

SETON LAKE INDIAN BAND
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

SETON LAKE INDIAN BAND
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MARCH 31, 2015

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Seton Lake Indian Band for the year ended March 31, 2015 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. A summary of the significant accounting policies is described in Note 1 to the consolidated financial statements. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the consolidated financial statements are presented fairly, in all material aspects.

Seton Lake Indian Band's management is responsible for maintaining systems of internal accounting and administrative controls of high quality, consistent with reasonable cost. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and Seton Lake Indian Band's assets are appropriately accounted for and adequately safeguarded.

Seton Lake Indian Band's Chief and Council are responsible for ensuring that management fulfills its responsibilities of financial reporting 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 auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging its responsibilities, and to review the consolidated financial statements and the external auditor's report.

The consolidated financial statements have been audited by MNP LLP in accordance with Canadian generally accepting auditing standards on behalf of the members. MNP LLP has full and free access to the Chief and Council with regard to audit requirements.

On behalf of Seton Lake Indian Band



INDEPENDENT AUDITOR'S REPORT

To the Members,
Seton Lake Indian Band:

We have audited the accompanying consolidated financial statements of Seton Lake Indian Band, which comprise the consolidated statements of financial position as at March 31, 2015 and the consolidated statements of change in net financial assets, remeasurement gains (losses), operations and accumulated surplus (deficit) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

First Nation's 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 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 misstatements 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 qualified audit opinion.

Basis for Qualified Opinion

The First Nation derives a portion of its revenue from cash sales, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the First Nation and we were not able to determine whether any adjustments might be necessary to cash revenues, accumulated surplus (deficit), assets and net assets.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, these consolidated statements present fairly, in all material respects, the financial position of the First Nation as at March 31, 2015 and the results of its operations, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Other Matters

The financial statements of Seton Lake Indian Band for the year ended March 31, 2014 were audited by KNV Chartered Accountants LLP of Kelowna, British Columbia, prior to its merger with MNP LLP. KNV Chartered Accountants LLP expressed a qualified opinion on those statements on July 25, 2014.

July 21, 2015

Kelowna, British Columbia



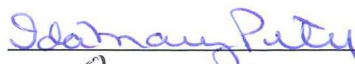

Chartered Professional Accountants

SETON LAKE INDIAN BAND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2015

	2015	2014
		(Notes 19 & 20)
FINANCIAL ASSETS:		
Cash and cash equivalents (Note 4)	\$ 1,640,525	\$ 274,737
Portfolio investments (Note 5)	2,662,283	6,965,170
Trust funds held by federal government (Note 6)	929,460	905,763
Accounts receivable (Note 7)	538,198	619,073
Inventory for resale	21,450	27,373
Deposits	-	11,703
Loans receivable	18,408	6,215
Notes receivable (Note 8)	197,814	136,395
Total financial assets	6,008,138	8,946,429
FINANCIAL LIABILITIES:		
Accounts payable and accrued liabilities (Note 9)	1,395,008	700,761
Deferred revenue (Note 10)	232,522	332,258
Long-term debt (Note 11)	5,377,650	1,620,294
Total financial liabilities	7,005,180	2,653,313
NET FINANCIAL ASSETS	(997,042)	6,293,116
NON-FINANCIAL ASSETS:		
Tangible capital assets (Note 12)	17,145,327	9,818,395
Prepaid expenses	98,408	32,210
Total non-financial assets	17,243,735	9,850,605
ACCUMULATED SURPLUS (Note 17)	\$ 16,246,693	\$ 16,143,721

CONTINGENT LIABILITIES (Note 13)

APPROVED BY COUNCIL

_____, Chief Councillor
_____, Councillor

The accompanying Notes are an integral part of this statement.

SETON LAKE INDIAN BAND
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
FOR THE YEARS ENDED MARCH 31, 2015

	Budget	2015	2014
	(Note 16)		(Notes 19 & 20)
INCREASE (DECREASE) IN NET FINANCIAL ASSETS:			
Annual surplus (deficit)	\$ 490,466	\$ (75,352)	\$ 238,352
Amortization of tangible capital assets	130,000	527,113	498,134
Acquisition of tangible capital assets	-	(7,854,045)	(1,022,479)
Gain on disposal of tangible capital assets	-	-	(8,834)
Proceeds from disposal of tangible capital assets	-	-	12,000
Acquisition of prepaid expenses	-	(98,405)	(39,505)
Use of prepaid expenses	-	32,207	82,212
Remeasurement gains for year	\$ -	178,324	-
Increase (decrease) in net financial assets		(7,290,158)	(240,120)
NET FINANCIAL ASSETS, BEGINNING OF THE YEAR		6,293,116	6,533,236
NET FINANCIAL ASSETS, END OF YEAR		\$ (997,042)	\$ 6,293,116

The accompanying Notes are an integral part of this statement.

SETON LAKE INDIAN BAND
CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS (LOSSES)
FOR THE YEAR ENDED MARCH 31, 2015

	2015 (Note 2)
ACCUMULATED REMEASUREMENT GAINS (LOSSES), BEGINNING OF YEAR	\$ -
Unrealized gains on portfolio investments	178,324
ACCUMULATED REMEASUREMENT GAINS (LOSSES), END OF YEAR	\$ 178,324

The accompanying Notes are an integral part of this statement.

SETON LAKE INDIAN BAND
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
(DEFICIT)
FOR THE YEARS ENDED MARCH 31, 2015

	Budget	2015	2014
	(Note 16)		(Notes 19 & 20)
REVENUES:			
Aboriginal Affairs and Northern Development Canada (AANDC)	\$ 1,638,638	\$ 2,624,460	\$ 2,230,938
BC Hydro	-	923,238	1,635,022
Canada Mortgage and Housing Corporation (CMHC)	56,640	68,311	68,311
Gain on disposal of tangible capital assets	-	-	8,834
First Nations Health Authority (FNHA)	457,949	636,457	616,040
Interest and investment income	4,000	164,399	121,807
Interior Salish Employment and Training Society (ISETS)	17,000	51,073	65,350
Other revenue	405,532	762,820	1,323,856
Province of BC	-	42,792	21,288
Rental income	198,226	527,230	305,802
	2,777,985	5,800,780	6,397,248
EXPENSES:			
Administration and Governance	438,714	723,467	504,427
Capital Asset Fund	-	366,296	386,749
Development Corporation	-	455,839	819,253
Economic Development	-	1,049,528	1,428,374
Education	201,911	1,294,565	1,373,766
Facilities and Services	302,230	268,149	220,352
Health	372,726	673,988	566,699
Housing	497,309	579,338	366,792
Social Assistance	474,629	463,169	492,044
Other	-	1,793	440
	\$ 2,287,519	5,876,132	6,158,896
ANNUAL SURPLUS (DEFICIT)		(75,352)	238,352
ACCUMULATED OPERATING SURPLUS (DEFICIT), BEGINNING OF YEAR		16,143,721	15,905,369
ACCUMULATED OPERATING SURPLUS (DEFICIT), END OF YEAR		\$16,068,369	\$16,143,721

The accompanying Notes are an integral part of this statement.

SETON LAKE INDIAN BAND
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2015

	2015	2014
CASH AND CASH EQUIVALENTS WERE PROVIDED FROM (USED IN):		
Operating transactions:		
Annual surplus (deficit)	\$ (75,352)	\$ 238,352
Items not affecting cash -		
Amortization of tangible capital assets	527,113	498,134
Gain on disposal of tangible capital assets	-	(8,834)
Unrealized gains on portfolio investments	178,324	-
	630,085	727,652
Net change in non-cash working capital balances (Note 21)	626,813	785,487
	1,256,898	1,513,139
Investing transactions:		
Increase in loans receivable	(12,193)	(2,265)
Decrease (increase) in note receivable	(61,419)	42,105
Decrease (increase) in portfolio investments	4,302,887	(973,521)
	4,229,275	(933,681)
Financing transaction:		
Repayment of long-term debt	(638,611)	(145,560)
Proceeds from long-term debt	4,395,968	-
	3,757,357	(145,560)
Capital transactions:		
Acquisition of tangible capital assets	(7,854,045)	(1,022,479)
Proceeds from disposal of tangible capital assets	-	12,000
	(7,854,045)	(1,010,479)
Increase (decrease) in cash and cash equivalents	1,389,485	(576,581)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,180,500	1,757,081
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,569,985	\$ 1,180,500
CASH AND CASH EQUIVALENTS COMPRISED OF:		
Cash and cash equivalents	\$ 1,640,525	\$ 274,737
Trust funds held by federal government	929,460	905,763
	\$ 2,569,985	\$ 1,180,500

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION (Note 18)

COMPARATIVE FIGURES (Note 19)

PRIOR PERIOD ADJUSTMENT (Note 20)

The accompanying Notes are an integral part of this statement.

SETON LAKE INDIAN BAND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2015

PURPOSE OF SETON LAKE INDIAN BAND

Seton Lake Indian Band (the First Nation) is a First Nations village government operating out of Shalalth, British Columbia. The First Nation is responsible for the well-being of its community and enacts legal policies and programs in the areas of Administration and Governance, Capital, Economic Development, Education, Facilities and Services, Health, Housing and Social Assistance. The First Nation is also mandated to take actions to protect the well-being of members and the community and to establish cultural programs and undertake initiatives in economic development.

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards.

(b) Reporting Entity

Included in the reporting entity are the First Nation and all related entities that are controlled by the First Nation.

(c) Principles of Consolidation

All fully owned and controlled entities are consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of a government business enterprise, which are included in the consolidated financial statements on a modified equity basis. Inter-organizational balances and transactions are eliminated upon consolidation.

The organization consolidated in the First Nation's consolidated financial statements includes the Tsalalh Development Corp.

(d) Financial Instruments

i. Measurement

The First Nation initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions.

The First Nation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value.

Financial assets comprise of cash and cash equivalents, accounts receivable, funded reserves, loans receivable, notes receivable and portfolio investments.

Financial liabilities comprise of accounts payable and accrued liabilities, deferred revenue and long-term debt.

Fair value is determined by the price that is quoted in an active market. The most recent quoted price becomes its new carrying value. When a quoted price in an active market is not available for an equity instrument that is a portfolio investment, it is measured at cost.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

SETON LAKE INDIAN BAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial Instruments (Continued)

ii. Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in the statement of operations. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in the statement of operations.

iii. Transaction Costs

Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

(e) Cash and Cash Equivalents

Cash and cash equivalents represent operating cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts with an initial maturity of less than three months and which are subject to an insignificant risk of changes in value.

(f) Portfolio Investments

The First Nation has investments in Guaranteed Investment Certificates (GIC's) and equity instruments that either have no maturity dates or have a maturity of greater than three months at the time of acquisition. GIC's and other investments not quoted in an active market are reported at cost or amortized cost.

Portfolio investments in equity instruments that are quoted in an active market are recorded at fair value and the associated transaction costs are expensed upon initial recognition. The change in the fair value is recognized in the Consolidated Statement of Remeasurement Gains (Losses) as a remeasurement gain or loss until the portfolio investments are realized on disposal. Upon disposal, any accumulated remeasurement gains or losses associated with the portfolio investments are reclassified to the Consolidated Statement of Operations.

Impairment is defined as a loss in value of a portfolio investment that is other than a temporary decline and is included in the Consolidated Statement of Operations. In the case of an item in the fair value category, a reversal of any net remeasurement gains recognized in previous reporting periods up to the amount of the write-down is reported in the Consolidated Statement of Remeasurement Gains (Losses). The loss is not reversed if there is a subsequent increase in value.

(g) Inventory for Resale

Inventory is recorded at the lower of cost (first-in, first-out basis) and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale.

(h) Tangible Capital Assets

Material tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Maintenance and repair costs are recognized as an expense when incurred. Betterments that significantly increase or prolong the service life or capacity of a tangible capital asset are capitalized.

SETON LAKE INDIAN BAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Tangible Capital Assets (Continued)

Tangible capital assets are written down when conditions indicate that they no longer contribute to the First Nation's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations.

Contributed capital assets are recorded at fair value when received and shown as revenue in the capital fund, except in circumstances where fair value cannot be reasonably determined, in which case they are recognized at nominal value.

Revenue received for operations and used to purchase tangible capital assets are recorded in the individual funds with an offsetting transfer to the capital asset fund for the amount of the tangible capital asset. Revenue received directly for tangible capital assets are recorded in the capital asset fund where the amortization is expensed. Any gains or losses on the disposal of the capital assets are recorded in the capital asset fund.

All intangibles and items inherited by right of the First Nation, such as reserve lands, forests, water, and mineral resources, are not recognized as assets in the First Nation's consolidated financial statements.

The First Nation's assets under construction consist of the material and labour costs for projects under construction that were not completed at March 31, 2015.

Historic works of art and treasures are not recorded as assets in these consolidated financial statements.

(i) Amortization

Tangible capital assets controlled by the First Nation are amortized over their estimated useful lives on a straight-line basis using the following annual rates:

Buildings	4%
Automotive equipment	10-30%
Internet service provider	20%
Infrastructure, subdivision and water system	4%
Machinery and equipment	20%
Office equipment	20%
Physical development plan	20%

In the year of acquisition, the above rates are reduced by one half.

Amortization on social housing assets acquired under housing programs sponsored by CMHC are recorded at a rate equivalent to the annual principal reduction in related long-term debt, which is estimated to be their useful life.

Assets under construction are not amortized until the asset becomes available for use.

SETON LAKE INDIAN BAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Asset Classification

Assets are classified as either financial or non-financial. Financial assets are assets that could be used to discharge existing liabilities or finance future operations. Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. Non-financial assets have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. Non-financial assets include tangible capital assets and prepaid expenses.

(k) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all the benefits and risks incidental to ownership of the property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

(l) Budgets

Budget information has been included when the information is available. These budgets have been prepared by department managers and approved by Chief and Council.

(m) Revenue Recognition

Funding received under funding arrangements which relates to a subsequent period is reflected as deferred revenue in the year of receipt and classified as such on the consolidated statement of financial position. Funding is recognized when conditions have been met.

Investment income reported on investments not subject to significant influence is recorded as revenue in the period earned.

Rental and other revenue is recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Government transfers are recognized in the consolidated financial statements in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amount can be made.

(n) Expenses

Expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed. Interest expense is accrued as the obligation is incurred.

(o) Use of Estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Liabilities for contaminated sites are based on the best information available regarding potentially contaminated sites that the First Nation is responsible for.

SETON LAKE INDIAN BAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Use of Estimates (Continued)

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

(p) Liability for Contaminated Sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding an environmental standard exists, the First Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2015.

At each financial reporting date, the First Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The First Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

As at March 31, 2015, the First Nation's estimated liability for contaminated sites was \$NIL.

(q) Segment Disclosure

A segment is defined as a distinguishable activity or group of activities of the First Nation for which it is appropriate to separately report financial information to achieve the objectives of the First Nation. The objectives of disclosing information about segments are to:

- i. help users of the consolidated financial statements identify the resources allocated to support the major activities of the First Nation;
- ii. help users of the consolidated financial statements make more informed judgments about the First Nation and about its major activities;
- iii. help users of the consolidated financial statements better understand the manner in which the organizations in the First Nation are organized and how the First Nation discharges its accountability obligations;
- iv. enhance the transparency of financial reporting; and
- v. help users of the consolidated financial statements better understand the performance of the segments and the First Nation.

The First Nation identifies its segments based on specific projects and funding arrangements which have been disclosed in the consolidated financial statements. The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements, other than the inter-segment transfers, such as revenue from transactions with other segments, which are measured at the transfer price used by the First Nation and are not eliminated in the segment disclosure note.

SETON LAKE INDIAN BAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

2. CHANGES IN ACCOUNTING POLICIES

(a) Public Sector Accounting Handbook Section 3041 Portfolio Investments

Effective April 1, 2014, the First Nation adopted Public Sector Accounting Handbook Section 3041 Financial Instruments as described in Note 1, *Significant Accounting Policies*. The adoption of the new accounting standard has been applied prospectively without restatement of comparative figures. Accordingly, there is no comparative for the statement of remeasurment gains (losses).

(b) Public Section Accounting Handbook Section 3260 Liability for Contaminated Sites

Effective April 1, 2014, the First Nation adopted the recommendations relating to PS 3260, *Liability for Contaminated Sites* as set out in the Canadian public sector standards. Pursuant to these recommendations, the change was applied prospectively, and prior periods have not been restated.

Previously, no accounting policy existed to account for a liability for contaminated sites. Under the new recommendations, the First Nation is required to recognize a liability for contaminated sites when economic benefits will be given up, as described in Note 1, *Significant Accounting Policies*.

There was no effect on the First Nation's financial statements of adopting the above-noted change in accounting policy.

3. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Unless otherwise noted, it is management's opinion that the First Nation is not exposed to significant credit, interest or liquidity risks arising from the financial instruments disclosed on the statement of financial position.

(a) Interest Rate Risk

Interest rate risk is the risk to First Nation's earnings that arises from fluctuations in market interest rates and the degree of volatility of these rates. The First Nation does not use derivative instruments to reduce its exposure to interest rate risk. Management expects interest rates to remain relatively constant for the coming year and therefore considers the related risk to be low.

(b) Market Risk

Market risk relates to the possibility that the equity investments will change in value due to future fluctuations in market prices. The First Nation does not use derivative instruments to reduce its exposure to market risk.

(c) Fair Values

Due to their short-term nature, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, accrued liabilities and deferred revenue approximate their fair values. The terms and interest rates of First Nation's long-term debt are similar to those currently offered for similar loans, therefore the carrying values of these loans are also considered to approximate their fair values.

SETON LAKE INDIAN BAND**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****4. CASH AND CASH EQUIVALENTS**

(a) Included in cash and cash equivalents are externally restricted funds as follows:

	2015	2014
		(Note 19)
Deferred revenue (Note 10)	\$ 232,522	\$ 332,258

(b) Revolving Line of Credit

The First Nation has available a \$250,000 revolving line of credit with interest charged at the Bank of Montreal prime rate plus 1% per annum. At March 31, 2015, the outstanding line of credit balance was \$NIL (2014 - \$NIL), and is secured by a general security agreement including an overdraft lending agreement.

5. PORTFOLIO INVESTMENTS

Included in portfolio investments are externally restricted funds in the amount of \$971,004 (2014 - \$764,424) which include guaranteed investment certificates.

6. TRUST FUNDS HELD BY FEDERAL GOVERNMENT

AANDC holds certain funds in trust for the First Nation. These funds are designated as revenue or capital funds as outlined in Section 62 of the Indian Act. These funds are held in trust in the Consolidated Revenue Fund of the Government of Canada and are subject to audit by the Office of the Auditor General of Canada. Subject to approval by the Minister of Aboriginal Affairs and Northern Development, the First Nation is permitted to expend its revenue funds for any purpose that will promote the general progress and welfare of the First Nation and members. The expenses of capital funds requires the consent of the Minister of Aboriginal Affairs and Northern Development and such expenses generally must be for projects of a capital nature.

Trust funds held by federal government are analyzed as follows:

	2014			2015	
	Total	Additions	Withdrawals	Total	
Revenue	\$ 896,989	\$ 23,697	\$ -	\$ 920,686	
Capital	8,774	-	-	8,774	
	\$ 905,763	\$ 23,697	\$ -	\$ 929,460	

SETON LAKE INDIAN BAND**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****7. ACCOUNTS RECEIVABLE**

The First Nation's accounts receivable are analyzed as follows:

	2015	2014
AANDC	\$ 24,105	\$ 85,600
BC Hydro	41,569	133,155
CMHC	5,693	5,693
Due from members and related associations	258,946	264,466
FNHA	693	693
Trade and other receivables	441,220	325,297
Allowance for doubtful accounts	(234,028)	(195,831)
	<u>\$ 538,198</u>	<u>\$ 619,073</u>

8. NOTES RECEIVABLE

The First Nation's notes receivable are analyzed as follows:

	2015	2014
St'at'imc Government Services - Note receivable by four annual instalments which includes interest at 2% per annum, repayment July 31, 2016, secured by a promissory note.	\$ 93,345	\$ 136,395
St'at'imc Tribal Police - Note receivable bearing interest at 3% per annum until balance paid, no specified repayment date, not secured.	104,469	-
	<u>\$ 197,814</u>	<u>\$ 136,395</u>

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The First Nation's accounts payable and accrued liabilities are analyzed as follows:

	2015	2014
AANDC	\$ 183,313	\$ 187,764
Accrued salaries and employee benefits payable	135,517	78,793
FNHA	11,369	7,091
Trade payables and other accrued liabilities	1,064,809	427,113
	<u>\$ 1,395,008</u>	<u>\$ 700,761</u>

SETON LAKE INDIAN BAND**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****10. DEFERRED REVENUE**

The First Nation's deferred revenue are analyzed as follows:

	2014 Deferred Revenue	Current Year Funding Received	Current Year Revenue Recognized	2015 Deferred Revenue
AANDC	\$ 332,158	\$ 1,121,728	\$ (1,243,980)	\$ 209,906
FNHA	-	153,229	(138,156)	15,073
Other	100	44,701	(37,258)	7,543
	<u>\$ 332,258</u>	<u>\$ 1,319,658</u>	<u>\$ (1,419,394)</u>	<u>\$ 232,522</u>

11. LONG TERM DEBT

The First Nation's long-term debt is analyzed as follows:

	2015	2014
All Nations Trust Company - Phase 4 Mortgage repayable in monthly instalments of \$1,045, including interest at 1.05% per annum; due for renewal January 1, 2020 and matures January 1, 2020; guaranteed by AANDC	\$ 59,178	\$ 70,445
All Nations Trust Company - Phase 5 Mortgage repayable in monthly instalments of \$1,469, including interest at 2.65% per annum; due for renewal April 1, 2016 and matures January 1, 2021; guaranteed by AANDC	98,478	110,406
All Nations Trust Company - Phase 6 Mortgage repayable in monthly instalments of \$1,759, including interest at 2.65% per annum; due for renewal April 1, 2016 and matures January 1, 2021; guaranteed by AANDC	111,267	132,169
All Nations Trust Company - Phase 7 Mortgage repayable in monthly instalments of \$2,213, including interest at 1.71% per annum; due for renewal September 1, 2017 and matures June 1, 2022; guaranteed by AANDC	181,207	204,493
All Nations Trust Company - Full Phase 1 Mortgage repayable in monthly instalments of \$2,150, including interest at 1.8% per annum; due for renewal October 1, 2016 and matures August 1, 2026; guaranteed by AANDC	266,574	287,429
All Nations Trust Company - Full Phase 2 Mortgage repayable in monthly instalments of \$1,689, including interest at 2.65% per annum; due for renewal April 1, 2016 and matures March 1, 2031; guaranteed by AANDC	264,980	278,122

SETON LAKE INDIAN BAND**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****11. LONG TERM DEBT (Continued)**

	2015	2014
CIBC - Tsalalh Development Corp. - Repaid in full during the year	\$ -	\$ 537,230
Bank of Montreal - Due on demand, authorized to a maximum of \$9,100,000; interest at prime + 1%, matures October 3, 2039, secured by general security agreement	3,850,623	-
Bank of Montreal - Due on demand, authorized to a maximum of \$570,000; interest at prime + 1%, matures November 14, 2019, secured by general security agreement	497,959	-
Bank of Montreal - Due on demand, multiple draws permitted up to 75% of equipment purchase cost; interest at prime + 1%, matures February 20, 2020, secured by a general security agreement	47,384	-
	<u>\$ 5,377,650</u>	<u>\$ 1,620,294</u>

The total interest paid by the First Nation on long-term debt for the year was \$42,050 (2014 - \$39,753).

Due on demand loans will be converted into conventional mortgages within the next fiscal year and therefore have been presented as long-term debt on the statement of financial position.

Approximate principal payments due in the next five years and thereafter are as follows:

2016	\$ 4,499,368
2017	105,786
2018	108,233
2019	110,731
2020	111,187
Thereafter	442,345
	<u>\$ 5,377,650</u>

SETON LAKE INDIAN BAND**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****12. TANGIBLE CAPITAL ASSETS**

The First Nation's tangible capital assets are analyzed as follows:

	2014 Cost	2014 Accumulated Amortization	2014 Net Book Value	2015 Net additions (Disposals)	2015 Amortization	2015 Net Book Value
	(Note 20)		(Note 20)			
First Nation Operations:						
Land	\$ 12,851	\$ -	\$ 12,851	\$ -	\$ -	\$ 12,851
Buildings	7,538,369	3,408,621	4,129,748	-	169,832	3,959,916
Automotive equipment	687,807	384,496	303,311	-	58,185	245,126
Internet service provider	140,157	72,496	67,661	20,061	13,532	74,190
Infrastructure, subdivision and water system	2,486,760	928,372	1,558,388	-	62,337	1,496,051
Machinery and equipment	531,980	374,888	157,092	51,000	37,247	170,845
Office equipment	171,213	147,237	23,976	5,801	5,376	24,401
Physical development plan	32,708	31,880	828	-	165	663
Assets under construction	75,453	-	75,453	404,002	-	479,455
Total Operations	11,677,298	5,347,990	6,329,308	480,864	346,674	6,463,498
Social Housing Operations:						
Buildings - CMHC	3,073,740	1,001,530	2,072,210	-	101,186	1,971,024
Tsalalh Development Corp. Operations:						
Land	314,467	-	314,467	185,206	-	499,673
Buildings	1,050,489	94,824	955,665	470,612	43,935	1,382,342
Automotive equipment	5,774	4,388	1,386	7,500	1,541	7,345
Machinery and equipment	6,635	3,917	2,718	332,332	33,777	301,273
Assets under construction	142,641	-	142,641	6,377,531	-	6,520,172
Total Tsalalh Development Corp. Operations	1,520,006	103,129	1,416,877	7,373,181	79,253	8,710,805
	\$ 16,271,044	\$ 6,452,649	\$ 9,818,395	\$ 7,854,045	\$ 527,113	\$17,145,327

SETON LAKE INDIAN BAND**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****12. TANGIBLE CAPITAL ASSETS (Continued)**

	2015 Cost	2015 Accumulated Amortization	2015 Net Book value
First Nation Operations:			
Land	\$ 12,851	\$ -	\$ 12,851
Buildings	7,538,369	3,578,453	3,959,916
Automotive equipment	687,807	442,681	245,126
Internet service provider	160,218	86,028	74,190
Infrastructure, subdivision and water system	2,486,760	990,709	1,496,051
Machinery and equipment	582,980	412,135	170,845
Office equipment	177,014	152,613	24,401
Physical development plan	32,708	32,045	663
Assets under construction	479,455	-	479,455
Total Operations	12,158,162	5,694,664	6,463,498
Social Housing Operations:			
Buildings - CMHC	3,073,740	1,102,716	1,971,024
Tsalalh Development Corp. Operations:			
Land	499,673	-	499,673
Buildings	1,521,101	138,759	1,382,342
Automotive equipment	13,274	5,929	7,345
Machinery and equipment	338,967	37,694	301,273
Assets under construction	6,520,172	-	6,520,172
Total Tsalalh Development Corp. Operations	8,893,187	182,382	8,710,805
	\$24,125,089	\$ 6,979,762	\$17,145,327

13. CONTINGENT LIABILITIES**(a) Contribution Agreements**

The First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

(b) Decommissioning Costs

Decommissioning costs will be incurred by the First Nation at the end of the operating life of the landfill on the First Nation's property. The ultimate decommissioning liability is uncertain and can vary in response to many factors including environmental factors, new restorative techniques and changes in legal requirements. As a result, management is unable to measure the First Nation's potential liability at this time and, accordingly, no provision has been made in the consolidated financial statements.

SETON LAKE INDIAN BAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

14. CMHC ASSISTANCE

An agreement with CMHC under Section 95 of the National Housing Act provides assistance equivalent to the breakeven point as agreed between the First Nation and CMHC. The agreement provides for review of the level of assistance if the mortgage interest rate is increased or decreased on renewal.

In return for the above assistance from CMHC toward member housing charges, the First Nation has agreed to make annual housing assessments against its tenants' incomes in the minimum amount of \$52,440. If the First Nation charges annual housing assessments less than \$52,440, it has agreed to contribute the balance. The First Nation may retain operating surpluses to provide against future revenue shortfalls.

15. ECONOMIC DEPENDENCE

Funding from AANDC accounts for 45% of revenue in the current year (- 35%); the First Nation's ability to continue viable operations is dependent upon maintaining its right to receive this funding.

16. BUDGET FIGURES

The disclosed budget information has been approved by the Chief and Council of the First Nation at the Council meeting held on March 3, 2015. The following is a reconciliation of the approved budget surplus for the year from the budgeted surplus shown on the consolidated statement of operations and accumulated surplus (deficit) in accordance with Canadian public sector accounting standards.

	2015 Budget
Budgeted surplus (deficit) for the year	\$ 490,466
Less: Acquisition of tangible capital assets	(7,854,045)
Budgeted surplus (deficit) for the year, per Chief and Council	\$ (7,363,579)

SETON LAKE INDIAN BAND**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****17. ACCUMULATED SURPLUS**

The First Nation's accumulated surplus is analyzed as follows:

	2015	2014
		(Note 19)
Investment in tangible capital assets	\$ 17,145,327	\$ 9,818,395
Restricted cash	232,522	332,258
Externally restricted portfolio investments	971,004	764,424
Trust funds held by federal government - capital account	8,774	8,774
Internally restricted cash -		
BC Rail	946,740	909,894
St'at'imc Agreement - Community Fund	3,988,811	3,441,635
	23,293,178	15,275,380
Unexpended surplus (deficit) available for operations	(7,224,809)	868,341
Accumulated operating surplus	16,068,369	16,143,721
Accumulated remeasurement gains	178,324	-
	\$ 16,246,693	\$ 16,143,721

18. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	2015	2014
Cash paid for interest during the year	\$ 42,050	\$ 39,753
Cash received for interest during the year	\$ 127,553	\$ 101,470

19. COMPARATIVE FIGURES

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation.

SETON LAKE INDIAN BAND**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****20. PRIOR PERIOD ADJUSTMENT**

The consolidated financial statement figures were restated to include tangible capital asset costs that were recorded as an expense on the statement of operations in the prior year.

The effects of the adjustment have been applied retrospectively for comparative purposes and resulted in the following:

	2014 Increase (Decrease)
Accumulated surplus	\$ (142,641)
Annual surplus (deficit)	\$ 142,641
Acquisition of tangible capital assets	\$ (142,641)
Expenses	\$ (142,641)
Tangible capital assets	\$ 142,641

21. NET CHANGE IN NON CASH WORKING CAPITAL BALANCES

	2015	2014
Decrease (increase) in accounts receivable	\$ 80,875	\$ 813,621
Decrease (increase) in inventory for resale	5,922	(11,182)
Decrease (Increase) in deposits	11,703	(11,704)
Decrease (increase) in prepaid expenses	(66,198)	42,708
Increase (decrease) in accounts payable and accrued liabilities	694,247	(167,730)
Increase (decrease) in deferred revenue	(99,736)	119,774
	<u>\$ 626,813</u>	<u>\$ 785,487</u>

SETON LAKE INDIAN BAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

22. SEGMENT DISCLOSURE

The First Nation describes its operating segments as follows:

(a) Administration and Governance

This segment provides band support, governance and administrative services for the operations of the First Nation, including various financial functions such as payroll, accounts receivable and accounts payable. Governance acts as a governing body through top down initiatives and it is responsible for the oversight of the collaboration of community development/economic programs, the facilitating of networks involving public and private partnerships, marketing and the allocation of resources to maintain the well-being of the First Nation community and its members.

(b) Capital Asset Fund

This segment is comprised of capital assets and related amortization as well as revenue of capitalized assets and assets under construction.

(c) Development Corporation

This segment is comprised of business activities that are performed in the pursuit of economic and business development. The Tsalalh Development Corp. is responsible for generating economic activity related to BC Hydro.

(d) Economic Development

This segment implements community economic development planning and capacity building initiatives, which are pursued to benefit the First Nation's community by enhancing employment, income generation activities, use of land and resources, economic infrastructure and business opportunities.

(e) Education

This segment is responsible for managing and delivering K to grade 12 education programs and services as well as the management of post-secondary and continuing adult education and support programs.

(f) Facilities and Services

This segment implements capital projects undertaken by the First Nation and maintains community infrastructure. Community infrastructure includes buildings, infrastructure, subdivision and water system.

(g) Health

This segment is responsible for the operation of health facilities and the delivery of programs to support child development and community health.

(h) Housing

This segment activities reflects First Nation owned and CMHC housing rental units and repairs.

(i) Social Assistance

This segment administers benefits and services to individuals and families living on reserve who are in need of support. Department services include income assistance, assisted living, family violence prevention and awareness, and the national child benefit reinvestment.

(j) Other

This segment administers the various trust funds received by the First Nation.

SETON LAKE INDIAN BAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

22. SEGMENT DISCLOSURE (Continued)

	Administration and Governance	Capital Asset Fund	Development Corporation	Economic Development	Education	Facilities and Services
REVENUES:						
AANDC	\$ 352,513	\$ 298,543	\$ -	\$ 99,349	\$ 1,087,614	\$ 188,046
BC Hydro	-	-	335,074	52,578	-	-
CMHC	-	-	-	-	-	-
FNHA	-	-	-	-	-	-
Interest and investment income	14,112	-	-	-	-	-
ISETS	-	11,773	-	17,000	22,300	-
Province of BC	-	-	-	-	-	-
Other revenue	29,155	-	571,213	325,521	65,019	10,490
Administration fees	98,996	-	-	-	-	-
Management fees	-	-	149,825	422,644	-	-
	494,776	310,316	1,056,112	917,092	1,174,933	198,536
EXPENSES:						
Administration	1,263	-	35,267	-	12,000	5,000
Advertising and promotion	59,211	-	578	8,280	1,228	-
Amortization	-	366,296	59,632	-	-	-
Bad debts	37,900	-	705	-	-	-
Bank charges and interest	4,905	-	19,328	1,583	-	-
Educational allowances	-	-	-	68,079	631,215	-
Equipment rental	14,815	-	2,362	8,446	6,808	1,381
Family support allowances	-	-	-	400	-	-
Fire protection	-	-	-	3,236	2,832	2,632
Honoraria	43,282	-	2,850	7,065	520	-
Insurance	6,671	-	15,047	1,494	25,322	13,614
Management fee	-	-	572,469	-	-	-
Materials and supplies	2,430	-	19,209	70,608	225,031	18,673
Office and miscellaneous	34,399	-	3,278	689	17,073	2,339
Professional fees	20,140	-	3,408	-	10,000	10,000
Property taxes	-	-	4,578	-	-	-
Rent and occupancy costs	100	-	1,440	-	-	-
Repairs and maintenance	6,395	-	18,899	1,202	21,787	57,838
Safe water operations program	-	-	-	-	-	31,843
Social assistance	-	-	-	-	-	-
Subcontract	63,899	-	2,195	83,679	-	5,026
Telephone and utilities	13,279	-	33,015	168,151	27,122	62,622
Travel and training	84,638	-	26,339	141,722	35,410	21,587
Wages and benefits	330,140	-	232,709	484,894	290,217	40,593
	723,467	366,296	1,053,308	1,049,528	1,306,565	273,148
SURPLUS (DEFICIT) BEFORE TRANSFERS	(228,691)	(55,980)	2,804	(132,436)	(131,632)	(74,612)
TRANSFERS FROM (TO) OPERATING FUNDS	292,974	97,521	5,180	200,282	110,671	(56,801)
ACCUMULATED OPERATING SURPLUS (DEFICIT), BEGINNING OF YEAR	277,271	7,709,155	(145,606)	(93,721)	2,308,709	(210,067)
ACCUMULATED OPERATING SURPLUS (DEFICIT), END OF YEAR	\$ 341,554	\$ 7,750,696	\$ (137,622)	\$ (25,875)	\$ 2,287,748	\$ (341,480)

SETON LAKE INDIAN BAND

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)

22. SEGMENT DISCLOSURE (Continued)

	Health	Housing	Social Assistance	Other	2015	2014
REVENUES:						
AANDC	\$ -	\$ 192,981	\$ 405,415	\$ -	\$ 2,624,461	\$ 2,230,938
BC Hydro	-	-	-	535,586	923,238	1,635,022
CMHC	-	68,311	-	-	68,311	68,311
FNHA	636,457	-	-	-	636,457	616,040
Interest and investment income	-	4,629	-	145,657	164,398	121,807
ISETS	-	-	-	-	51,073	65,350
Province of BC	-	-	42,792	-	42,792	21,288
Other revenue	59,119	267,349	5,234	(43,050)	1,290,050	1,638,493
Administration fees	-	-	-	-	98,996	-
Management fees	-	-	-	-	572,469	-
	695,576	533,270	453,441	638,193	6,472,245	6,397,249
EXPENSES:						
Administration	15,925	14,836	4,570	-	88,861	16,921
Advertising and promotion	40,684	-	1,006	-	110,987	138,031
Amortization	-	101,186	-	-	527,114	498,134
Bad debts	-	750	-	-	39,355	49,513
Bank charges and interest	-	23,307	-	-	49,123	46,474
Educational allowances	10,000	-	12,800	-	722,094	644,958
Equipment rental	726	-	225	-	34,763	476,219
Family support allowances	1,728	-	1,554	-	3,682	8,040
Fire protection	413	1,006	-	-	10,119	11,723
Honoraria	2,765	-	5,880	-	62,362	41,030
Insurance	7,653	24,999	-	-	94,800	90,546
Management fee	-	-	-	-	572,469	-
Materials and supplies	89,549	16,462	33,360	200	475,522	591,223
Office and miscellaneous	18,427	33	451	-	76,689	59,570
Professional fees	10,000	20,200	10,000	-	83,748	136,157
Property taxes	-	-	-	-	4,578	30,003
Rent and occupancy costs	5,100	-	-	-	6,640	9,692
Repairs and maintenance	16,118	87,453	-	-	209,692	96,559
Safe water operations program	-	-	-	-	31,843	32,786
Social assistance	-	-	289,189	-	289,189	272,431
Subcontract	32,752	219,130	-	1,225	407,906	258,471
Telephone and utilities	29,266	8,476	550	44	342,525	319,482
Travel and training	90,138	6,417	12,865	312	419,428	337,688
Wages and benefits	330,010	62,583	112,949	13	1,884,108	1,993,245
	701,254	586,838	485,399	1,794	6,547,597	6,158,896
SURPLUS (DEFICIT) BEFORE TRANSFERS	(5,678)	(53,568)	(31,958)	636,399	(75,352)	238,353
TRANSFERS FROM (TO) OPERATING FUNDS	1,001	2,500	27,582	(680,910)	-	-
ACCUMULATED OPERATING SURPLUS (DEFICIT), BEGINNING OF YEAR	(149,700)	(268,830)	(86,428)	6,802,938	16,143,721	15,905,368
ACCUMULATED OPERATING SURPLUS (DEFICIT), END OF YEAR	\$ (154,377)	\$ (319,898)	\$ (90,804)	\$ 6,758,427	\$ 16,068,369	\$ 16,143,721

SETON LAKE INDIAN BAND**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - MARCH 31, 2015 (Continued)****22. SEGMENT DISCLOSURE (Continued)**

The First Nation's inter-segment transfers are reconciled as follows:

	2015
Total revenues per segment disclosure note	\$ 6,472,245
Inter-segment administration fees	(98,996)
Inter-segment management fees	(572,469)
Total revenues per consolidated statement of operations	5,800,780
	-
Total expenses per segment disclosure note	6,547,597
Inter-segment administration fees - Total	(98,996)
Inter-segment management fees - Total	(572,469)
Total expenses per consolidated statement of operations	\$ 5,876,132