

Waterhen Lake First Nation
Consolidated Financial Statements
March 31, 2016

Waterhen Lake First Nation

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For the year ended March 31, 2016

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Management's Responsibility

To the Members of Waterhen Lake First Nation:

The accompanying consolidated financial statements of Waterhen Lake First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

Management is responsible for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Waterhen Lake First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by Council to audit the consolidated financial statements and report directly to the Members of Waterhen Lake First Nation; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and management to discuss their audit findings.

July 25, 2016

Signed by - Kelly Fiddler
_____ Management

Independent Auditors' Report

To the Members of Waterhen Lake First Nation:

We have audited the accompanying consolidated financial statements of Waterhen Lake First Nation, which comprise the consolidated statement of financial position as at March 31, 2016 and the consolidated statements of operations and accumulated surplus, changes in net financial assets (net debt), cash flows and the related schedules 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 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' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement.

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 Waterhen Lake First Nation as at March 31, 2016 and the results of its operations, changes in net financial assets (net debt) and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Saskatoon, Saskatchewan

July 25, 2016

MNP LLP

Chartered Professional Accountants

Waterhen Lake First Nation

Consolidated Statement of Financial Position

As at March 31, 2016

	2016	2015
Financial assets		
Current		
Cash	275,410	-
Accounts receivable (Note 3)	207,847	132,948
Inventory for resale	1,500	1,500
	484,757	134,448
Portfolio investments (Note 5)	21,502	21,502
Due from Waterhen Forestry Products Inc. (Note 6)	-	75,683
Investment in Waterhen Forestry Products Inc. (Note 7)	2,174,031	1,817,777
Funds held in trust (Note 8)	61,183	59,539
Restricted cash (Note 4)	440,330	396,726
Total financial assets	3,181,803	2,505,675
Liabilities		
Current		
Bank indebtedness (Note 9)	-	280,741
Accounts payable and accruals	369,746	435,030
Deferred revenue (Note 10)	185,798	39,492
Current portion of long-term debt (Note 11)	445,949	1,554,067
	1,001,493	2,309,330
Long-term debt (Note 11)	2,521,417	1,201,807
Total financial liabilities	3,522,910	3,511,137
Net debt	(341,107)	(1,005,462)
Non-financial assets		
Tangible capital assets (Note 12)	13,492,376	14,072,105
Prepaid expenses	157,063	110,000
Total non-financial assets	13,649,439	14,182,105
Accumulated surplus (Note 13)	13,308,332	13,176,643

Approved by:

Signed by - Carol Bernard	Chief	Signed by - Blaine Fiddler	Councilor
Signed by - Dennis Martell	Councilor	Signed by - Delphine Vincent	Councilor
Signed by - Joanne Roy	Councilor		Councilor

Waterhen Lake First Nation

Consolidated Statement of Operations and Surplus

For the year ended March 31, 2016

	2016 <i>Budget</i> <i>(Note 17)</i>	2016	2015
Revenues			
Indigenous and Northern Affairs Canada (Note 15)	4,557,315	4,631,142	4,465,802
MLTC Program Services Inc.	808,714	2,186,845	2,089,237
Meadow Lake Health & Social Development Authority Inc.	1,274,328	1,185,482	1,224,630
Mistik Management Ltd.	10,000	158,363	117,868
Other revenue	73,153	85,534	115,243
Canada Mortgage and Housing Corporation	-	71,817	73,892
Health Canada	35,000	35,000	35,000
Crawford Class Action Services	-	933,000	-
First Nations Trust	664,377	703,893	692,433
Investment income - MLTC Resource Development LP	450,000	450,000	150,000
Meadow Lake Tribal Council CFS Inc.	147,312	259,839	257,122
Rental income	53,151	239,758	175,667
Northern Lights CDC	-	163,261	64,187
Retail sales - Waterhen Lake Resort (South) Ltd.	-	158,452	149,722
GST and Sales Tax rebates	18,743	35,640	33,260
Department of Highways	14,358	23,355	17,325
Province of Saskatchewan	11,423	21,000	48,176
Interest income	-	1,644	1,809
Earnings (loss) from investment in Nation business entities	-	400,519	(164,392)
Recovery of prior year INAC funding	-	(49,503)	-
	8,117,874	11,695,041	9,546,981
Program expenses			
Administration	742,470	1,708,354	1,044,249
Band Programs	1,347,864	600,879	490,526
Capital	337,603	1,614,148	1,524,226
Economic Development	64,109	247,613	179,012
Education	2,390,950	3,022,523	2,803,982
Health	1,399,362	1,393,768	1,345,212
Infrastructure	773,735	1,007,968	1,021,519
Reserves and Trusts	54,250	67,388	101,421
Social Services	374,556	1,900,711	1,815,215
	7,484,899	11,563,352	10,325,362
Operating deficit before other item	632,975	131,689	(778,381)
Other income			
Gain on disposal of tangible capital assets	-	-	111,750
Surplus (deficit)	632,975	131,689	(666,631)
Surplus, beginning of year	13,176,643	13,176,643	13,843,274
Surplus, end of year (Note 13)	13,809,618	13,308,332	13,176,643

The accompanying notes are an integral part of these financial statements

Waterhen Lake First Nation
Consolidated Statement of Change in Net Financial Assets (Net Debt)
For the year ended March 31, 2016

	<i>2016 Budget (Note 17)</i>	<i>2016</i>	<i>2015</i>
Annual surplus (deficit)	632,975	131,689	(666,631)
Purchases of tangible capital assets	-	(326,580)	(1,460,595)
Amortization of tangible capital assets	-	906,309	908,100
Proceeds on disposal of tangible capital assets	-	-	111,750
Gain on disposal of tangible capital assets	-	-	(111,750)
Acquisition of prepaid expenses	-	(47,063)	(110,000)
Decrease (increase) in net debt	632,975	664,355	(1,329,126)
Net financial assets (net debt), beginning of year	(1,005,462)	(1,005,462)	323,664
Net debt, end of year	(372,487)	(341,107)	(1,005,462)

The accompanying notes are an integral part of these financial statements

Waterhen Lake First Nation

Consolidated Statement of Cash Flows

For the year ended March 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Surplus (deficit)	131,689	(666,631)
Non-cash items		
Amortization	906,309	908,100
Gain (loss) on disposal of capital assets	-	(111,750)
Loss (earnings) from investment in Nation business entities	(400,519)	164,392
	637,479	294,111
Changes in working capital accounts		
Accounts receivable	(74,899)	43,478
Prepaid expenses	(47,063)	(110,000)
Restricted cash	(43,604)	(39,575)
Accounts payable and accruals	(65,284)	242,376
Due from Waterhen Forestry Products Inc.	75,683	13,180
Deferred revenue	146,306	39,492
	628,618	483,062
Financing activities		
Increase (decrease) in bank indebtedness	(280,741)	8,336
Advances of long-term debt	708,312	1,221,115
Repayment of long-term debt	(496,820)	(349,942)
	(69,249)	879,509
Capital activities		
Purchases of tangible capital assets	(326,580)	(1,460,595)
Insurance proceeds on housing units	-	111,750
	(326,580)	(1,348,845)
Investing activities		
Increase in funds held in trust	(1,644)	(13,726)
Distributions from investments	44,265	-
Increase in cash resources	275,410	-
Cash resources, beginning of year	-	-
Cash resources, end of year	275,410	-

The accompanying notes are an integral part of these financial statements

Waterhen Lake First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

1. Operations

The Waterhen Lake First Nation (the "First Nation") is located in the province of Saskatchewan, and provides various services to its members. Waterhen Lake First Nation includes the Nation's government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. Significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards as set out in the CPA Canada Handbook - Public Sector Accounting as issued by the Accounting Standards Board in Canada and include the following significant accounting policies:

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the First Nation reporting entity, except for First Nation business entities.

The First Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Waterhen First Nation CMHC Housing Program 100% interest
- Waterhen Lake Resort (North) Ltd. 100% interest
- Waterhen Lake Resort (South) Ltd. 100% interest

All inter-entity balances have been eliminated on consolidation; however, transactions between departments have not been eliminated in order to present the results of operations for each specific department.

Waterhen Lake First Nation business entities, owned or controlled by the First Nation's Council but not dependent on the First Nation for their continuing operations, are included in the financial statements using the modified equity method. Under the modified equity method, the equity method of accounting is modified only to the extent that the business entity accounting principles are not adjusted to conform to those of the First Nation. Thus, the First Nation's investment in these entities is recorded at acquisition cost and is increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received. The following entity is accounted for by the modified equity basis:

- Waterhen Forestry Products Inc. 100% interest

Other economic interests

The First Nation does not either share in the control or the profit or loss of the following entities. As a result, the financial statements of the following entities have not been consolidated or proportionately consolidated with the financial statements of Waterhen Lake Cree Nation.

- The First Nation is a member of Meadow Lake Tribal Council. The Tribal Council is an organization of nine Nations.

Basis of presentation

Sources of revenue and expenses are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenses are recognized as they are incurred and measurable as a result of the receipt of goods or services and the creation of a legal obligation to pay.

Cash resources

Cash resources include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Inventory for resale

Inventory is valued at the lower of cost and net realizable value using weighted average cost.

2. Significant accounting policies *(Continued from previous page)*

Portfolio investments

Long-term investments in entities that are not owned, controlled or influenced by the First Nation reporting entity are accounted for using the cost method. They are recorded at cost, less any provision for other than temporary impairment.

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of First Nation members by the Government of Canada in the Ottawa Trust Fund are reported on the statement of financial position with an offsetting amount in accumulated surplus. Trust moneys consist of:

- Capital trust moneys derived from non-renewable resource transactions on the sale of land or other First Nation tangible capital assets; and
- Revenue trust moneys generated primarily through land leasing transactions or interest earned on deposits held in trust.

Tangible capital assets

Tangible capital assets are initially recorded at cost based on historical cost accounting records. Contributed tangible assets are recorded at their fair value at the date of contribution.

Amortization

Tangible capital assets are amortized annually using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives:

	Method	Rate
Buildings	straight-line	30 years
Housing	straight-line	30 years
Equipment	straight-line	10 years
Infrastructure	straight-line	50 years
CMHC Housing	straight-line	30 years
Automotive	straight-line	10 years

Long-lived assets

Long-lived assets consist of tangible capital assets. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Nation performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cashflow from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying amount exceeds its fair value. Any impairment is included in deficit for the year.

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 acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale in the normal course of operations. Non-financial assets include tangible capital assets.

Net financial assets

The First Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the First Nation is determined by its financial assets less its liabilities. Net financial assets combined with non-financial assets comprises a second indicator of financial position, accumulated surplus.

2. Significant accounting policies *(Continued from previous page)*

Revenue recognition

Non-government funding

Funding is recognized as it becomes receivable under the terms of applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the statement of financial position in the year of receipt.

Government transfers

The First Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the First Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Rental income

Income associated with the rental of homes to members is recorded monthly when rental amounts are measurable and collection is reasonably assured.

Retail sales

Income from retail sales is recognized when the sale is made and the customer takes possession of the merchandise.

Investment income

Investment income is recognized when earned.

Segments

The First Nation conducts its business through 9 reportable segments:

- Administration - includes the administration and governance activities.
- Band programs - includes all other band activities of the First Nation.
- Capital - includes the operations and maintenance of all on reserve housing.
- Economic development - includes the activities of the First Nation's economic development initiatives and its business entities.
- Education - includes the operations of education programs.
- Health - includes the operations of health and community wellness programming.
- Infrastructure - includes the operations and maintenance of the First Nation's buildings and infrastructure.
- Reserves and trusts - includes activities for the development of the First Nation's land.
- Social services - includes all activities relating to income assistance for membership.

For each reported segment, revenue and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. Inter program administration fees have been recorded based on a percentage of budgeted revenue, where permitted by the funder.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

2. Significant accounting policies *(Continued from previous page)*

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable are stated after an assessment as to their collectability has been made.

Amortization is based on useful life of the tangible capital assets.

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 .

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 will not recognize any liability as it is not expected that economic benefits will be given up.

Recent accounting pronouncements

PS 3450

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2019. In the period that a public sector entity applies PS 3450, it also applies PS 1201, PS 2601 and PS 3041. Earlier adoption is permitted.

PS 3450 is applied prospectively in the fiscal year of initial adoption; therefore, financial statements of prior periods, including comparative information, are not restated. The First Nation has not yet determined the effect of these new standards on its consolidated financial statements.

In March 2015, as part of the CPA Canada Public Sector Accounting Handbook Revisions Release No. 42, the Public Sector Accounting Board (PSAB) issued a new standard, PS 2200 Related Party Disclosures.

This new Section defines related party and established disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when they have occurred at a value different from that which would have been arrived at if the parties were unrelated, and they have, or could have, a material financial effect on the financial statements.

PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights

In June 2015, new PS 3210 Assets, PS 3320 Contingent Assets and PS 3380 Contractual Rights were included in the CPA Canada Public Sector Accounting Handbook (PSA HB).

PS 3210 Assets provides additional guidance to clarify the definition of assets set out in PS 1000 Financial Statement Concepts.

PS 3320 Contingent Assets establishes disclosure standards on contingent assets. Under previous standards contingent assets could not be recognized.

Waterhen Lake First Nation

Notes to the Consolidated Financial Statements

For the year ended March 31, 2016

2. Significant accounting policies *(Continued from previous page)*

PS 3380 Contractual Rights establishes disclosure standards on contractual rights, and does not include contractual rights to exchange assets where revenue does not arise. The main features of this Standard are as follows:

- Contractual rights are rights to economic resources arising from contracts or agreements that will result in both an asset and revenue in the future.
- Until a transaction or event occurs under a contract or agreement, an entity only has a contractual right to an economic resource. Once the entity has received an asset, it no longer has a contractual right.
- Contractual rights are distinct from contingent assets as there is no uncertainty related to the existence of the contractual right.

These standards are effective for fiscal years beginning on or after April 1, 2017.

3. Accounts receivable

	2016	2015
Canada Mortgage and Housing Corporation	5,908	6,157
Indigenous and Northern Affairs Canada	18,068	11,903
Member and employee advances	73,933	71,026
Mistik Management Ltd.	52,810	-
MLTC Program Services Inc.	69,962	89,909
Northern Lights Community Development Corporation	61,099	-
Other	-	24,979
	281,780	203,974
Less: Allowance for doubtful accounts	73,933	71,026
	207,847	132,948

4. Restricted cash

	2016	2015
Long-term:		
CMHC replacement reserve	281,245	278,102
CMHC operating reserve	159,085	118,624
	440,330	396,726

5. Portfolio investments

	2016	2015
Measured at cost:		
IMI Brokerage LP	20,000	20,000
MLTC Resource Development Inc.	1	1
MLTC Resource Development LP	1	1
Bird's Confectionary	1,500	1,500
	21,502	21,502

Waterhen Lake First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

6. Due from Waterhen Forestry Products Inc.

During a previous year, funds were advanced to Waterhen Forestry Products Inc., a wholly owned business entity of the First Nation. The advances are unsecured, bear no interest and have no fixed terms of repayment.

7. Investment in Waterhen Forestry Products Inc.

The First Nation has an investment in the following entity:

	2015	Current income	Distributions	2016
Wholly-owned Business:				
Waterhen Forestry Products Inc.	1,817,777	400,520	(44,266)	2,174,031

Summary financial information of the First Nation business enterprise, accounted for using the modified equity method, for its respective year-end is as follows:

	<i>Waterhen Forestry Products Inc. As at March 31, 2016</i>
Assets	
Accounts receivable	601,578
Equipment	2,982,292
Total assets	3,583,870
Liabilities	
Bank indebtedness	43,101
Accounts payable and accruals	480,545
Long-term debt	886,193
Total liabilities	1,409,839
Retained earnings	2,174,031
Total revenue	4,965,217
Total expenses	4,564,697
Comprehensive income	400,520

Principal repayments on long-term debt of the First Nation's business enterprise in each of the next five years assuming long-term debt subject to refinancing is renewed, are estimated as follows:

	2017	2018	2019	2020	2021	Thereafter	Total
Long-term debt owed to parties external to the First Nation							
Waterhen Forestry Products Inc.	271,684	277,399	139,775	62,585	55,125	79,625	886,193

Waterhen Forestry Products Inc. has long-term debt which the First Nation has issued guarantees for repayment. The guarantees relate to loans outstanding of \$693,110 (2015 - \$571,281) used to acquire machinery. Interest rates range from prime +1.75% to prime + 2.00%. The current portion of these loans is \$183,421.

Waterhen Lake First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

8. Funds held in trust

Capital and revenue trust monies are transferred to the First Nation on the authorization of the Minister of Indigenous and Northern Affairs Canada, with the consent of the First Nation's Council.

	2016	2015
Capital Trust		
Balance, beginning and end of year	33,890	33,890
Revenue Trust		
Balance, beginning of year	25,649	11,923
Interest	1,233	1,809
Land leases	411	11,917
Balance, end of year	27,293	25,649
	61,183	59,539

9. Bank indebtedness

Bank indebtedness includes draws against lines of credit and bank balance less outstanding cheques. At March 31, 2016 the First Nation had a line of credit available:

- approved limit of \$250,000; of which \$nil has been drawn.

The line of credit charges interest at bank prime plus 1.25% and is secured by a General Security Agreement allowing for a first charge on all assets and direction of INAC funding to First Nations Bank.

10. Deferred revenue

The following table represents changes in the deferred revenue balance attributable to each major category of external restrictions:

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Amount recognized as revenue</i>	<i>Balance, end of year</i>
Meadow Lake Health & Social Development Authority Inc.	5,604	1,307,465	1,185,482	127,587
MLTC Program Services Inc.	-	2,198,332	2,186,845	11,487
Northern Lights CDC	33,888	176,097	163,261	46,724
	39,492	3,681,894	3,535,588	185,798

Waterhen Lake First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

11. Long-term debt

	2016	2015
First Nations Bank loan in regard to the construction of 10 band homes, repayable in quarterly principal instalments of \$35,000 and monthly interest at prime plus 1.85%. Secured by First Nations Trust gaming distribution and fire insurance. Due April 2025.	1,291,659	1,221,115
First Nations Bank loan in regard to operations, repayable in quarterly instalments of \$42,805 blended principal and interest at prime plus 2.05%, due January 2019. Secured by a general security agreement of the First Nation and redirection of Mistik Management receipts.	475,000	-
First Nations Bank loan advances in regard to the RCMP building project, repayable in monthly instalments of \$1,612 blended principal and interest at 5.05%. Secured by a general security agreement of the First Nation. Due September 2018.	259,150	265,207
First Nations Bank loan in regard to a grader purchase, repayable repayable in monthly instalments of \$3,770 blended principal and interest at 4.25%, due April 2019. Secured by a general security agreement of the First Nation and equipment having net book value of \$143,530.	130,532	169,308
First Nations Bank loan in regard to a school bus purchase, repayable in monthly instalments of \$1,246 blended principal and interest at prime plus 1.85%, due December 2019. Secured by a school bus with net book value of \$57,984.	51,158	-
First Nations Bank operating debt repayable in monthly instalments of \$2,292 blended principal and interest at prime plus 2.50%, due October 2018. Secured by a general security agreement of the First Nation.	65,482	88,856
CMHC Mortgage, phase 1, repayable in monthly instalments of \$746 blended principal and interest at 1.05%. Secured by a guarantee by INAC. Due January 2025.	75,541	83,598
CMHC Mortgage, phase 2, repayable in monthly instalments of \$1,978 blended principal and interest at 2.26%. Secured by a guarantee by INAC. Due June 2026.	217,077	235,687
CMHC Mortgage, phase 3, repayable in monthly instalments of \$1,365 blended principal and interest at 2.35%. Secured by a guarantee by INAC. Due July 2028.	175,347	187,463
CMHC Mortgage, phase 4, repayable in monthly instalments of \$2,212 blended principal and interest at 0.94%. Secured by a guarantee by INAC. Due July 2025.	226,420	248,487
First Nations Bank.	-	250,000
Ford Credit.	-	6,153
	2,967,366	2,755,874
Less: current portion	445,949	1,554,067
	2,521,417	1,201,807

Waterhen Lake First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

11. Long-term debt *(Continued from previous page)*

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

2017	445,949
2018	450,747
2019	443,404
2020	227,951
2021	215,016

Long-term debt is subject to certain financial covenants with respect to timely submission of the annual audited financial statements to their lender as well as restrictions that may be in place. As at March 31, 2016, the First Nation is in compliance with all such covenants. It is management's opinion that the First Nation is likely to remain in compliance with all long-term debt covenants throughout the next twelve months subsequent to March 31, 2016.

12. Tangible capital assets

	Cost	Additions	Disposals	Accumulated amortization	2016 Net book value
Buildings	10,208,621	85,000	-	5,733,775	4,559,846
Housing	9,426,075	-	-	7,106,017	2,320,058
Equipment	773,115	119,153	-	704,437	187,831
Infrastructure	7,427,216	-	-	2,278,237	5,148,979
CMHC Housing	1,546,963	-	-	619,501	927,462
Automotive	763,313	122,427	-	537,540	348,200
	30,145,303	326,580	-	16,979,507	13,492,376

	Cost	Additions	Disposals	Accumulated amortization	2015 Net book value
Buildings	8,792,111	59,041	-	5,478,087	3,373,065
Housing	9,426,075	1,240,719	-	6,750,813	3,915,981
Equipment	729,030	44,085	-	675,212	97,903
Infrastructure	7,427,216	-	-	2,129,693	5,297,523
CMHC Housing	1,546,963	116,750	-	564,099	1,099,614
Automotive	763,313	-	-	475,294	288,019
	28,684,708	1,460,595	-	16,073,198	14,072,105

Amortization expense of \$906,309 (2015 - \$908,100) was recorded in the Capital segment. Total amortization expense comprises \$55,402 amortization for CMHC housing, \$355,204 for housing, \$255,689 for buildings, \$29,224 for equipment, \$62,246 for automotive, and \$148,544 for infrastructure.

Buildings includes assets under construction with a carrying value of \$464,944 (2015 - \$379,944) for which no amortization has been recorded.

Waterhen Lake First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

13. Accumulated surplus

Accumulated surplus consists of the following:

	2016	2015
Equity in Ottawa Trust Funds	61,183	59,539
Equity in investments	2,195,533	1,839,279
CMHC reserves	510,897	514,821
Equity in tangible capital assets	11,065,492	11,655,087
Operating	(524,773)	(892,083)
	13,308,332	13,176,643

The equity in tangible capital assets represents accumulated surplus amounts not available for operations, but rather past transactions creating tangible capital assets that will be used to provide future services.

The CMHC reserves are replacement and operating reserves required to be funded for future housing replacements, as per agreements with CMHC.

The equity in investments represents amounts not readily available for operations as the investments are not likely to be liquidated within the next year.

14. Canada Mortgage and Housing Corporation reserves

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the Nation established the following:

- The replacement reserve requires an annual cash allocation of \$26,180 to ensure replacement of housing unit components. At March 31, 2016, the replacement reserve is required to be funded to a level of \$330,912 (2015 - \$301,589). At March 31, 2016 the cash balance in the reserve is \$281,245 (2015 - \$278,102).
- An operating surplus reserve established for housing units under the Post 1997 Fixed Subsidy Program requires any surpluses to be funded with cash. These reserve funds may be used to offset any future deficits incurred in the Post 97 Housing Program. At March 31, 2016 the operating reserve is required to be funded to a level of \$179,985 (2015 - \$213,232). At March 31, 2016 the cash balance in the reserve is \$159,085 (2015 - \$118,624).

In accordance with terms of the agreements, CMHC reserve monies must be held or invested only in accounts or instruments guaranteed by the Canada Deposit Insurance Corporation, or as otherwise approved by CMHC. Reserve withdrawals are credited first to interest and then to principal.

15. Reconciliation of funding from Indigenous and Northern Affairs Canada

Funding per confirmation	4,631,142
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16. Economic dependence

Waterhen Lake First Nation receives substantially all of its revenue from Indigenous and Northern Affairs Canada (INAC) as a result of Treaties entered into with the Government of Canada. These treaties are administered by INAC under the terms and conditions of the Indian Act. The ability of the First Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

17. Budget information

The disclosed budget information was approved by the Chief and Council of the Waterhen Lake First Nation on October 7th, 2015.

In preparation of the annual budget of the First Nation, management does not budget for purchases of capital assets or principal payments on debt.

The budget process followed by management only includes activities directly by the First Nation. Management does not prepare a budget for capital projects administered through third party project managers.

Waterhen Lake First Nation
Schedule 1 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2016

	2016 Budget (Note 17)	2016	2015
Consolidated expenses by object			
Administration	-	-	2,350
Advertising	-	298	3,788
Amortization	-	906,309	908,100
Assistance	109,000	1,559,762	1,490,667
Assisted living	17,570	753	17,570
Bad debts (recovery)	-	2,907	(12,704)
Bank charges and interest	12,000	32,559	40,405
Child care	-	6,000	6,000
Child nutrition program	-	1,899	78,677
Community donations	40,000	25,996	928
Community support	-	13,691	15,019
Contracted services	687,370	791,094	828,267
Cost of goods sold	-	18,993	14,951
Cultural activities	80,000	109,457	106,635
Economic	28,000	13,500	29,978
Elders fees	2,400	2,900	4,800
Election	-	-	20,100
Expense recoveries	(73,812)	(153,712)	(104,998)
Health	15,000	12,434	6,165
Honouraria	391,689	388,926	361,712
Insurance	21,338	133,027	119,121
Inter program administration fees	6,411	-	-
Interest on long-term debt	744,508	102,094	82,161
Meeting	16,000	1,021	19,125
Miscellaneous	4,000	3,950	2,500
Office equipment lease	31,500	78,098	33,896
Prevention	112,527	56,506	87,780
Professional development	48,100	40,914	25,804
Professional fees	89,454	162,998	133,189
Program expense	5,000	18,894	39,802
Rent	-	7,310	-
Repairs and maintenance	153,302	416,820	322,115
Residential school payments	-	845,100	-
Salaries and benefits	3,651,040	3,653,702	3,445,016
Sports, recreation and extra curricular activities	60,157	77,130	4,140
Student allowances	-	386,055	404,432
Student expenses	4,888	4,888	14,903
Student transportation	40,000	34,742	26,152
Supplies	457,399	610,040	596,282
Telephone	40,960	56,429	54,854
Training	135,470	155,906	115,812
Travel	320,207	411,135	473,325
Tuition	34,000	269,633	204,968
Utilities	199,421	303,194	301,575
	7,484,899	11,563,352	10,325,362

**Waterhen Lake First Nation
Administration**

Schedule 2 - Schedule of Segment Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2016

	2016 Budget (Note 17)	2016	2015
Revenues			
Indigenous and Northern Affairs Canada	564,445	558,133	571,068
Other revenue	-	-	10,561
MLTC Program Services Inc.	146,377	138,624	137,320
GST and Sales Tax rebates	18,743	35,640	33,260
Province of Saskatchewan	11,423	-	27,176
Northern Lights CDC	-	2,500	-
Crawford Class Action Services	-	933,000	-
Recovery of prior year INAC funding	-	(16,852)	-
	740,988	1,651,045	779,385
Expenses			
Bad debts (recovery)	-	2,907	(12,704)
Bank charges and interest	12,000	21,603	30,633
Contracted services	85,100	132,417	88,159
Election	-	-	20,100
Expense recoveries	(23,643)	(97,625)	(62,805)
Honouraria	364,546	360,522	338,533
Insurance	-	13,000	12,620
Inter program administration fees	(439,458)	(480,574)	(409,761)
Professional development	10,000	2,804	8,838
Professional fees	89,454	144,551	107,178
Repairs and maintenance	-	-	370
Residential school payments	-	845,100	-
Salaries and benefits	468,048	513,767	532,005
Supplies	29,000	63,087	130,445
Telephone	16,000	26,626	30,125
Travel	131,423	157,970	222,216
Utilities	-	2,199	8,297
	742,470	1,708,354	1,044,249
Deficit before transfers	(1,482)	(57,309)	(264,864)
Transfers between programs	-	-	277,400
Surplus (deficit)	(1,482)	(57,309)	12,536

Waterhen Lake First Nation
Band Programs
Schedule 3 - Schedule of Revenue and Expenses and Surplus (Deficit)
For the year ended March 31, 2016

	2016 Budget (Note 17)	2016	2015
Revenues			
Other revenue	63,153	40,705	29,467
MLTC Program Services Inc.	229,138	248,317	205,114
Rental income	-	75,388	52,039
Interest income	-	1,644	1,809
First Nations Trust	664,377	703,893	692,433
Province of Saskatchewan	-	21,000	21,000
Northern Lights CDC	-	77,500	-
Investment income - MLTC Resource Development LP	450,000	450,000	-
	1,406,668	1,618,447	1,001,862
Expenses			
Assistance	97,000	69,185	88,090
Bank charges and interest	-	-	194
Community donations	40,000	25,996	928
Community support	-	13,691	15,019
Contracted services	5,000	3,404	5,785
Cultural activities	30,000	-	56,785
Elders fees	2,400	2,900	4,800
Expense recoveries	(48,004)	(28,644)	(23)
Honouraria	6,300	11,550	8,669
Insurance	-	3,169	3,959
Inter program administration fees	65,000	65,000	1,000
Interest on long-term debt	744,508	12,833	21,741
Meeting	1,000	400	325
Miscellaneous	4,000	3,750	2,500
Professional fees	-	1,050	1,000
Program expense	5,000	6,434	9,675
Repairs and maintenance	-	-	680
Salaries and benefits	232,203	224,429	177,437
Sports, recreation and extra curricular activities	59,857	76,118	4,040
Supplies	38,000	37,784	20,422
Travel	8,000	11,441	12,378
Utilities	57,600	60,389	55,122
	1,347,864	600,879	490,526
Surplus before transfers	58,804	1,017,568	511,336
Transfers between programs	11,500	(447,214)	(470,790)
Surplus	70,304	570,354	40,546

Waterhen Lake First Nation
Capital

Schedule 4 - Schedule of Revenue and Expenses and Surplus (Deficit)
For the year ended March 31, 2016

	2016 Budget (Note 17)	2016	2015
Revenues			
Indigenous and Northern Affairs Canada	337,603	337,603	337,603
Canada Mortgage and Housing Corporation	-	71,817	73,892
Northern Lights CDC	-	83,261	37,657
Rental income	-	91,843	68,879
	337,603	584,524	518,031
Expenses			
Administration	-	-	1,850
Amortization	-	906,309	908,100
Bank charges and interest	-	1,387	1,198
Contracted services	200,843	188,970	230,365
Honouraria	-	325	-
Insurance	-	47,474	32,850
Inter program administration fees	33,760	33,760	-
Interest on long-term debt	-	74,063	45,533
Professional fees	-	7,549	6,804
Program expense	-	12,460	-
Repairs and maintenance	100,000	333,334	231,262
Salaries and benefits	-	2,814	19,727
Supplies	-	(1,183)	6,761
Travel	3,000	6,401	37,961
Utilities	-	485	1,815
	337,603	1,614,148	1,524,226
Deficit before other items	-	(1,029,624)	(1,006,195)
Other income			
Gain on disposal of tangible capital assets	-	-	111,750
	-	-	111,750
Deficit before transfers	-	(1,029,624)	(894,445)
Transfers between programs	-	265,873	-
Deficit	-	(763,751)	(894,445)

Waterhen Lake First Nation
Economic Development
Schedule 5 - Schedule of Segment Revenue and Expenses and Surplus (Deficit)
For the year ended March 31, 2016

	2016 Budget (Note 17)	2016	2015
Revenues			
MLTC Program Services Inc.	64,108	52,621	98,589
Other revenue	-	10,196	65,215
Indigenous and Northern Affairs Canada	-	33,554	-
Earnings (loss) from investment in Nation business entities	-	400,519	(164,392)
Investment income - MLTC Resource Development LP	-	-	150,000
Retail sales - Waterhen Lake Resort (South) Ltd.	-	158,452	149,722
Northern Lights CDC	-	-	26,530
Rental income	-	18,000	-
	64,108	673,342	325,664
Expenses			
Advertising	-	298	3,788
Bank charges and interest	-	8,336	7,578
Contracted services	18,000	48,978	1,333
Cost of goods sold	-	18,993	14,951
Economic	28,000	13,500	29,978
Insurance	-	3,308	2,930
Inter program administration fees	6,411	6,411	6,359
Interest on long-term debt	-	4,134	5,467
Professional fees	-	-	4,273
Rent	-	7,310	-
Repairs and maintenance	-	25,849	14,621
Salaries and benefits	-	52,393	45,142
Supplies	-	9,269	6,799
Telephone	-	1,642	-
Travel	11,698	29,822	10,709
Utilities	-	16,749	25,084
Meeting	-	621	-
	64,109	247,613	179,012
Surplus (deficit) before transfers	(1)	425,729	146,652
Transfers between programs	-	-	(20,000)
Surplus (deficit)	(1)	425,729	126,652

Waterhen Lake First Nation
Education

Schedule 6 - Schedule of Segment Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2016

	<i>2016 Budget (Note 17)</i>	<i>2016</i>	<i>2015</i>
Revenues			
Indigenous and Northern Affairs Canada	2,769,959	2,805,588	2,669,540
Meadow Lake Health & Social Development Authority	70,560	83,564	72,931
MLTC Program Services Inc.	188,935	220,935	220,635
Other revenue	-	29,000	-
Recovery of prior year INAC funding	-	(32,651)	-
	3,029,454	3,106,436	2,963,106
Expenses			
Assistance	12,000	11,815	11,697
Bank charges and interest	-	1,233	802
Contracted services	97,200	88,798	92,996
Cultural activities	20,000	7,000	21,851
Expense recoveries	-	(8,070)	(7,295)
Honouraria	14,343	11,254	9,145
Insurance	1,065	2,997	2,096
Inter program administration fees	159,943	159,943	220,188
Interest on long-term debt	-	4,597	1,354
Meeting	-	-	1,076
Miscellaneous	-	200	-
Office equipment lease	7,500	9,000	8,250
Professional development	9,500	34,860	7,334
Professional fees	-	-	5,497
Program expense	-	-	30,127
Salaries and benefits	1,776,246	1,777,465	1,565,076
Sports, recreation and extra curricular activities	300	-	100
Student allowances	-	386,055	404,432
Student expenses	4,888	4,888	14,903
Student transportation	40,000	34,742	26,152
Supplies	189,500	180,764	163,195
Telephone	2,760	3,725	2,362
Travel	21,705	41,624	17,448
Tuition	34,000	269,633	204,968
Utilities	-	-	228
	2,390,950	3,022,523	2,803,982
Surplus before transfers	638,504	83,913	159,124
Transfers between programs	-	-	9,598
Surplus	638,504	83,913	168,722

**Waterhen Lake First Nation
Health**

Schedule 7 - Schedule of Segment Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2016

	2016 Budget (Note 17)	2016	2015
Revenues			
Other revenue	10,000	5,633	10,000
Meadow Lake Health & Social Development Authority	1,061,600	1,032,367	1,012,319
MLTC Program Services Inc.	138,375	25,848	35,000
Health Canada	35,000	35,000	35,000
Meadow Lake Tribal Council CFS Inc.	147,312	259,839	257,122
	1,392,287	1,358,687	1,349,441
Expenses			
Administration	-	-	500
Contracted services	68,477	96,266	101,144
Expense recoveries	(326)	(14,088)	(7,054)
Health	15,000	12,434	6,165
Honouraria	6,500	5,275	2,850
Insurance	6,273	6,491	7,286
Inter program administration fees	119,048	142,958	133,263
Meeting	15,000	-	17,724
Office equipment lease	24,000	69,098	25,646
Prevention	112,527	56,506	87,780
Professional development	18,000	2,080	7,136
Repairs and maintenance	10,000	10,144	20,434
Salaries and benefits	769,027	737,040	694,185
Supplies	99,699	127,351	109,371
Telephone	13,200	11,092	12,739
Training	17,832	3,889	17,871
Travel	92,105	104,155	83,017
Utilities	13,000	23,077	25,155
	1,399,362	1,393,768	1,345,212
Surplus before transfers	(7,075)	(35,081)	4,229
Transfers between programs	(11,500)	(11,500)	-
Surplus (deficit)	(18,575)	(46,581)	4,229

**Waterhen Lake First Nation
Infrastructure**

Schedule 8 - Schedule of Segment Revenue and Expenses and Surplus (Deficit)

For the year ended March 31, 2016

	2016 Budget (Note 17)	2016	2015
Revenues			
Indigenous and Northern Affairs Canada	594,360	605,316	588,285
Rental income	53,151	54,527	54,749
Department of Highways	14,358	23,355	17,325
	661,869	683,198	660,359
Expenses			
Contracted services	154,000	166,925	234,982
Expense recoveries	(1,839)	(4,811)	(27,821)
Insurance	14,000	56,588	57,380
Inter program administration fees	47,490	52,608	35,013
Interest on long-term debt	-	6,467	8,066
Professional development	600	570	2,250
Repairs and maintenance	43,300	47,493	54,748
Salaries and benefits	253,163	247,931	263,327
Supplies	96,000	183,096	151,171
Telephone	9,000	13,344	9,628
Travel	29,200	37,462	46,901
Utilities	128,821	200,295	185,874
	773,735	1,007,968	1,021,519
Deficit before transfers	(111,866)	(324,770)	(361,160)
Transfers between programs	-	192,841	203,792
Deficit	(111,866)	(131,929)	(157,368)

Waterhen Lake First Nation
Reserves and Trusts

Schedule 9 - Schedule of Segment Revenue and Expenses and Surplus (Deficit)
For the year ended March 31, 2016

	2016 Budget (Note 17)	2016	2015
Revenues			
Indigenous and Northern Affairs Canada	14,414	14,414	14,401
Mistik Management Ltd.	10,000	158,363	117,868
	24,414	172,777	132,269
Expenses			
Contracted services	45,750	46,438	65,243
Honouraria	-	-	2,515
Professional development	-	-	246
Professional fees	-	9,848	8,437
Supplies	2,000	1,514	4,114
Travel	6,500	9,588	20,866
	54,250	67,388	101,421
Surplus (deficit)	(29,836)	105,389	30,848

Waterhen Lake First Nation
Social Services

Schedule 10 - Schedule of Segment Revenue and Expenses Surplus (Deficit)
For the year ended March 31, 2016

	<i>2016 Budget (Note 17)</i>	<i>2016</i>	<i>2015</i>
Revenues			
Indigenous and Northern Affairs Canada	276,534	276,534	284,905
Meadow Lake Health & Social Development Authority	142,168	69,551	139,380
MLTC Program Services Inc.	41,781	1,500,500	1,392,579
	460,483	1,846,585	1,816,864
Expenses			
Assistance	-	1,478,762	1,390,880
Assisted living	17,570	753	17,570
Child care	-	6,000	6,000
Child nutrition program	-	1,899	78,677
Contracted services	13,000	18,898	8,260
Cultural activities	30,000	102,457	27,999
Expense recoveries	-	(474)	-
Inter program administration fees	14,217	19,894	13,938
Professional development	10,000	600	-
Salaries and benefits	152,354	97,863	148,117
Sports, recreation and extra curricular activities	-	1,012	-
Supplies	3,200	8,358	4,004
Training	117,638	152,017	97,941
Travel	16,577	12,672	21,829
	374,556	1,900,711	1,815,215
Surplus	85,927	(54,126)	1,649