495</u>

EXHIBIT "D"

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
ANNUAL SURPLUS (DEFICIT), OPERATIONS, Exhibit "D-2"	\$ (1,551,280)	(25,655)
ANNUAL SURPLUS (DEFICIT), TRUST/RESTRICTED, Exhibit "D-2"	<u>3,458</u>	<u>(193,835)</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	(1,547,822)	(219,490)
PRIOR YEAR ADJUSTMENT		36,383
WRITE-DOWN OF INVESTMENTS		(436,984)
TRANSFER TO TANGIBLE CAPITAL ASSETS	3,471,191	2,351,945
AMORTIZATION NOT EXPENSED IN OPERATIONS	<u>(3,791,571)</u>	<u>(3,758,206)</u>
ANNUAL SURPLUS (DEFICIT)	<u>\$ (1,868,202)</u>	<u>(2,026,352)</u>

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

		<u>2016</u>	<u>2015</u>
		<u>Budget</u>	<u>Actual</u>
REVENUE			
Federal Government			
AANDC	\$ 7,097,788	6,906,210	7,251,072
Health Canada Funding Agreements	1,669,696	1,797,063	1,800,503
Canada Mortgage and			
Housing Corporation	491,613	491,613	484,967
Provincial government	6,643,090	6,661,506	4,317,523
Ontario First Nations Limited Partnership	1,570,000	1,573,706	1,563,576
Other	<u>12,658,778</u>	<u>13,438,513</u>	<u>13,580,354</u>
	<u>30,130,965</u>	<u>30,868,611</u>	<u>28,997,995</u>
EXPENSES			
Band Management	1,391,611	1,575,840	1,489,875
Social Services	4,598,665	4,728,291	3,970,114
Capital	4,116,916	4,467,088	3,644,494
Education	4,319,953	4,120,375	3,759,358
Economic Development	89,500	89,500	89,500
Operations and Maintenance	1,825,815	2,027,657	2,124,681
Health Services	2,304,820	2,360,081	2,395,087
CMHC Housing	754,984	755,704	727,383
Operating Programs	2,048,364	1,539,600	1,783,295
Rentals/Capital Buildings		27,135	34,620
Ke-Nawind Housing Development Authority	1,328,216	1,426,345	1,335,027
Obishikokaang Resources Corporation	3,720,000	3,907,924	2,368,518
OFNLP	708,848	712,554	730,053
Lac Seul Generating Station LP	160,000	158,474	51,967
Lac Seul Settlement Fund	55,000	665,870	865,892
Obish Development	435,600	744,475	1,080,778
OPG Scholarship and Training		16	17
2361701 Ontario Inc.		2,077	4,613
Waaninaawagaang Developments LP	<u>2,747,379</u>	<u>2,999,033</u>	<u>2,658,362</u>
	<u>30,605,671</u>	<u>32,308,039</u>	<u>29,113,634</u>
ANNUAL SURPLUS (DEFICIT) BEFORE OTHER ITEMS	(474,706)	(1,439,428)	(115,639)
OTHER ITEMS			
Prior year adjustments			36,383
Write-down of Investments			(436,984)
Transfer to CMHC Operating Reserve		(108,394)	(103,851)
Transfer to tangible capital assets		3,471,191	2,351,945
Amortization	<u>—</u>	<u>(3,791,571)</u>	<u>(3,758,206)</u>
ANNUAL SURPLUS (DEFICIT)	\$ (474,706)	(1,868,202)	(2,026,352)

二二四

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2016

		Revenue			Transfers	
		AANDC	Other	Deferred	Total	Expenses
1	\$ 803,188	773,452		1,576,640	1,575,840	(17,473)
2	664,125	4,112,910		4,777,035	4,728,291	(112,776)
3	859,543	1,326,961	176,018	2,362,522	4,467,088	177,000
4	3,181,817	949,011	(106,024)	4,024,804	4,120,375	212,776
5	89,500			89,500	89,500	
6	1,206,067	647,855		1,853,922	2,027,657	(173,735)
7		2,283,704	18,187	2,301,891	2,360,081	(17,617)
8		864,098		864,098	864,098	
9	101,970	1,862,908	65,876	2,030,754	1,539,600	(130,085)
10		165,609		165,609	27,135	138,474
11		1,363,486		1,363,486	1,426,345	50,000
12		3,907,753		3,907,753	3,907,924	(171)
13		1,573,706		1,573,706	712,554	(861,152)
14		652,428		652,428	158,474	493,954
15		104,218		104,218	665,870	453,152
16		117,738		117,738	744,475	346,175
17					2,077	(2,077)
18		2,999,033		2,999,033	2,999,033	
	<u>6,906,210</u>	<u>23,704,870</u>	<u>154,057</u>	<u>30,765,137</u>	<u>32,416,917</u>	<u>100,000</u>
						<u>(1,551,280)</u>
Ontario Power Generation	19			100,092	16	(100,000)
Scholarship and Training		<u>3,382</u>		<u>3,382</u>		<u>3,382</u>
Ottawa Trust Funds		<u>103,474</u>		<u>103,474</u>	<u>16</u>	<u>3,458</u>
Total Trust / Restricted						
Grand Totals		<u>23,808,344</u>	<u>154,057</u>	<u>30,868,611</u>	<u>32,416,433</u>	<u>(1,547,822)</u>
Other Items						
Transfer to Tangible Capital Assets						
Amortization						
AANDC Funding Per Confirmation						
						<u>\$ 6,906,210</u>

EXHIBIT "E"

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
ANNUAL SURPLUS (DEFICIT), Exhibit "D"	\$ (1,868,202)	(2,026,352)
Acquisition of tangible capital assets	(3,472,596)	(7,127,889)
Amortization of tangible capital assets	4,220,850	4,272,769
Change in prepaid expenses and inventory	1,998	(2,212)
Change in goodwill	<u>_____</u>	<u>(50,000)</u>
(INCREASE) DECREASE IN NET DEBT	(1,117,950)	(4,933,684)
NET DEBT AT BEGINNING OF YEAR	<u>(13,084,728)</u>	<u>(8,151,044)</u>
NET DEBT AT END OF YEAR	\$ (14,202,678)	<u>(13,084,728)</u>

EXHIBIT "F"

LAC SEUL FIRST NATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2016

	<u>2016</u>	<u>2015</u>
OPERATING TRANSACTIONS		
Annual surplus (deficit), Exhibit "D"	\$ (1,868,202)	(2,026,352)
Add non-cash item		
Amortization	4,220,850	4,272,769
Net change in financial assets/liabilities and prepaid expenses		
Accounts receivable	(296,745)	1,265,471
Mortgage receivable		2,300,000
Goodwill		(50,000)
Prepaid expense and inventory	1,998	(2,212)
Accounts payable	1,266,705	988,509
Deferred revenue	(154,057)	153,141
Principal repayment of long term debt	(1,401,841)	(1,843,419)
	<u>1,768,708</u>	<u>5,057,907</u>
CAPITAL TRANSACTIONS		
Acquisition of tangible capital assets	<u>(3,472,596)</u>	<u>(7,127,889)</u>
FINANCING TRANSACTIONS		
Loan proceeds	<u>3,031,714</u>	<u>1,357,689</u>
INVESTING TRANSACTIONS		
Change in restricted assets	(55,668)	265,516
Change in reserves	245,824	78,360
Change in long term investments	(24,685)	1,103,045
	<u>165,471</u>	<u>1,446,921</u>
NET CHANGE IN CASH POSITION	1,493,297	734,628
CASH POSITION AT BEGINNING OF YEAR	<u>4,347,106</u>	<u>3,612,478</u>
CASH POSITION AT END OF YEAR	\$ <u>5,840,403</u>	<u>4,347,106</u>

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The First Nation is a non-profit, non-taxable entity and is engaged in the social, cultural, educational and economic development of members of Lac Seul First Nation.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for local government entities, as defined in the Public Sector Accounting and Auditing Handbook of the Institute of Chartered Professional Accountants.

a) Fund Accounting

The Lac Seul First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established. The various funds have been amalgamated for the purpose of presentation in the Consolidated Financial Statements. Details of the operations of each fund are set out in the supplementary statements. The First Nation maintains the following funds:

- The Operations Fund which reports the general activities of the First Nation,
- The Flood Claims Fund which reports the activities related to the flood claims of the First Nation,
- The Trust / Restricted Fund which reports on the activities of the OFNLP, Ontario Power Generation Scholarship and Training and AANDC Trust Funds of the First Nation.

b) Reporting Entity and Principles of Financial Reporting

Lac Seul First Nation reporting entity includes the Lac Seul First Nation government and all related entities which are accountable to the First Nation and are either owned or controlled by the First Nation.

These financial statements consolidate the assets, liabilities and results of operations for the following entities which use accounting principles which lend themselves to consolidation:

Lac Seul First Nation
Lac Seul CMHC Housing
Ke-Nawind Housing Development Authority
Lac Seul First Nation OFNLP
Obishikokang Resources Corporation
Waaninaawagaang Developments LP - unaudited
2361701 Ontario Inc. - unaudited

All inter-entity balances have been eliminated on consolidation, but in order to present the results of operations for each specific fund, transactions amongst funds have not necessarily been eliminated on the individual statements.

Incorporated business entities, which are not controlled by the First Nation and are not dependent on the First Nation, are recorded by the cost method.

Long-term investments in non-controlled entities are recorded at the lower of cost or net realizable value.

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

c) Tangible Capital Assets

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods and delivering services. The organization does not capitalize computer software.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artefacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

d) Net Debt/Net Financial Assets

The organization's financial statements are presented so as to highlight the net debt/net financial assets as a measurement of financial position. The net debt/net financial assets of the organization are determined by its financial assets less its liabilities.

e) Amortization

Capital assets recorded are amortized annually. Assets are amortized over their expected useful life using the straight-line method at the following rates:

Social housing	20 years
General housing	20 years
Buildings and improvements	25 years
General equipment	5 years
Infrastructure	25 years
Roads and bridges	25 years

In the year of acquisition, 50% of the normal amortization is recorded.

f) Deferred Revenue

Deferred revenue represents funding received or receivable under the terms of their respective funding arrangements for specified purposes and for which the related expenses have not been incurred. Unspent funding or expenses made which are not in accordance with the terms of the funding arrangements may constitute a debt to the funding authority upon review of the funding arrangement expenses. Note 8 contains a summary of deferred revenue by project.

g) Revenue Recognition

The First Nation follows the deferral method of account for restricted revenues. Revenues restricted by legislation, regulation or agreement and not available for general government purposes are deferred on the consolidated balance sheet. The revenue is recognized in the year in which it is used for the specified purpose. Unrestricted revenues are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

h) Reserves

The reserves accounts are funded by an annual charge against earnings as opposed to an appropriation of surplus.

i) Financial Instruments

The First Nation's financial instruments consist of cash, accounts receivable, investments, accounts payable, accrued liabilities, native claims loan and long-term debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximate their carrying charges.

Initial and subsequent measurement

The First Nation initially measures its financial assets and liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The First Nation subsequently measures all its financial assets and liabilities at cost or amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in the fair value of these financial instruments are recognized in net income in the period incurred.

Financial assets measured at amortized cost on a straight-line basis include cash, accounts receivable and investments.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, native claims loan and long-term debt.

Transaction costs

Transactions costs related to financial instruments that will be subsequently measured at fair value are recognized in net income in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in net income over the life of the instrument using the straight-line method.

j) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from management's best estimates as additional information becomes available in the future.

EXHIBIT "G"

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

2. RESTRICTED CASH AND TRUST FUNDS

	<u>2016</u>	<u>2015</u>
OFNLP Funds		
Bank	\$ 207,088	137,301
Ottawa Trust Funds	162,818	159,436
Ontario Power Generation Scholarship and Training	<u>_____</u>	<u>17,501</u>
	<u>\$ 369,906</u>	<u>314,238</u>

Changes in Ottawa Trust Funds during the year are as follows:

Balance at beginning of year	\$ 159,436	155,046
Interest	<u>3,382</u>	<u>4,390</u>
Balance at end of year	<u>\$ 162,818</u>	<u>159,436</u>

3. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
AANDC	\$ 149,791	26,453
Health Canada	93,530	25,275
CMHC	40,968	89,585
HST		32,712
Province of Ontario	404,028	338,331
Trade	1,015,531	892,128
Band members	<u>56,146</u>	<u>58,765</u>
	<u>\$ 1,759,994</u>	<u>1,463,249</u>

LAC SEUL FIRST NATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

4. LONG TERM INVESTMENTS

The First Nation has the following long term investments in non-controlled entities:

	<u>2016</u>	<u>2015</u>
Lac Seul GS LP		
Equity	\$ 4,321,000	4,391,000
Landmark Inn Limited Partnership		
3 Units	246,359	246,359
2137922 Ontario Ltd.		
3 Common shares	1,500	1,500
RBC Dominion Securities		
4,202,204 Shares Aurcrest Gold Inc. (M.V. \$84,054)	84,054	63,041
Cash account	291	291
566,778 Share Rubicon Minerals Corp. (M.V. \$118,444)	118,444	44,873
2361701 Ontario Inc.		
1	1	1
TDL Holdings		
100	100	100
Advance Aurcrest Gold Inc.		
	<u>75,000</u>	<u>75,000</u>
	 <u>\$ 4,846,749</u>	 <u>4,822,064</u>

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>2016</u>	<u>2015</u>
AANDC		
\$ 1,008,203	774,054	774,054
Health Canada		
294,835	4,473	4,473
Canada Revenue Agency - source deductions		
42,446	39,035	39,035
Canada Revenue Agency - HST		
528,241	400,102	400,102
Trade		
1,477,949	<u>867,305</u>	<u>867,305</u>
	 <u>\$ 3,351,674</u>	 <u>2,084,969</u>

6. BAND TRUST FUNDS REFUNDABLE

The Lac Seul First Nation has received funds for timber harvested on reserve. A portion of these funds are to be transferred to the Ottawa Trust Fund. No information has been provided since April 1, 2002. The balance of trust funds refundable as at March 31, 2016 remains at \$175,436.

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

7. DEFERRED REVENUE

Funding received or receivable in the current period to be applied against subsequent period programs are recorded as deferred revenue in the financial statements.

Deferred revenue consists of the following:

	Opening Balance Mar 31, 2015	Funding Received	Revenue Recognized	Closing Balance Mar 31, 2016
AANDC				
- Water Treatment Plant Upgrade	\$ 7,213	63,261	70,474	
- Frenchman's Head School	<u>104,098</u>		<u>32,878</u>	<u>71,220</u>
	111,311	63,261	103,352	71,220
Mining Strategy	135,927	984,287	1,120,214	
Wahsa	50,000	259,452	127,044	182,408
Outdoor Skills	40,000	14,000	14,000	40,000
Shooniyyaa Childcare	16,275	30,558	46,833	
Lac Seul Generating Station LP	1,101,028	652,428	652,428	1,101,028
Education Administration	100,000	176,113	276,113	
Lac Seul Peacekeepers	7,305	31,363	38,668	
MEDTI - Youth Skills Connections	92,000		92,000	
Brighter Future Initiatives	3,131	148,461	151,592	
Business Equity Fund	500,000			500,000
Micro Loan Fund	13,175		13,175	
Gold Corp - Tim Horton's	90,986			90,986
Frenchman's Head Soccer Field	111,507			111,507
Instructional Services	384,707	1,140,800	1,072,135	453,372
Student Awards	200,000	100,000	91,906	208,094
After School Program	3,143	37,134	40,277	
Health Services - Prevention/Promotion	15,056	419,767	434,823	
Community Recreational Activator		56,250	43,520	12,730
Aboriginal C Energy Project		<u>71,876</u>	<u>21,727</u>	<u>50,149</u>
	\$ 2,975,551	4,185,750	4,339,807	2,821,494

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

8. LONG TERM DEBT

	<u>2016</u>	<u>2015</u>
Instalment loan Royal Bank for construction of Kejick Bay Police Detachment, repayable \$1,105 monthly including interest at 4.5%, secured by Band Council Resolution and assignment of Lac Seul Police Services rents. Due December 27, 2015.	\$	8,655
Construction term loan - 2004/05 Housing and Safehouse Royal Bank repayable in monthly instalments of \$9,967 including interest at 4.45%, secured by Band Council Resolution, assignment of minor capital funds and rents. Due May 12, 2015.	413,117	513,048
Construction term loan - 2005/06 Log Cabins Royal Bank repayable in monthly instalments of \$3,100 including interest at 4.5%, secured by Band Council Resolution and assignment of Tikinagan rents. Due May 12, 2015.	154,084	183,973
Instalment loan - Royal Bank for Rona building improvements, interest at 4.3%, payable monthly. Principal due May 12, 2015.		200,000
Instalment loan - Royal Bank for various projects, repayable \$6,057 annually including interest at 3.25%, secured by Band Council Resolution.	329,808	
Instalment loan - Royal Bank for investment in Lac Seul GS LP, repayable \$23,786 monthly including interest at 3.39%, secured by Band Council Resolution and an irrevocable assignment of return on equity and/or revenue distributions from Lac Seul GS LP and a general security interest in all personal property of the First Nation due June 2, 2015.	881,190	1,129,565
Instalment loan - Royal Bank repayable \$37,916 monthly including interest at 4.1%, secured by Band Council Resolution and assignment of OFNLP funds. Due November 1, 2015.	3,021,848	3,349,984
Instalment loan - Royal Bank repayable \$5,746 monthly including interest at 6.375%, secured by Band Council Resolution. Due May 16, 2015.	264,936	359,373
Instalment loan - Royal Bank repayable \$7,012 monthly including interest at 3.25%, secured by Band Council Resolution. Due May 1, 2023.	537,406	

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

8. LONG TERM DEBT - continued

	<u>2016</u>	<u>2015</u>
Advances from CMHC for a 10 unit project to be converted to CMHC loan once project is completed	\$ 1,467,874	
Advances from CMHC for a 4 unit project to be converted to CMHC loan once project is completed	636,840	
CMHC Social Housing The First Nation obtained financing to build houses. Through this program the First Nation receives CMHC government assistance to operate the projects as rental units. These loans are secured by a guarantee from the Minister of Aboriginal Affairs and Northern Development Canada.		
CMHC Housing Mortgage, repayable \$2,138.66 monthly including interest at 2.04%, secured by a guarantee agreement with AANDC, maturing March 1, 2019.	178,712	200,540
CMHC Housing Mortgage, repayable at \$5,140.16 monthly including interest at 1.65%, secured by a guarantee agreement with AANDC, maturing June 1, 2017.	876,324	923,231
CMHC Housing Mortgage, repayable at \$3,157.12 monthly including interest at 1.71%, secured by a guarantee agreement with AANDC, maturing September 1, 2017.	545,110	573,478
CMHC Housing Mortgage, repayable at \$3,828.77 monthly including interest at 2.04%, maturing March 1, 2019.	693,418	724,977
CMHC Housing Mortgage, repayable at \$5,370.25 monthly including interest at 1.05%, maturing April 1, 2020.	1,115,206	1,168,676
CMHC Housing Mortgage, repayable at \$3,849.13 monthly including interest at 2.97%, maturing April 1, 2016.	698,630	723,862
CMHC Housing Mortgage, repayable at \$6,498.41 monthly including interest at 1.62%, maturing March 1, 2018.	1,445,202	1,499,429
CMHC Housing Mortgage, repayable at \$7,013.25 monthly including interest at 2.35%, maturing September 1, 2018.	1,473,854	1,523,012
CMHC Housing Mortgage, repayable at \$2,953.12 monthly including interest at 2.01%, maturing October 1, 2019.	<u>666,860</u> <u>15,400,419</u>	<u>688,743</u> <u>13,770,546</u>
Current portion	3,379,043	1,230,119
Term loans subject to refinancing	<u>6,994,440</u>	<u>5,535,943</u>
	<u>\$ 5,026,936</u>	<u>7,004,484</u>

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

8. LONG TERM DEBT - continued

Estimated principal repayments due in the next five years and thereafter based on the long term debt renewed on the maturity dates are as follows:

2017	\$ 3,379,043
2018	1,178,664
2019	1,106,493
2020	833,179
2021	588,278
Thereafter	<u>8,314,762</u>
	<u>\$ 15,400,419</u>

9. NATIVE CLAIMS LOAN AGREEMENT

The First Nation entered into a loan agreement with AANDC for funds to pursue its flood claim against the Federal Government. The loan is secured by a promissory note made by the First Nation payable to the Receiver General for Canada in the amount of the loan. The loan is repayable on the date on which the claim is settled. Once the claim is settled, the proceeds received to repay the loan will be recognized as revenue and will be applied to the cumulative balance of the expenditures incurred to the time of settlement. Negotiations have ceased and the First Nation is commencing legal action.

10. RESERVES

The First Nation establishes reserves for legal, contractual or voluntary basis as follows:

	<u>2016</u>	<u>2015</u>
Operating Fund Reserve - Social Housing		
- Post 1996 Section 95 Programs	\$ 658,203	549,809
Under the terms of the agreement with Canada Mortgage and Housing Corporation, any surplus remaining after the payment of all costs and expenses, including the allocation to the Replacement Reserve, should be retained by the First Nation in an Operating Fund Reserve. These funds, along with the accumulated interest, must be held 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 mutually agreed to by the First Nation and CMHC. The funds in this account may only be used for the ongoing operating costs of the project. Accordingly, future years' deficits may be recovered from this reserve. Withdrawals are credited to interest first and then principal.		

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

10. RESERVES, continued

	<u>2016</u>	<u>2015</u>
Replacement Reserve - Social Housing Agreements with Canada Mortgage and Housing Corporation provide for the accumulation of a replacement reserve.	\$ 464,563	377,133
Replacement Reserve - Education The First Nation has voluntarily set up a replacement reserve account for school bus replacement. Funded by allocation from student transportation.	75,819	25,819
Replacement Reserve - Frenchman's Head Wahsa Centre The First Nation has voluntarily set up a replacement reserve for repairs to the Wahsa distance education building at Frenchman's Head. Funded by allocation from Frenchman's Head distance education.	90,601	90,601
Vehicle and Equipment Reserve - Health The First Nation has voluntarily set up a replacement reserve for vehicle and equipment replacement. Funded by allocation from Home and Community Care.	5,623	5,623
The above reserves are unfunded at March 31, 2016.	\$ 1,294,809	<u>1,048,985</u>

LAC SEUL FIRST NATION
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

11. TANGIBLE CAPITAL ASSETS

		2016				
		Cost Mar. 31/15	Additions (Disposals)	Cost Mar. 31/16	Accumulated Amortization	Net Book Value
General equipment and vehicles	\$ 5,196,758	566,651	5,763,409	4,400,519	1,362,890	
Land improvements	898,159		898,159	420,104	478,055	
Buildings	31,947,692		31,947,692	9,679,756	22,267,936	
Infrastructure	13,575,316		13,575,316	7,723,394	5,851,922	
General housing	15,399,386		15,399,386	11,064,283	4,335,103	
Social housing	13,821,061		13,821,061	4,234,930	9,586,131	
Roads and bridges	11,561,063		11,561,063	2,822,735	8,738,328	
Franchise fee	680,442		680,442	70,544	609,898	
Assets under construction		<u>2,905,945</u>	<u>2,905,945</u>		<u>2,905,945</u>	
	\$ 93,079,877	3,472,596	96,552,473	40,416,265	56,136,208	

		2015				
		Cost Mar. 31/14	Additions (Disposals)	Cost Mar. 31/15	Accumulated Amortization	Net Book Value
General equipment and vehicles	\$ 4,327,160	869,598	5,196,758	3,652,071	1,544,687	
Land improvements	857,115	41,044	898,159	388,538	509,621	
Buildings	28,442,649	3,505,043	31,947,692	8,486,493	23,461,199	
Infrastructure	12,803,692	771,624	13,575,316	7,195,221	6,380,095	
General housing	15,399,386		15,399,386	10,516,136	4,883,250	
Social housing	12,636,561	1,184,500	13,821,061	3,548,142	10,272,919	
Roads and bridges	11,485,425	75,638	11,561,063	2,372,292	9,188,771	
Franchise fee		680,442	680,442	36,522	643,920	
Assets under construction						
	\$ 85,951,988	7,127,889	93,079,877	36,195,415	56,884,462	

Capital assets under construction are capitalized as expenditures are made. No amortization is taken until the projects are complete.

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

12. ACCUMULATED SURPLUS

A portion of this surplus balance includes surpluses and/or deficits from funds contributed by government agencies. Such surpluses/deficits may be subject to repayment or recovery by the contributing agencies, depending on the terms and conditions of the relevant agreements.

13. ECONOMIC DEPENDENCE

Lac Seul First Nation receives 27.6% (2015 - 31%) of its revenues from Aboriginal Affairs and Northern Development Canada ("AANDC") and First Nations and Inuit Health ("FNIH") as a result of Treaties entered into with the Government of Canada. These treaties are administered by AANDC and FNIH under the terms and conditions of the Indian Act. The ability of the Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

14. COMPARATIVE FIGURES

Certain comparative figures for the previous period have not been shown as the information is considered not to be meaningful for comparison with the current period.

The budget figures are unaudited.

15. RECONCILIATION OF AANDC FUNDING

AANDC funding per 2015/16 funding confirmation	\$ <u>6,906,210</u>
AANDC funding per Exhibit "D-1"	\$ <u>6,906,210</u>

16. FINANCIAL RISKS AND CONCENTRATION OF RISK

a) Credit risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The accounts receivable are mainly due from funders. There has been no change to the risk exposures from 2015.

LAC SEUL FIRST NATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

16. FINANCIAL RISKS AND CONCENTRATION OF RISK, continued

b) Liquidity risk

Liquidity risk is the risk that First Nation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The First Nation's exposure to liquidity risk is dependent on the collection of funding, collection of accounts receivable, purchasing commitments and obligations or raising of funds to meet commitments and sustain operations. Cash flow from operations provides a substantial portion of the First Nation's cash requirements. Additional cash requirements are provided by operating lines of credit as needed. Management is of the opinion that liquidity risk is not a significant risk and there has been no change to the risk exposures from 2015.

The First Nation's debt is structured with regularly recurring payments, secured by assets. Regularly recurring payments are required to service this debt, limiting the requirement to extinguish the debt in the short term. Interest rate fluctuations impact the cash flows but not to a significant effect.

c) Currency risk

The First Nation is not exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the First Nation does not normally have purchases and sales denominated in U.S. dollars. There has been no change to the risk exposure from 2015.

d) Interest Rate risk

The First Nation has long-term fixed rate debts. A change in the variable rate does not impact cash flows to service the debt when such debt is outstanding. There has been no change to the risk exposure from 2015 and there is expected to be no substantive change in the next fiscal period.

17. PENSION LIABILITIES

The First Nation remits its pension liabilities on a monthly basis and remittances were current at year-end. Pension liabilities are not maintained in a separate bank account.

18. SUBSEQUENT EVENTS

Subsequent to year-end the First Nation has negotiated a \$2.0 million loan for settlement negotiations and \$1.1 million for the Water Treatment Plant project.

In the fall of 2016 the First Nation will be proceeding with the Flood Claims' settlement process and negotiations.

EXHIBIT G

LAC SEUL FIRST NATION
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2016

18. SEGMENT DISCLOSURE

	Band Management		Social Services		Capital Programs	
	Budget	2016	Budget	2016	Budget	2016
REVENUE						
Federal government	\$ 827,118	827,118	812,111	661,005	652,907	961,513
Provincial government				4,050,061	4,112,910	3,388,899
Economic activities					2,489,000	2,477,501
Net income for investments in government business enterprises					306,000	217,738
Other revenue	<u>388,342</u>	<u>752,904</u>	<u>989,188</u>	<u>—</u>	<u>—</u>	<u>—</u>
TOTAL REVENUE	<u>1,215,460</u>	<u>1,580,022</u>	<u>1,801,299</u>	<u>4,711,066</u>	<u>4,777,035</u>	<u>4,071,022</u>
EXPENSES						
Honoraria	356,549	365,000	358,348		50,000	50,000
Chief and Councillors						4,999
Elders and Board Members	590,990	677,717	549,739	663,885	607,509	2,523,348
Wages and benefits		3,791,571	3,343,929		90,000	94,370
Amortization		(3,472,596)	(2,351,945)			2,379,120
Tangible Capital Assets						2,502,601
Interest	<u>444,072</u>	<u>534,528</u>	<u>1,392,276</u>	<u>3,934,780</u>	<u>4,054,393</u>	<u>197,012</u>
Other expenses						231,211
TOTAL EXPENSES	<u>1,391,611</u>	<u>1,896,220</u>	<u>3,292,347</u>	<u>4,598,665</u>	<u>4,728,291</u>	<u>3,970,114</u>
SURPLUS (DEFICIT) BEFORE TRANSFERS						<u>13,850,660</u>
	(176,151)	(316,198)	(1,491,048)	112,401	48,744	100,908
TRANSFERS						(567,447)
	<u>(36,741)</u>	<u>(17,473)</u>	<u>(206,741)</u>	<u>(114,517)</u>	<u>(112,776)</u>	<u>(73,923)</u>
ANNUAL SURPLUS (DEFICIT)	\$ (212,892)	(333,671)	(1,697,789)	(2,116)	(64,032)	26,985 (1,269,360)
						(1,325,303) (231,587)

EXHIBIT G

LAC SEUL FIRST NATION
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2016

18. SEGMENT DISCLOSURE, continued

	Education		Economic Development		Public Works	
	Budget	2016	Budget	2016	Budget	2016
REVENUE						
Federal government	\$ 3,292,773	3,184,763	3,469,005	89,500	89,500	1,181,597
Provincial government	104,029	108,229	31,621			1,206,067
Economic activities						1,223,084
Net income for investments in government business enterprises						
Other revenue	1,320,910	731,812	159,949	—	—	577,139
TOTAL REVENUE	4,717,712	4,024,804	3,660,575	89,500	89,500	1,758,736
EXPENSES						
Honoraria	49,998	50,065	4,999			
Chief and Councillors			1,720			
Elders and Board Members	1,807,145	1,688,724	1,549,895	44,650	44,589	62,326
Wages and benefits						
Amortization						
Tangible Capital Assets						
Interest	2,454,410	2,381,586	2,202,744	44,850	44,911	27,174
Other expenses						1,093,516
TOTAL EXPENSES	4,311,553	4,120,375	3,759,358	89,500	89,500	1,825,815
SURPLUS (DEFICIT) BEFORE TRANSFERS	406,159	(95,571)	(98,783)			
TRANSFERS	198,099	212,776	300,000	—	—	—
ANNUAL SURPLUS (DEFICIT)	\$ 604,258	117,205	201,217			
						(67,079)
						(173,735)
						(165,024)

EXHIBIT G

LAC SEUL FIRST NATION
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2016

18. SEGMENT DISCLOSURE, continued

	Health		CMHC & Housing Projects		Budget	2016	Total
	Budget	2016	Budget	2016			
REVENUE							
Federal government	\$ 1,669,696	1,797,063	1,800,503	491,613	491,613	484,967	9,150,885
Provincial government							6,643,090
Economic activities							306,000
Net income for investments in government business enterprises	555,773	504,828	584,609	1,642,476	1,735,971	1,548,615	14,035,270
Other revenue							3,382
TOTAL REVENUE	2,225,469	2,301,891	2,385,112	2,134,089	2,227,584	2,033,582	30,135,245
EXPENSES							
Honoraria							465,065
Chief and Councillors							368,346
Elders and Board Members							3,900
Wages and benefits	1,521,767	1,303,141	1,519,529	282,216	342,636	348,053	8,166,300
Amortization				332,632	332,632	307,578	422,632
Tangible Capital Assets							4,220,850
Interest							(3,472,596)
Other expenses	783,053	1,056,940	874,558	1,316,620	1,463,543	1,235,760	21,061,601
TOTAL EXPENSES	2,304,820	2,360,081	2,395,087	2,083,200	2,290,443	2,062,410	30,455,824
SURPLUS (DEFICIT) BEFORE TRANSFERS	(79,351)	(58,190)	(9,975)	50,889	(62,859)	(28,828)	(320,579)
TRANSFERS	(17,617)	(17,617)	22,500	50,000	50,000	(143,851)	(622,689)
ANNUAL SURPLUS (DEFICIT)	\$ (96,968)	(75,807)	12,525	100,889	(12,859)	(172,679)	(943,268)
							1,868,202
							(1,922,501)
							(103,851)
							1,868,202
							(2,026,352)