

(0476) 30-0005-15, 16 PRA

**DOYLE & COMPANY**  
CHARTERED ACCOUNTANTS

Allan J. Grykuliak, C.A.\*

Scott T. Mockford, C.A.\*

\* Operates as a Professional Corporation

11210 - 107 Avenue N.W. 2nd Flr

Edmonton, Alberta T5H 0Y1

Tel (780) 452-2300, Fax (780) 452-2335

July 28, 2016

**Indigenous and Northern Affairs Canada**  
630 Canada Place, 9700 Jasper Avenue  
EDMONTON, Alberta T5J 4G2

**Attention: Ms. Tammy Malcolm-Landry, Field Services Officer**

Dear Ms. Malcolm-Landry:

**Re: Loon River First Nation**

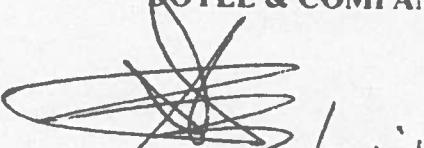
Please find enclosed, for publication, under the First Nation Financial Transparency Act (FNFTA)

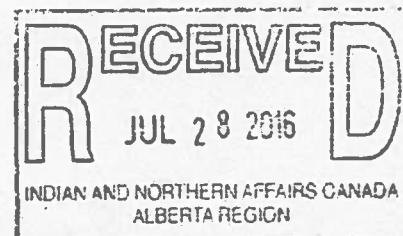
1. A copy, for your use, of the audited Financial Statements for the year ended March 31, 2016.
2. A copy, for your use, of the Schedule of Salaries, Honoraria, Travel and other Remuneration for Elected or Appointed Officials for the year ended March 31, 2016.

Should you have any questions regarding the foregoing, please do not hesitate to contact this office.

Yours truly,

**DOYLE & COMPANY**

  
A.J. Grykuliak, C.A.  
AJG/lk  
Enclosures



**LOON RIVER FIRST NATION**  
**Financial Statements**  
**For The Year Ended March 31, 2016**

**LOON RIVER FIRST NATION**  
**Financial Statements**  
**For The Year Ended March 31, 2016**

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Loon River First Nation Box 189 Red Earth Creek, AB T0G 1X0  
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## LOON RIVER FIRST NATION

MARCH 31, 2016

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of the Loon River First Nation are the responsibility of management and have been approved by the Chief and Administrator on behalf of First Nation.

The financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards. Financial statements are not precise since they include certain amounts based on estimates and judgment. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The First Nation maintains systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

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 financial statements have been audited by Doyle & Company in accordance with Canadian Auditing Standards on behalf of the members. Doyle & Company have full and free access to the Council.

Chief

Band Manager

# DOYLE & COMPANY

CHARTERED ACCOUNTANTS

Allan J. Grykuliak, C.A.\*  
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\* Operates as a Professional Corporation

11210 - 107 Avenue N.W. 2nd Flr  
Edmonton, Alberta T5H 0Y1  
Tel (780) 452-2300, Fax (780) 452-2335

## INDEPENDENT AUDITORS' REPORT

To the Chief and Council  
Loon River First Nation

We have audited the accompanying financial statements of Loon River First Nation, which comprise the Statement of Financial Position as at March 31, 2016 and the Change in Accumulated Surplus, Statements of Operations, Change in Net Financial Assets and the 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with Canadian Audit Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparations 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, these financial statements present fairly, in all material respects, the financial position of the The Nation as at March 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

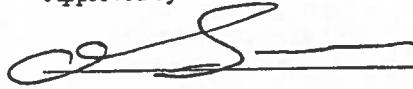
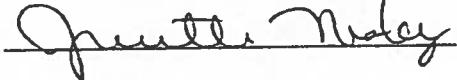
Edmonton, Alberta  
July 22, 2016

*Doyle & Company*  
Chartered Accountants

**LOON RIVER FIRST NATION**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2016**

	2016	2015
	\$	\$
<b>FINANCIAL ASSETS</b>		
Cash	6,657,727	6,784,515
Accounts Receivable (Note 3)	2,470,484	1,510,894
RBC Investment Account (Note 4)	754,598	603,834
Economic Development Loans	218,023	270,136
Investment In First Nation Owned Companies (Note 5)	9,208,067	10,816,613
Trust Account - Capital	12,625,743	18,939,864
Trust Account - Revenue	3,699,625	3,557,340
	<b>35,634,267</b>	<b>42,483,196</b>
<b>LIABILITIES</b>		
Accounts Payable (Note 8)	2,018,922	493,215
Deferred Revenue (Note 9)	6,695,691	5,059,149
Long Term Debt (Note 10)	4,450,845	4,982,790
	<b>13,165,458</b>	<b>10,535,154</b>
<b>NET FINANCIAL ASSETS (DEBT)</b>	<b>22,468,809</b>	<b>31,948,042</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible Capital Assets (Note 7)	42,832,214	36,864,694
Prepaid Expenses	75,630	91,077
Deferred Costs	26,657	6,448
Settlement Capital Account Funds (Note 6)	27,577,374	29,126,931
Settlement Revenue Account Funds	-	329
	<b>70,511,875</b>	<b>66,089,479</b>
<b>ACCUMULATED SURPLUS</b>		
<b>ACCUMULATED SURPLUS</b>	<b>49,077,942</b>	<b>46,413,057</b>
<b>EQUITY IN SETTLEMENT TRUST ACCOUNTS</b>	<b>27,577,374</b>	<b>29,127,260</b>
<b>EQUITY IN TRUST FUNDS</b>	<b>16,325,368</b>	<b>22,497,204</b>
	<b>92,980,684</b>	<b>98,037,521</b>

Approved by the First Nation:

 Chief  
 Band Manager

**LOON RIVER FIRST NATION**  
**STATEMENT OF CHANGES IN THE EQUITY ACCOUNTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

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**SETTLEMENT CAPITAL ACCOUNT NET ASSETS**

	2016 Budget \$	2016 Actual \$	2015 Actual \$
<b>REVENUE</b>			
Investment Income	900,000	995,147	1,158,293
<b>EXPENDITURES</b>			
Trust and Management Fees	210,000	209,174	212,620
Transfer to Settlement Revenue Account	520,000	787,576	592,616
	<b>730,000</b>	<b>996,750</b>	<b>805,236</b>
<b>REVENUE LESS EXPENDITURES</b>	<b>170,000</b>	<b>(1,603)</b>	<b>353,057</b>
<b>UNREALIZED GAIN (LOSS) IN MARKET VALUE</b>	<b>-</b>	<b>(1,547,954)</b>	<b>943,650</b>
<b>(DEFICIT) SURPLUS FOR THE YEAR</b>	<b>-</b>	<b>(1,549,557)</b>	<b>1,296,707</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>29,126,931</b>	<b>27,830,224</b>	
<b>NET ASSETS - END OF YEAR</b>	<b>27,577,374</b>	<b>29,126,931</b>	

**SETTLEMENT REVENUE ACCOUNT NET ASSETS**

	2016 Budget \$	2016 Actual \$	2015 Actual \$
<b>REVENUE</b>			
Transfer from Settlement Capital Account	520,000	787,576	592,616
<b>EXPENDITURES</b>			
Transfer to the Operating Accounts	520,000	787,905	592,616
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>-</b>	<b>(329)</b>	<b>-</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>-</b>	<b>329</b>	<b>329</b>
<b>NET ASSETS - END OF YEAR</b>	<b>-</b>	<b>-</b>	<b>329</b>

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The accompanying notes form part of these financial statements.

**LOON RIVER FIRST NATION**  
**STATEMENT OF CHANGES IN TRUST FUND ACCOUNTS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

			Capital \$	Revenue \$	Total \$
<b>BALANCES - BEGINNING OF YEAR</b>			18,939,864	3,557,340	22,497,204
<b>REVENUE</b>					
Interest Income			-	428,520	428,520
Royalties and Rental			2,781,391	411,662	3,193,053
			21,721,255	4,397,522	26,118,777
<b>BCR Number</b>	<b>Date Funds Released</b>	<b>Purpose of Expenditure</b>			
15/16-001	Jun 9/15	Administration	(A)	486,931	486,931
15/16-001	Jun 9/15	Chief & Coucil	(A)	908,266	908,266
15/16-001	Jun 9/15	Employment Officer	(A)	44,581	44,581
15/16-001	Jun 9/15	Training Centre	(A)	20,000	20,000
15/16-001	Jun 9/15	Finance	(A)	279,568	279,568
15/16-001	Jun 9/15	Medical Emergencies	(A)	-	30,000
15/16-001	Jun 9/15	Elders	(A)	-	124,160
15/16-001	Jun 9/15	Bussing	(B)	-	97,863
15/16-001	Jun 9/15	Public Works Admin.	(C)	1,032,329	1,032,329
15/16-001	Jun 9/15	Operations & Maintenance	(C)	484,428	484,428
15/16-001	Jun 9/15	Fire Protection	(C)	198,100	198,100
15/16-001	Jun 9/15	Sewage & Lift Station	(C)	75,586	75,586
15/16-001	Jun 9/15	Water Treatment Plant	(C)	100,983	100,983
15/16-001	Jun 9/15	Waste Transfer Site	(C)	130,000	130,000
15/16-001	Jun 9/15	Consultation	(D)	70,000	70,000
15/16-001	Jun 9/15	Housing Administration	(E)	159,075	159,075
15/16-001	Jun 9/15	Assisted Living	(F)	-	30,590
15/16-001	Jun 9/15	Summer Students	(G)	-	55,401
15/16-001	Jun 9/15	Youth	(G)	-	120,000
15/16-001	Jun 9/15	Daycare	(H)	-	239,883
14/15-015	Apr 24/15	Residential Subdivision	(I)	2,430,000	2,430,000
15/16-032	Feb 19/16	Intersection Dev. Costs	(J)	2,675,665	2,675,665
			9,095,512	697,897	9,793,409
<b>BALANCES - END OF YEAR</b>			12,625,743	3,699,625	16,325,368
<b>Location of Band Funds in Programs:</b>					
(A) - Administration			1,739,346	154,160	1,893,506
(B) - Education			-	97,863	97,863
(C) - Public Works			2,021,426	-	2,021,426
(D) - Consultation			70,000	-	70,000
(E) - Capital Housing and Maintenance Operations			159,075	-	159,075
(F) - Social Development - Programs			-	30,590	30,590
(G) - Youth and Summer Employment Programs			-	175,401	175,401
(H) - Daycare			-	239,883	239,883
(I) - Capital Projects			2,430,000	-	2,430,000
(J) - Loon River Truck Stop			2,675,665	-	2,675,665
			9,095,512	697,897	9,793,409

The accompanying notes form part of these financial statements.

LOON RIVER FIRST NATION  
 STATEMENT OF CHANGES IN ACCUMULATED SURPLUS  
 FOR THE YEAR ENDED MARCH 31, 2016

	2016			2015		
	Operating Assets	Net Enterprises	Equity in Business	Capital Assets	Equity in Tangible Assets	Total
	\$	\$		\$	\$	\$
<b>BALANCE - BEGINNING OF YEAR</b>	<b>1,014,170</b>	<b>10,816,613</b>		<b>34,291,938</b>	<b>270,136</b>	<b>46,413,057</b>
Excess of Revenues Over Expenditure	2,664,885	-	-	-	2,664,885	5,045,301
Net Advances to Business Enterprise	(3,261,266)	3,261,366	-	-	-	-
Net Earnings in Business Enterprises	4,870,012	(4,870,012)	-	-	-	-
CMHC loan advances during the year	89,284	-	(89,284)	-	-	-
Loan Principal Repayments During the Year	(121,229)	-	121,229	-	-	-
Capital Asset Acquisitions	(7,682,364)	-	7,682,364	-	-	-
Decrease in Economic Development Loans	52,113	-	(52,113)	-	-	-
Annual Amortization Expense	1,714,844	-	(1,714,844)	-	-	-
Change in Accumulated Surplus	(1,673,821)	(1,608,646)	5,999,465	(52,113)	2,664,885	5,045,301
<b>BALANCE - END OF YEAR</b>	<b>(639,451)</b>	<b>9,207,967</b>		<b>40,291,403</b>	<b>218,023</b>	<b>49,077,942</b>

The accompanying notes form part of these financial statements.

**LOON RIVER FIRST NATION**  
**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	2016 Budget \$	2016 Actual \$	2015 Actual \$
<b>REVENUE</b>			
Kee Tas Kee Now Tribal Council (KTC)	4,392,867	7,644,050	5,885,919
Health Canada	1,036,288	1,132,585	876,829
Band Trust Funds	4,687,744	9,793,409	10,291,743
Transfers-Settlement Revenue Account	520,000	612,079	592,616
First Nation Development Fund	-	355,010	614,154
First Nation Management and Economic Development	1,194,022	3,896,905	4,740,926
Other	234,269	639,706	769,217
Contributions Carried Forward From Prior Year	-	5,059,149	3,066,794
Contributions Carried Forward To Next Year	-	(6,695,691)	(5,059,149)
	<b>12,065,190</b>	<b>22,437,202</b>	<b>21,779,049</b>
<b>OPERATING EXPENSES</b>			
Administration	3,763,530	3,616,285	4,234,289
Education	2,359,038	2,733,832	2,515,153
Public Works	2,416,105	2,589,662	2,971,051
First Nations and Inuit Health Program	1,112,031	1,139,997	832,443
Capital Housing and Maintenance Operations	544,207	508,286	641,340
Social Services Programs	844,550	835,225	716,051
Social Services Administration	102,978	104,863	104,354
Aboriginal Skills and Employment Training Strategy	118,928	119,575	109,920
Early Childhood Intervention	-	46,631	46,150
Consultation Unit	264,269	417,189	338,335
Youth	192,402	224,522	127,960
Daycare	347,152	312,260	335,698
Capital Projects, Highway 88, and Canada North Camps	-	343,807	415,286
First Nation Development Fund	-	195,327	432,696
	<b>12,065,190</b>	<b>13,187,461</b>	<b>13,820,726</b>
<b>EXCESS (SHORTFALL) OF REVENUE OVER EXPENSE BEFORE OTHER</b>			
	<b>-</b>	<b>9,249,741</b>	<b>7,958,323</b>
<b>OTHER</b>			
Net earnings (Loss) in First Nation Owned Companies	-	(4,870,012)	(1,300,290)
Amortization	-	(1,714,844)	(1,612,732)
	<b>-</b>	<b>(6,584,856)</b>	<b>(2,913,022)</b>
<b>SURPLUS (DEFICIT) FOR THE YEAR</b>	<b>-</b>	<b>2,664,885</b>	<b>5,045,301</b>

The accompanying notes form part of these financial statements.

**LOON RIVER FIRST NATION**  
**STATEMENT OF CHANGES IN NET FINANCIAL ASSETS (DEBT)**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	2016 \$	2015 \$
<b>EXCESS (DEFICIT) OF REVENUE OVER EXPENSES</b>	<b>2,664,885</b>	<b>5,045,301</b>
Acquisition of Tangible Capital Assets	(7,682,364)	(4,961,886)
Decrease (Increase) in Prepaid Expenses and Deferred Costs	(4,762)	98,722
Amortization of Tangible Capital Assets	1,714,844	1,612,732
Increase (Decrease) in Trust and Investment Accounts	(6,171,836)	(2,663,290)
	(12,144,118)	(5,913,722)
<b>INCREASE IN NET ASSETS</b>	<b>(9,479,233)</b>	<b>(868,421)</b>
<b>NET FINANCIAL ASSETS, BEGINNING OF YEAR</b>	<b>31,948,042</b>	<b>32,816,463</b>
<b>NET FINANCIAL ASSETS, END OF YEAR</b>	<b>22,468,809</b>	<b>31,948,042</b>

The accompanying notes form part of these financial statements.

**LOON RIVER FIRST NATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	2016	2015
	\$	\$
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from funding agencies and operations for the year	23,114,154	24,030,789
Cash paid to suppliers and employees	(11,597,130)	(13,693,760)
Interest paid	(168,137)	(47,148)
	<b>11,348,887</b>	<b>10,289,881</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Long term debt obtained	89,284	2,845,671
Principal repayments of long term debt	(621,229)	(117,757)
	<b>(531,945)</b>	<b>2,727,914</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Advances from (to) First Nation Enterprises	(3,261,366)	(3,714,799)
Purchase of capital assets	(7,682,364)	(4,961,886)
	<b>(10,943,730)</b>	<b>(8,676,685)</b>
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	<b>(126,788)</b>	<b>4,341,110</b>
<b>CASH - Beginning of year</b>	<b>6,784,515</b>	<b>2,443,405</b>
<b>CASH - End of year</b>	<b>6,657,727</b>	<b>6,784,515</b>

**LOON RIVER FIRST NATION**  
**SCHEDULE 1- INDIVIDUAL PROGRAMS**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	Tribal Council Funds	Band Trust Funds	Other Revenue	Deferred Revenue From Prior Year	Deferred Revenue To Next Year	Total Revenue	Operating Expenditures	Capital Expenditures and Loan Principal Repayments	Total Expenditures	Net Transfer In(Out)	Current Year's Surplus (Deficit)
Administration	655,455	1,893,506	612,079	-	-	3,161,040	3,616,285	-	3,616,285	455,245	-
Education	2,137,193	97,863	-	-	-	2,235,056	2,731,832	-	2,731,832	498,776	-
First Nation Management and Economic Development	-	-	-	-	-	-	-	-	-	-	-
Public Works	864,384	2,021,426	1,896,905	13,841	(296,148)	3,910,746	2,589,662	-	2,589,662	1,416,167	1,494,379
First Nations and Inuit Health Program	192,599	159,073	1,122,585	36,181	(77,000)	1,691,766	1,139,997	-	1,139,997	-	(48,231)
Capital Housing and Maintenance Operations	900,008	30,590	143,927	-	-	495,601	308,286	121,239	629,515	133,914	-
Social Development - Programs	102,910	-	-	-	-	930,598	835,225	-	835,225	(98,373)	-
Social Development - Administration	-	-	-	-	-	102,910	104,863	-	104,863	1,953	-
Aboriginal Skills and Employment Training Strategy (A.S.E.T.S)	119,575	-	-	-	-	119,575	119,575	-	119,575	-	-
Early Childhood Intervention	-	-	46,150	-	-	46,150	46,631	-	46,631	481	-
Consultation Unit	-	70,000	134,269	-	-	204,269	417,189	-	417,189	212,920	-
Youth and Summer Employment	21,091	175,401	-	-	-	196,494	224,532	-	224,532	28,028	-
Daycare	107,269	239,813	-	-	-	312,260	312,260	-	312,260	-	-
Capital Projects	1,625,344	2,430,000	315,360	393,376	(34,892)	2,833,671	2,678,529	3,022,316	2,678,529	188,663	-
First Nation Development Fund	-	355,010	226,069	(11,930,409)	(383,752)	195,377	195,377	-	195,377	193,377	-
Highway 88	-	-	-	548,998	185,516	-	-	-	-	991,758	-
Canada North Camps	-	-	-	3,840,684	3,840,684	-	-	-	-	(3,840,684)	-
Loon River Truck Stop	918,220	2,675,666	-	-	(3,609,048)	(14,163)	-	-	-	3,826,521	-
	7,644,050	9,793,409	6,634,285	5,059,149	(6,695,691)	22,437,202	13,187,461	7,801,593	20,991,054	-	1,446,143

The accompanying notes form part of these financial statements.

**LOON RIVER FIRST NATION**  
**SCHEDULE 2 - CONSOLIDATED EXPENDITURES BY OBJECT**  
**FOR THE YEAR ENDED MARCH 31, 2016**

	2016 Budget \$	2016 Actual \$	2015 Actual \$
Salaries, wages and benefits	5,197,748	5,391,320	5,037,599
Contracted and general services	2,908,785	3,769,594	3,919,745
Materials, goods and utilities	3,546,657	3,604,466	4,216,850
Bank charges and interest	132,000	130,381	65,732
Per Capita Distribution	300,000	291,700	580,800
	<b>12,085,190</b>	<b>13,187,461</b>	<b>13,820,726</b>

# LOON RIVER FIRST NATION

## SCHEDULE 3 - TANGIBLE CAPITAL ASSETS FOR THE YEAR ENDED MARCH 31, 2016

	Buildings & Improvements	Vehicles & Equipment	Roads, Street & Bridges	Water & Sewer	Band & CMHC Housing	Highway 88 Project	2016	2015
<b>COST:</b>								
Balance, Beginning of Year	15,855,949	2,125,322	3,482,064	7,412,283	20,528,718	8,510,318	57,914,654	52,952,769
Acquisition of tangible capital assets	6,076,098	105,205	-	143,620	180,128	1,177,314	7,682,365	4,961,886
Disposal of tangible capital assets	-	(40,679)	-	-	-	-	(40,679)	-
Balance, End of Year	21,932,047	2,189,848	3,482,064	7,555,903	20,708,846	9,687,632	65,556,340	57,914,655
<b>ACCUMULATED AMORTIZATION:</b>								
Balance, Beginning of Year	8,715,673	1,177,829	1,503,312	2,735,660	6,917,487	-	21,049,961	19,437,229
Current year amortization	550,480	294,049	99,180	257,917	513,218	-	1,714,844	1,612,732
Accumulated amortization on disposals	-	(40,679)	-	-	-	-	(40,679)	-
Balance, End of Year	9,266,153	1,431,199	1,602,492	2,993,577	7,430,705	-	22,724,126	21,049,961
<b>NET BOOK VALUE</b>	<b>12,665,894</b>	<b>758,649</b>	<b>1,879,572</b>	<b>4,562,326</b>	<b>13,278,141</b>	<b>9,687,632</b>	<b>42,832,214</b>	<b>36,864,694</b>

The accompanying notes form part of these financial statements.

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**MARCH 31, 2016**

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**1. SCOPE OF FINANCIAL STATEMENTS**

These financial statements include the combined operations of Loon River First Nation and the Loon River Company A, Loon River Company B, Loon River Company C, Loon River Company D, Loon River Company E, Loon River Company F, Loon River Company G, Loon River Company H, Loon River Company I, which are owned and controlled by Loon River First Nation and are not dependent on the First Nation for their continuing operations, are included in these financial statements using the modified equity method.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Loon River First Nation are the representations of management prepared in accordance with generally accepted accounting principles for local governments established by the Canadian Public Sector Accounting Board of the Chartered Professional Accountants of Alberta. Significant aspects of the accounting policies adopted by Loon River First Nation are as follows:

**(a) Tangible capital Assets**

Tangible capital assets are recorded at cost which includes all amounts that directly attributable to acquisition, construction, development and betterment of the asset.

**(b) Amortization**

The cost, less residual value, of the tangible capital assets is amortized on a straight-line basis over the estimated useful life as follows:

	Years
Buildings and leasehold improvement	25-40
Vehicle and equipment	5-10
Roads, streets, and bridges	20-40
Water and sewer	10-50
Band housing	40
CMHC housing	40
Rental units	40

The Highway 88 project and residential subdivision is an asset under construction and will not be amortized until construction is complete.

**(c) Revenue Recognition**

Revenue is recorded in the period specified in the funding agreements entered into with Government Agencies and other organizations. Assistance received in advance of making the related expenditure and restricted by the funding agency is deferred.

**(d) Settlement Capital Account and RBC Investment Account Investments**

Settlement Capital Account and RBC Investment Account investments are recorded at market value.

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(e) Financial Instruments**

The First Nation's financial instruments consist of cash, accounts receivable, investments in affiliated companies, RBC investment account, economic development loans, capital account and revenue account funds, bank indebtedness, accounts payable and long-term debt. It is management's opinion that the First Nation is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair market value of these financial instruments approximates their carrying values.

**(f) Measurement Uncertainty**

The preparation of 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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(g) Trust Funds**

First Nation trust funds are included as revenue in these statements only to the extent they have been received from the First Nation's trust funds. The amounts on deposit with the Government of Canada are audited by the Auditor General of Canada.

A fund basis of accounting is followed. Related revenue and expenditures are grouped into funds, based upon their use.

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**3. ACCOUNTS RECEIVABLE**

	2016	2015
	\$	\$
Accounts receivable consists of:		
Accounts receivable - KTC	1,931,512	784,907
First Nation Development Fund	118,115	228,437
Staff member advances	47,103	47,072
Industry	249,290	116,411
G.S.T. recoverable	210,859	150,907
Accounts receivable - Other	138,605	458,160
	<u>2,695,484</u>	<u>1,785,894</u>
Less: Allowance for doubtful accounts	225,000	275,000
	<u>2,470,484</u>	<u>1,510,894</u>

**4. RBC INVESTMENT ACCOUNT**

The RBC Investment Account consists of funds that are managed by RBC Dominion Securities Inc. These funds are recorded at market value.

The contents of this account are as follows:

	2016		2015	
	Cost	Market Value March 31/16	Cost	Market Value March 31/15
	\$	\$	\$	\$
Cash	5,374	5,374	27,427	27,427
Common shares and mutual funds	628,861	749,224	420,682	576,407
	<u>634,235</u>	<u>754,598</u>	<u>448,109</u>	<u>603,834</u>

Shares and mutual funds are held in companies listed on stock exchanges.

The fair market value of the stock portfolio may fluctuate as a result of changes in market stock prices that may be caused by factors specific to an individual security or its issuer, or factors affecting some or all securities traded in the market.

**LOON RIVER FIRST NATION**  
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**5. INVESTMENT IN FIRST NATION OWNED COMPANIES**

	March 31 2016	March 31 2015
	\$	\$
<b>(a) Loon River Company A</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	10	10
Advances to (from)	8,468,852	7,703,742
Accumulated net (losses) earnings	(5,814,689)	(1,635,975)
	<b>2,654,173</b>	<b>6,067,777</b>
<b>(b) Loon River Company B</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	7,728,114	6,642,284
Management fees receivable	-	-
Accumulated net (losses) earnings	(3,127,483)	(2,178,443)
	<b>4,600,731</b>	<b>4,463,941</b>
<b>(c) Loon River Company C</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	1	1
Advances to (from)	(179,177)	(221,816)
Accumulated net (losses) earnings	796,798	557,369
	<b>617,622</b>	<b>335,554</b>
<b>(d) Loon River Company D</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	486,860	241,435
Accumulated net (losses) earnings	(245,933)	(169,685)
	<b>241,027</b>	<b>71,850</b>

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5.. INVESTMENT IN FIRST NATION OWNED COMPANIES (continued)**

	March 31 2016 \$	March 31 2015 \$
<b>(e) Loon River Company E</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	38,614	67,489
Accumulated net (losses) earnings	<u>58,055</u>	<u>30,328</u>
	<u>96,769</u>	<u>97,917</u>
<b>(f) Loon River Company F</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	90,000	21,241
Accumulated net (losses) earnings	<u>(165,607)</u>	<u>(243,267)</u>
	<u>(75,507)</u>	<u>(221,926)</u>
<b>(g) Loon River Company G</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	100
Advances to (from)	382,905	1,400
Accumulated net (losses) earnings	<u>(10,590)</u>	<u>-</u>
	<u>372,415</u>	<u>1,500</u>
<b>(h) Loon River Company H</b>		
Investment in shares at cost		
100 Class A shares - 100% ownership	100	-
Advances to (from)	700,974	-
Accumulated net (losses) earnings	<u>(237)</u>	<u>-</u>
	<u>700,837</u>	<u>-</u>
<b>TOTAL</b>	<b>9,208,067</b>	<b>10,816,613</b>

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. INVESTMENT IN FIRST NATION OWNED COMPANIES (continued)**

March 31, 2016 unaudited financial information for Loon River Company A is as follows:

	March 31 2016	March 31 2015
	\$	\$
Assets	4,701,189	4,467,054
Liabilities	11,203,627	9,718,488
Revenue	6,936,689	7,636,262
Net earnings (loss) for the period	(944,701)	(1,281,263)

March 31, 2016 unaudited financial information for Loon River Company B is as follows:

	March 31 2016	March 31 2015
	\$	\$
Assets	5,734,221	6,591,673
Liabilities	9,685,274	9,427,684
Revenue	5,491,134	8,671,553
Net earnings for the year	(1,721,757)	(2,260,332)

March 31, 2016 unaudited financial information for Loon River Company C is as follows:

	March 31 2016	March 31 2015
	\$	\$
Assets	917,076	640,158
Liabilities	120,277	82,789
Revenue	405,667	829,177
Net earnings (loss) for the year	239,431	209,199

March 31, 2016 unaudited financial information for Loon River Company D is as follows:

	March 31 2016	March 31 2015
	\$	\$
Assets	568,285	374,483
Liabilities	814,118	544,068
Revenue	12,129	20,660
Net earnings (loss) for the year	(76,248)	(104,263)

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**5. INVESTMENT IN FIRST NATION OWNED COMPANIES (continued)**

March 31, 2016 unaudited financial information for Loon River Company E is as follows:

	March 31 2016	March 31 2015
	\$	\$
Assets	133,514	502,614
Liabilities	121,908	509,503
Revenue	310,327	545,063
Net earnings (loss) for the year	(16,716)	30,328

March 31, 2016 unaudited financial information for Loon River Company F is as follows:

	March 31 2016	March 31 2015
	\$	\$
Assets	2,107,430	1,353,886
Liabilities	2,272,937	1,597,053
Revenue	3,024,678	2,661,752
Net earnings (loss) for the year	77,660	(243,267)

March 31, 2016 unaudited financial information for Loon River Company G is as follows:

	March 31 2016	March 31 2015
	\$	\$
Assets	373,209	-
Liabilities	383,699	-
Net earnings (loss) for the year	(10,590)	-

March 31, 2016 unaudited financial information for Loon River Company H is as follows:

	March 31 2016	March 31 2015
	(9 Months)	\$
	\$	\$
Assets	1,400,836	-
Liabilities	1,400,973	-
Net earnings (loss) for the year	(237)	-

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**6. SETTLEMENT CAPITAL AND REVENUE ACCOUNT FUNDS**

As a result of the Loon River Cree Treaty Settlement Agreement (TSA)(1998) with the Government of Canada, a Settlement Capital Account was established in the amount of approximately \$21,500,000. The purpose of these funds is to provide the First Nation with investments that will result in a source of income for its current and all future generations.

To manage and protect these funds on behalf of the First Nation a Banking Agreement was signed as part of the Treaty Settlement Agreement. This Banking Agreement restricts the use of the Settlement capital account to the following:

1. the purchase of authorized investments
2. a one time per capita distribution up to a maximum of \$1,200,000
3. a loan of up to \$10,000,000 to Loon River Energy Corp. for the acquisition of oil and gas interests on the Loon River Territory.

On April 1 each year 80% of the annual return on the Settlement Capital Account will be paid to a special Settlement Revenue Account. Expenditures from this Revenue Account can be made for items that are of benefit to the First Nation and approved by the membership through the budget process and approved by Band Council Resolution.

After April 1, 2004 additional expenditures can be made out of the Settlement Capital Account where a BCR is prepared, approval from 75% of the eligible voters is obtained by special referendum and the expenditure does not exceed 10% of the market value of the Settlement Capital Account.

The Settlement Capital Account funds are managed by RBC Dominion Securities Inc. The contents of this account are as follows:

	<b>2016</b>		<b>2015</b>	
	<b>Cost</b>	<b>Market Value March 31/16</b>	<b>Cost</b>	<b>Market Value March 31/15</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and short term notes	<b>6,655,079</b>	<b>6,655,079</b>	<b>142,828</b>	<b>142,828</b>
Fixed income bonds	<b>8,672,625</b>	<b>9,506,788</b>	<b>14,854,244</b>	<b>16,126,997</b>
Equity investments	<b>8,106,581</b>	<b>11,415,507</b>	<b>8,411,656</b>	<b>12,857,106</b>
	<b>23,434,285</b>	<b>27,577,374</b>	<b>23,408,728</b>	<b>29,126,931</b>

Fixed income bonds consist of corporate and provincial bonds that bear interest at rates from 1.84% to 7.77%. Shares are held in companies listed on stock exchanges.

The Trust is exposed to the risk that fair market values of fixed income bonds may fluctuate due to fluctuations in interest rates. The fair market value of the Trust's stock portfolio may fluctuate as a result of changes in market stock prices that may be caused by factors specific to an individual security or its issuer, or factors affecting some or all securities traded in the market.

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**7. TANGIBLE CAPITAL ASSETS**

	2016	2015		
	Cost \$	Accumulated Amortization \$	Net Book Value \$	Net Book Value \$
Buildings and leasehold	21,932,046	9,266,153	12,665,893	7,140,277
Vehicle and equipment	2,189,848	1,431,199	758,649	947,493
Roads, streets and bridges	3,482,064	1,602,492	1,879,572	1,978,752
Water and sewer	7,555,903	2,993,577	4,562,326	4,676,623
Band housing	15,869,116	6,125,469	9,743,647	9,955,744
CMHC housing	3,964,730	749,786	3,214,944	3,314,062
Rental Units	875,000	555,450	319,550	341,425
Highway 88 Project	9,687,633	-	9,687,633	8,510,318
	<b>65,556,340</b>	<b>22,724,126</b>	<b>42,832,214</b>	<b>36,864,694</b>

**8. ACCOUNTS PAYABLE**

	2016	2015
	\$	\$
Accounts Payable consist of:		
Trade accounts payable to related parties	366,228	-
Payroll liabilities	41,161	52,316
Trade accounts payable and accruals - other	1,611,533	440,899
	<b>2,018,922</b>	<b>493,215</b>

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. DEFERRED REVENUE**

	2016	2015
	\$	\$
Deferred revenue consists of:		
<b>Health Canada</b>		
- Public health nursing service		
delivery and support service services clerk	77,000	-
- Operations and maintenance	-	100
- HIV	-	5,000
- Aboriginal diabetes	-	200
- Support	-	30,881
	<b>77,000</b>	<b>36,181</b>
<b>Capital Trust Funds</b>		
- Public Works funding not spent as at March 31	296,148	-
- Daycare funding not spent as at March 31	34,892	-
- Capital Project funding not spent as at March 31		
Bridge Repairs	46,894	46,894
Highway 88 Project	363,442	548,998
Canada North Camps	-	3,840,684
School bus and public works water trucks	-	152,315
Residential Subdivision	1,761,963	-
Loon River Company H	3,608,048	-
	<b>6,111,387</b>	<b>4,588,891</b>
<b>Capital Projects</b>		
- Treaty 7 - Continuing Care Elders Project	86,547	50,547
- Government of Alberta - Governance Restructure Project	35,005	-
- KTC - Lift Station Upgrade	-	143,620
	<b>121,552</b>	<b>194,167</b>
<b>First Nation Development Fund</b>		
- Project 10470 (Bridge deck replacement)	26,725	26,725
- Project 11492 (House Renovations)	22,316	199,344
- Project 12145 (Clarence Jaycox School Improvements)	15,745	-
- Project 12146 (Wellness Building Renovations)	15,642	-
- Project 12147 (Outdoor Rink Upgrades)	115,975	-
- Project 12148 (New Ball Diamond)	100,000	-
- Project 12149 (Water treatment plant pilot project)	89,349	-
	<b>385,752</b>	<b>226,069</b>
<b>Other</b>		
-Harvest operator training contributions to be carried forward	-	13,841
<b>TOTAL DEFERRED REVENUE</b>	<b>6,695,691</b>	<b>5,059,149</b>

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**10. LONG-TERM DEBT**

	2016 \$	2015 \$
Long-term debt consists of the following:		
Prime +1% CIBC demand instalment loan repayable at \$500,000 annually plus interest due September 2020	2,000,000	2,500,000
1.85% CMHC mortgage repayable at \$1,288 per month due August 2034	438,280	345,671
1.67% CMHC mortgage repayable at \$2,530 per month due June 2028	336,763	361,330
1.67% CMHC mortgage repayable at \$6,958 per month due June 2028	926,085	993,646
1.85% CMHC mortgage repayable at \$1,408 per month due August 2034	244,888	255,945
2.63% CMHC mortgage repayable at \$1,391 per month due August 2034	241,684	252,597
2.68% CMHC mortgage repayable at \$1,424 per month due February 2036	263.145	273,601
	<u>4,450,845</u>	<u>4,982,790</u>
Less current portion of long-term debt	2,571,507	3,021,920
	<u>1,879,338</u>	<u>1,960,870</u>

The CIBC demand instalment loans are secured by a BCR authorizing the borrowing and a letter of agreement assigning interest income from the Settlement Capital Accounts being managed by CIBC Retail Markets and all present and after acquired personal property.

The construction loans are secured by Ministerial Guarantees. The First Nation has entered into five year agreements with Canada Mortgage and Housing Corporation to subsidize the average interest rates to the extent required to reduce the effective net interest rate to 2%.

Interest paid on long-term debt amounted to \$168,137 during the year.

Future principal repayments on long-term debt are estimated as follows:

	\$
2017	571,507
2018	586,615
2019	605,523
2020	625,089
2021	355,711
2022 and thereafter	1,706,400
	<u>4,450,845</u>

**LOON RIVER FIRST NATION**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**11. RELATED PARTY TRANSACTIONS**

During the year the First Nation contracted its subsidiary companies, Loon River Company A, Loon River Company B, and Loon River Company E. to perform construction, housing, trucking and other services. The total amount billed to the First Nation for these services was \$2,006,290 (2015 - \$1,758,251).

Loon River Company A, Loon River Company B, and Loon River Company E, paid management fees and operations support costs and royalties during the year to Loon River First Nation in the amount of \$2,118,661 (2015 - \$2,996,866).

During the year Loon River Company C, a subsidiary company, paid distributions to Loon River First Nation totaling \$0 (2015 - \$425,000).

These transactions are in the normal course of business and are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties.

**12. CONTINGENT LIABILITIES**

As at March 31, 2016 the First Nation has guaranteed a bank loans in the amount of \$940,371 for Loon River Company B.

A statement of claim has been filed against the First Nation, Loon River Company A, and Loon River Company B, for wrongful dismissal, breach of contract and other allegations. Losses, if any, as a result of these claims are unknown.

