

LHEIDLI T'ENNEH BAND
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

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YEAR ENDED MARCH 31, 2016

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MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Lheidli T'enneh Band are the responsibility of management and have been approved by the Chief and Council.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada and as such include amounts that are the best estimates and judgments of management.

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

The Chief and Council are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and are ultimately responsible for reviewing and approving the consolidated financial statements.

The Chief and Council meet periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the consolidated financial statements and the external auditors' report.

The external auditors, Brent Bursey & Company Inc., Chartered Professional Accountants, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to the financial management of Lheidli T'enneh Band and meet when required.

On behalf of Lheidli T'enneh Band:

Chief

Councillor

Councillor

INDEPENDENT AUDITORS' REPORT

To the Members of Lheidli T'enneh Band:

We have audited the accompanying consolidated financial statements of Lheidli T'enneh Band, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations, changes in net financial assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

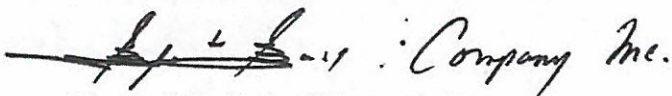
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 auditors' judgement, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Lheidli T'enneh Band as at March 31, 2016 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.

 : Company Inc.


Chartered Professional Accountants
August 20, 2016
Prince George, British Columbia

LHEIDLI T'ENNEH BAND
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2016

	2016	2015
FINANCIAL ASSETS		
Cash (Note 2)	\$ 1,993,717	\$ 996,634
Accounts receivable (Note 3)	193,738	299,386
Inventory (Note 4)	4,108	29,237
Restricted cash (Note 5)	509,305	605,300
Investments in government business enterprises (Note 6)	9,426,004	7,764,365
Ottawa trust assets (Note 7)	2,107	2,108
	<u>12,128,979</u>	<u>9,697,030</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 8)	526,225	437,681
Loan payable (Note 9)	228,044	227,544
Long-term debt (Note 10)	702,650	837,854
Treaty loan (Note 11)	6,343,525	6,343,525
Replacement reserves (Note 5)	353,795	381,357
	<u>8,154,239</u>	<u>8,227,961</u>
NET FINANCIAL ASSETS	<u>3,974,740</u>	<u>1,469,069</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)	3,570,889	3,784,660
Prepaid expenditure	93,784	75,009
	<u>3,664,673</u>	<u>3,859,669</u>
ACCUMULATED SURPLUS	<u>\$ 7,639,413</u>	<u>\$ 5,328,738</u>
CONTINGENT LIABILITIES (Note 13)		

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

Approved on behalf of Lheidli T'enneh Band:

 Chief

 Councillor

 Councillor

LHEIDLI T'ENNEH BAND
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2016

	Budget	2016	2015
REVENUE			
Indigenous and Northern Affairs Canada	\$ 1,338,539	\$ 1,517,499	\$ 1,084,957
First Nations Health Authority	174,841	174,841	172,746
Canada Mortgage and Housing Corporation	-	61,754	62,449
Fisheries and Oceans Canada	118,800	138,530	124,500
Province of British Columbia	252,901	1,470,137	1,040,748
Aboriginal organizations	102,775	97,900	135,463
Interest, rent and other	13,350	1,522,083	1,375,124
Income from investments in government business enterprises	1,200,000	1,361,410	1,429,125
Own source	900,000	926,648	807,724
Donations	-	43,904	442,795
Administration fees	-	-	50,218
Ottawa trust funds	-	1,022	993
	<u>4,101,206</u>	<u>7,315,728</u>	<u>6,726,842</u>
EXPENDITURE			
Economic development	392,513	1,130,000	2,336,607
Education	202,631	358,769	306,786
Employment and training	66,075	81,662	71,861
Government development and administration	830,900	1,983,842	1,366,845
Health services	174,841	176,666	173,396
Housing	-	112,604	243,276
Public works operations and maintenance	-	150,514	169,289
Social and community services	265,956	551,597	449,606
Treaty claims and negotiations	300,000	161,343	47,713
Ottawa trust funds	-	1,023	971
Loss from investments in government business enterprises	-	1,956	6,156
Loss on disposal of tangible capital assets	-	9,310	-
Interest	-	13,715	17,647
Amortization	275,000	277,341	274,785
	<u>2,507,916</u>	<u>5,010,342</u>	<u>5,464,938</u>
ANNUAL SURPLUS	<u>\$ 1,593,290</u>	2,305,386	1,261,904
ACCUMULATED SURPLUS, BEGINNING OF YEAR		5,328,738	4,168,615
REIMBURSEMENTS (RECOVERIES)			
BY GOVERNMENT OF CANADA		<u>5,289</u>	<u>(101,781)</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>\$ 7,639,413</u>	<u>\$ 5,328,738</u>

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

LHEIDLI T'ENNEH BAND
CONSOLIDATED STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
YEAR ENDED MARCH 31, 2016

	Budget	2016	2015
Annual surplus	\$ 1,593,290	\$ 2,305,386	\$ 1,261,904
Reimbursements (recoveries) by Government of Canada	<u>5,289</u>	<u>5,289</u>	<u>(101,781)</u>
	<u>1,598,579</u>	<u>2,310,675</u>	<u>1,160,123</u>
Acquisition of tangible capital assets	(75,000)	(78,880)	(71,274)
Amortization	275,000	277,341	274,785
Loss on disposal of tangible capital assets	-	9,310	-
Proceeds on disposal of tangible capital assets	<u>-</u>	<u>6,000</u>	<u>-</u>
	<u>200,000</u>	<u>213,771</u>	<u>203,511</u>
Net change in prepaid expenditure	<u>(10,000)</u>	<u>(18,775)</u>	<u>(7,273)</u>
INCREASE IN NET FINANCIAL ASSETS	<u>\$ 1,788,579</u>	<u>2,505,671</u>	<u>1,356,361</u>
NET FINANCIAL ASSETS, BEGINNING OF YEAR		<u>1,469,069</u>	<u>112,708</u>
NET FINANCIAL ASSETS, END OF YEAR		<u>\$ 3,974,740</u>	<u>\$ 1,469,069</u>

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

LHEIDLI T'ENNEH BAND
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2016

	2016	2015
OPERATING TRANSACTIONS		
Annual surplus	\$ 2,305,386	\$ 1,261,904
Reimbursements (recoveries) by Government of Canada	5,289	(101,781)
Items not involving cash		
Allocations to replacement reserve	22,926	22,926
Loss on disposal of tangible capital assets	9,310	-
Amortization	277,341	274,785
Income from investments in government business enterprises	(1,361,410)	(1,429,125)
Loss from investments in government business enterprises	1,956	6,156
Ottawa trust assets	1	(22)
	<u>1,260,799</u>	<u>34,843</u>
Cash provided by (used in) operating activities		
Accounts receivable	105,648	(33,437)
Inventory	25,129	(12,112)
Prepaid expenditure	(18,775)	(7,273)
Accounts payable and accrued liabilities	88,544	156,815
	<u>1,461,345</u>	<u>138,836</u>
CAPITAL TRANSACTIONS		
Purchase of tangible capital assets	(78,880)	(71,274)
Proceeds on disposal of tangible capital assets	6,000	-
	<u>(72,880)</u>	<u>(71,274)</u>
FINANCING TRANSACTIONS		
Proceeds from loan payable	500	-
Repayment of loan payable	-	(480)
Repayment of long-term debt	(135,204)	(165,985)
	<u>(134,704)</u>	<u>(166,465)</u>
INVESTING TRANSACTIONS		
Advances to government business enterprises	(302,185)	(34,740)
Allocations from replacement reserves	(50,488)	(3,735)
	<u>(352,673)</u>	<u>(38,475)</u>
INCREASE (DECREASE) DURING YEAR	901,088	(137,378)
CASH, BEGINNING OF YEAR	1,601,934	1,739,312
CASH, END OF YEAR	\$ 2,503,022	\$ 1,601,934
Cash consists of:		
Cash	\$ 1,993,717	\$ 996,634
Restricted cash	509,305	605,300
	<u>\$ 2,503,022</u>	<u>\$ 1,601,934</u>

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

LHEIDLI T'ENNEH BAND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada.

Reporting Entity and Principles of Financial Reporting

The Lheidli T'enneh Band reporting entity includes the Lheidli T'enneh Band government and all related entities which are either owned or controlled by the Lheidli T'enneh Band.

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

Under the modified equity method of accounting, only Lheidli T'enneh Band's investment in the government business enterprises or government business partnership and their share of the enterprises' net income and other changes in equity are recorded. No adjustments are made for accounting policies of the enterprises that are different from those of Lheidli T'enneh Band.

The consolidated financial statements include the following controlled entities:

- Lheidli T'enneh Band CMHC Social Housing Program
- Lheidli T'enneh First Nation Negotiation Support Agreement

Government business enterprises, which are wholly-owned by Lheidli T'enneh Band and which are not dependent on the Band for their continuing operations, are included in the consolidated financial statements using the modified equity method as follows:

- Lheit Lit'en Development Corporation
- Tano T'enneh General Partner Corporation

Government business enterprises, which Lheidli T'enneh Band holds a limited partnership interest and which are not dependent on the Band for their continuing operations, are included in the consolidated financial statements using the modified equity method as follows:

- Tano T'enneh Limited Partnership (99.99% interest)
- FN (PTP) Group Limited Partnership (0.06% interest)

LHEIDLI T'ENNEH BAND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Cash

Cash includes cash on hand, cash on deposit net of cheques issued and outstanding at the reporting date, and short-term deposits with maturity dates of less than 90 days.

Inventory

Inventory consists of tobacco products available for sale and is valued at the lower of cost and net realizable value using the average cost method.

Tangible Capital Assets

Tangible capital assets are recorded at cost, which includes amounts that are directly related to the acquisition, design, construction, development, improvement or betterment of the assets. Cost includes overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the acquisition or construction of the asset. Transfers of tangible capital assets from related parties are recorded at carrying value.

Tangible capital assets are amortized using the straight-line method over the estimated useful life of the asset as follows:

Automotive equipment	5 years
Boats and fisheries equipment	10 years
Buildings	30 years
Computer equipment	3 years
Fuel tanks	20 years
Furniture and office equipment	8 years
Heavy duty equipment	10 years
Housing	30 years
Infrastructure	10-50 years
Land improvements	50 years
Signage	25 years
Website	10 years

In the year of acquisition, 50% of the annual amortization is expensed. Assets under construction are not amortized until the asset is available to be put into service.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the Band'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. Net write-downs are accounted in the consolidated statement of operations when they occur.

LHEIDLI T'ENNEH BAND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES, continued

Tangible Capital Assets, continued

Social Housing assets acquired under CMHC sponsored housing programs are amortized at a rate equivalent to the annual principal reduction in related long-term debt.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets.

Revenue and Expenditure

Revenue and expenditure are recorded using the accrual basis of accounting. Revenue is recognized in the period in which the transactions or events occurred that gave rise to the revenue. Gains are recognized when realized. Items not practically measurable until cash is received are accounted for at that time.

Government transfers are recognized as revenue when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when transfer stipulations give rise to a liability and recognized in the statement of operations as the stipulation liabilities are settled.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose.

Funding Recoveries and Reimbursements

Funding received from federal government sources in the form of conditional transfer payments are subject to recovery, by the Crown, of unexpended balances or unallowable expenses. The Crown may also reimburse over expenditures upon determining adherence to the terms and conditions of payment for a specified purpose. Recoveries and reimbursements are accounted for when they are paid or payable or received or receivable.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditure during the reporting period. Significant areas requiring the use of management estimates relate to the impairment of assets, rates for amortization, collectability of accounts receivable, and valuation of inventory. Actual results could differ from these estimates.

LHEIDLI T'ENNEH BAND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

2. CASH

Lheidli T'enneh Band has a demand revolving credit facility agreement with the Royal Bank of Canada for \$300,000 bearing interest at prime plus 1.5% per annum. This facility revolves in increments of \$25,000 and is secured by a general security agreement with a fixed charge over tangible capital assets. At March 31, 2016 the full \$300,000 was available.

3. ACCOUNTS RECEIVABLE

	2016	2015
Government:		
Indigenous and Northern Affairs Canada	\$ 54,533	\$ 43,191
Canada Mortgage and Housing Corporation	5,146	5,416
Fisheries and Oceans Canada	22,880	-
First Nations Health Authority	-	6,000
Other Government	8,730	4,320
Canada Revenue Agency - GST	<u>23,392</u>	<u>13,270</u>
	114,681	72,197
Trade	77,557	227,189
Lheidli T'enneh Band members	<u>1,500</u>	<u>-</u>
	<u>\$ 193,738</u>	<u>\$ 299,386</u>

4. INVENTORY

	2016	2015
Tobacco products	<u>\$ 4,108</u>	<u>\$ 29,237</u>

5. RESTRICTED CASH AND REPLACEMENT RESERVES

	2016	2015
Restricted cash consists of:		
Replacement reserve 19-359-983	\$ 188,947	\$ 201,849
Replacement reserve 17-496-258	<u>164,848</u>	<u>179,508</u>
	353,795	381,357
Treaty Negotiations	<u>155,510</u>	<u>223,943</u>
	<u>\$ 509,305</u>	<u>\$ 605,300</u>

LHEIDLI T'ENNEH BAND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

5. RESTRICTED CASH AND REPLACEMENT RESERVES, continued

Replacement Reserve 19-359-983

Under the terms of the Agreement with Canada Mortgage and Housing Corporation, the Band must set aside funds in the amount of \$15,000 annually plus interest; \$6,000 for Account 19-359-983-001, \$6,000 for Account 19-359-983-002, and \$3,000 for Account 19-359-983-003. These funds, along with 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 approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. At year end the replacement reserves are fully funded and are in compliance with the agreement with CMHC.

Replacement Reserve 17-496-258

Under the terms of the Agreement with Canada Mortgage and Housing Corporation, the Band must set aside funds in the amount of \$7,926 annually plus interest. These funds, along with 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 approved by CMHC from time to time. The funds in the account may only be used as approved by CMHC. Withdrawals are credited to interest first and then principal. At year end the replacement reserve is fully funded and is in compliance with the agreement with CMHC.

Treaty Negotiations

Treaty Negotiations cash is restricted for expenditures as related to Lheidli T'enneh Band First Nation Negotiations Support Agreement for carrying out treaty negotiations with Canada and British Columbia.

6. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES (Appendix A)

	2016	2015
Lheit Lit'en Development Corporation		
Shares	\$ 3	\$ 3
Advances to	2,287,665	2,125,858
Deficit	<u>(717,155)</u>	<u>(744,716)</u>
	<u>1,570,513</u>	1,381,145
Balance forward	<u>\$ 1,570,513</u>	<u>\$ 1,381,145</u>

LHEIDLI T'ENNEH BAND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

6. INVESTMENTS IN GOVERNMENT BUSINESS ENTERPRISES (Appendix A)

	2016	2015
Balance forward	<u>\$ 1,570,513</u>	<u>\$ 1,381,145</u>
Tano T'enneh General Partner Corporation		
Shares	20	20
Advances to	1,923	-
Deficit	<u>(8,112)</u>	<u>(6,156)</u>
	<u>(6,169)</u>	<u>(6,136)</u>
Tano T'enneh Limited Partnership		
Partnership units	2,229,142	2,229,142
Advances to	334,579	184,162
Surplus	<u>5,297,886</u>	<u>3,976,051</u>
	<u>7,861,607</u>	<u>6,389,355</u>
FN (PTP) Group Limited Partnership		
Shares	1	1
Surplus	<u>52</u>	<u>-</u>
	<u>53</u>	<u>1</u>
	<u>\$ 9,426,004</u>	<u>\$ 7,764,365</u>

Shares and partnership units are held on behalf of the Band's membership by specified band members under a trust agreement. Condensed financial information for the government business enterprises is presented in Appendix A to the financial statements.

7. OTTAWA TRUST ASSETS

	Revenue	Capital	Total 2016	Total 2015
<u>Ottawa Trust</u>				
Balance, beginning of year	\$ -	\$ 2,108	\$ 2,108	\$ 2,086
Interest	-	53	53	62
B.C. Special	-	969	969	931
Transfer to Lheidli T'enneh Band	-	<u>(1,023)</u>	<u>(1,023)</u>	<u>(971)</u>
Balance, end of year	<u>\$ -</u>	<u>\$ 2,107</u>	<u>\$ 2,107</u>	<u>\$ 2,108</u>

LHEIDLI T'ENNEH BAND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

7. OTTAWA TRUST ASSETS, continued

The Ottawa Trust Accounts arise from monies from capital or revenue sources outlined in Section 62 of the "Indian Act". These funds are held in trust in the consolidated revenue fund of the Government of Canada and are subject to audit by the office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the "Indian Act".

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2016	2015
Trade payables and accrued liabilities	\$ 454,847	\$ 367,762
Wages and benefits payable	68,706	64,607
WorkSafeBC	2,447	-
Other	225	5,312
	<u>\$ 526,225</u>	<u>\$ 437,681</u>

9. LOAN PAYABLE

Loan payable to Chunzoolh Forest Products Ltd., a company owned 100% by government business enterprise Lheit Lit'en Development Corporation, is non-interest bearing, unsecured with no specific terms of repayment.

10. LONG-TERM DEBT

	2016	2015
Mortgage, repayable in monthly instalments of \$2,567 including interest at 1.83% per annum, secured by a Government of Canada ministerial guarantee, maturing August 1, 2024	\$ 232,027	\$ 257,294
Mortgage repayable in monthly instalments of \$1,054 including interest at 1.39% per annum, secured by a Government of Canada ministerial guarantee, maturing August 1, 2027	<u>133,438</u>	<u>144,147</u>
Balance forward	<u>\$ 365,465</u>	<u>\$ 401,441</u>

LHEIDLI T'ENNEH BAND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

10. LONG-TERM DEBT, continued

	2016	2015
Balance forward	\$ 365,465	\$ 401,441
Mortgage repayable in monthly instalments of \$2,080 including interest at 1.65% per annum, secured by a Government of Canada ministerial guarantee, maturing May 1, 2017	28,827	53,100
Mortgage repayable in monthly instalments of \$1,124 including interest at 2.90% per annum, secured by a Government of Canada ministerial guarantee, maturing November 2, 2019	32,427	44,776
Mortgage repayable in monthly instalments of \$1,934 including interest at 3.24% per annum, secured by a Government of Canada ministerial guarantee, maturing April 1, 2016	2,024	24,768
Mortgage repayable in monthly instalments of \$2,554 including interest at 2.11% per annum, secured by a Government of Canada ministerial guarantee, maturing December 1, 2023	211,269	236,100
Loan repayable in monthly instalments of \$975 including interest at 3.50% per annum, secured by a vehicle with a net book value of \$35,822, maturing January 9, 2019	17,072	17,072
Loan repayable in monthly instalments of \$1,410 including interest at 3.50% per annum, secured by a vehicle with a net book value of \$58,726, maturing January 9, 2019	<u>45,566</u>	<u>60,597</u>
	<u>\$ 702,650</u>	<u>\$ 837,854</u>

Principal repayments due in each of the next five years are scheduled as follows:

2017	\$ 133,992
2018	96,466
2019	84,790
2020	65,504
2021	<u>66,740</u>
	<u>\$ 447,492</u>

LHEIDLI T'ENNEH BAND
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2016

11. TREATY LOAN

Treaty loan is an Indigenous and Northern Affairs Canada promissory note representing advances for negotiations with the British Columbia Treaty Commission. Repayment provisions for these loans are outlined in Sections 13.0 and 14.0 of the Negotiation Support Agreement. The loan is non-interest bearing and will be repayable over a 10 year period after the signing of the Final Agreement between Lheidli T'enneh Band, the Government of Canada and the Government of British Columbia.

12. TANGIBLE CAPITAL ASSETS (Appendix B)

			2016	2015
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Automotive equipment	\$ 137,768	\$ 66,613	\$ 71,155	\$ 104,308
Boats and fisheries equipment	61,404	45,984	15,420	26,100
Buildings	245,614	152,620	92,994	101,181
Computer equipment	103,311	96,251	7,060	12,937
Fuel tanks	207,268	129,542	77,726	88,089
Furniture and office equipment	65,231	62,365	2,866	24,816
Heavy duty equipment	145,868	110,781	35,087	22,893
Housing	2,364,434	1,758,873	605,561	691,878
Infrastructure	2,989,014	1,467,204	1,521,810	1,111,650
Land improvements	1,217,149	101,442	1,115,707	184,753
Signage	40,724	21,991	18,733	22,805
Website	14,718	7,948	6,770	8,242
	7,592,503	4,021,614	3,570,889	2,399,652
Capital projects in progress	-	-	-	1,385,008
	\$ 7,592,503	\$ 4,021,614	\$ 3,570,889	\$ 3,784,660

13. CONTINGENT LIABILITIES

Lheidli T'enneh Band has entered into contribution agreements with various government agencies. Funding received under these contribution agreements is subject to repayment if the Band fails to comply with the terms and conditions of the agreements.

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YEAR ENDED MARCH 31, 2016

13. CONTINGENT LIABILITIES, continued

The Band may have future silviculture commitments on government business enterprises owned forest licenses if future costs exceed current estimates. The amount of the liability, if any, is not determinable at this time.

In addition, in the normal course of its operations, the Band becomes involved in legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

14. RECONCILIATION OF INAC FUNDING AGREEMENT REVENUE

Pursuant to the Indigenous and Northern Affairs Canada Financial Reporting Requirements for the fiscal period 2015 - 2016, the following reconciliation has been prepared:

Recipient total as per 2015/2016 INAC funding confirmation	\$ 1,517,499
Variance	<u> -</u>
Recipient total as per consolidated statement of operations	<u>\$ 1,517,499</u>

15. GOVERNMENT TRANSFERS

	<u>2016</u>			<u>2015</u>		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Federal government transfers:						
Indigenous and Northern						
Affairs Canada	\$ 1,467,499	\$ 50,000	\$ 1,517,499	\$ 1,084,957	\$ -	\$ 1,084,957
First Nations						
Health Authority	174,841	-	174,841	172,746	-	172,746
Other	185,600	-	185,600	229,249	-	229,249
	<u>1,827,940</u>	<u>50,000</u>	<u>1,877,940</u>	<u>1,486,952</u>	<u>-</u>	<u>1,486,952</u>
Provincial government transfers	<u>1,470,137</u>	<u>-</u>	<u>1,470,137</u>	<u>1,040,748</u>	<u>-</u>	<u>1,040,748</u>
	<u>\$ 3,298,077</u>	<u>\$ 50,000</u>	<u>\$ 3,348,077</u>	<u>\$ 2,527,700</u>	<u>\$ -</u>	<u>\$ 2,527,700</u>

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16. RISK MANAGEMENT

The Band has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include the following:

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Band has a history of dealing with its funding agencies and customer base and does not believe it is exposed to an unusual level of credit risk with respect to its accounts receivable.

The Band maintains its cash and deposits with a federally regulated Canadian financial institution and a Credit Union, and thus has not experienced any change in risk exposure.

Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Band's long-term debt is at fixed rates of interest therefore, a change in market interest rates has no impact to cash flows required to service this debt. The Band maintains an operating line of credit subject to floating rates of interest, a change in the variable rate can impact cash flow 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. SEGMENT DISCLOSURE

Lheidli T'enneh Band provides a range of services to its members. For management reporting purposes, operations and activities are organized and reported by function and department. For each segment separately reported, the segment revenue and expenditure represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The presentation by segment is based on the same accounting policies as described in the summary of Significant Accounting Policies in Note 1. The segments and services provided are as follows:

Economic Development - manages the development of economic opportunities from the land and natural resources for the Band and its entities;

Education - provides elementary and secondary education instructional services and provides financial support to post secondary students;

LHEIDLI T'ENNEH BAND
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17. SEGMENT DISCLOSURE, continued

Employment and Training - provides training and work opportunities for Band members to improve their job skills and participate effectively in the labour market;

Government Development and Administration - provides governance initiatives and training through the activities of Chief and Council and administration of other activities relating to program delivery, membership and finance;

Government Business Enterprises - economic development for the benefit of Band members;

Health Services - provides a variety of health care programs, services and support to Band members;

Housing - provides housing and services to Band members;

Public Works Operations and Maintenance - manages community and facilities operations and maintenance including capital projects, municipal services, water and waste water operations, roads, fire protection, and maintenance of community buildings;

Social and Community Services - provides programs and services for the social benefit and welfare of Band members;

Treaty Claims and Negotiations - manages the land claim and negotiation process with Canada and the Province of British Columbia;

Ottawa Trust Funds - provides programs and services for the social, economic and capital needs of Band members;

Tangible Capital Assets - provides for capital infrastructure development for Band members.