

**Horse Lake First Nation
Financial Statements
*31 March, 2016***

Horse Lake First Nation

Contents

For the year ended 31 March, 2016

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Management's Responsibility

To the Members of Horse Lake First Nation:

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.

In discharging its responsibilities for the integrity and fairness of the 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 financial statements.

The Council is composed of elected officials who are not employees of the municipality. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities. The Council fulfills these responsibilities by reviewing the financial information prepared by the administration and discussing relevant matters with external auditors. The Council is also responsible for recommending the appointment of the municipality's external auditors.

Holm Raiche Oberg, Chartered Professional Accountants P.C. Ltd., an independent firm of chartered professional accountants, is appointed by Council to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Council and administration to discuss their audit findings.

July 27, 2016

Date

Chief



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Administrator



Holm Raiche Oberg
Chartered Professional Accountants P.C. Ltd.

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INDEPENDENT AUDITOR'S REPORT

To the Members of Horse Lake First Nation

Report on the consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Horse Lake First Nation, which comprise the consolidated statement of financial position as at March 31, 2016, and the statements of operations and accumulated surplus (deficit), change in net financial assets and cash flow 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.

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 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 financial statements present fairly, in all material respects, the financial position of Horse Lake First Nation as at March 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

The supplementary information contained in the accompanying schedules is presented for purposes of additional information to the First Nation's and Aboriginal Affairs & Northern Development Canada and does not form part of the consolidated financial statements. The schedules have not been audited other than in the course of our audit of the consolidated financial statements to the extent necessary to allow us to render an opinion thereon.

North Battleford, Saskatchewan
July 27, 2016

Holm Raiche Oberg
Chartered Professional Accountants

Horse Lake First Nation
Statement of Financial Position
As at 31 March, 2016

	2016	2015
Financial assets		
Current		
Term deposits (Note 2)	145,253	148,251
Accounts receivable (Note 3)	2,754,181	497,300
Payroll advances receivable (Note 4)	160,962	168,958
Subtotal of current assets	3,060,396	814,509
Investment and advances to related Nation entities (Note 5)	1,900,029	2,085,804
Funds held in trust (Note 6)	3,505,079	4,940,372
Total financial assets	8,465,504	7,840,685
Financial liabilities		
Current		
Bank indebtedness (Note 7)	223,092	39,547
Accounts payable and accruals (Note 8)	1,706,386	415,476
Deferred revenue (Note 9)	165,164	29,676
Accrued interest payable	8,137	10,670
Current portion of long-term debt (Note 10)	579,918	688,500
Current portion of capital lease obligations (Note 11)	103,750	-
Subtotal of current liabilities	2,786,447	1,183,869
Long-term debt (Note 10)	2,745,556	3,336,569
Capital lease obligations (Note 11)	184,699	-
Total financial liabilities	5,716,702	4,520,438
Net financial assets	2,748,802	3,320,247
Non-financial assets		
Tangible capital assets (Note 12)	27,420,610	27,649,066
Horse Lake First Nation Investment Management Board (Note 14)	44,874,785	45,822,634
Prepaid expenses	47,763	38,487
Total non-financial assets	72,343,158	73,510,187
Accumulated surplus (Note 15)	75,091,960	76,830,434

Approved on behalf of the Council

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Chief

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Councillor

Horse Lake First Nation
Statement of Operations and Accumulated Surplus (Deficit)
For the year ended 31 March, 2016

	<i>Schedules</i>	<i>2016 Budget</i>	<i>2016</i>	<i>2015</i>
Revenue				
Aboriginal Affairs and Northern Development Canada				
Block funding	1,852,882	1,964,886	2,021,475	
Set funding	190,383	326,927	530,967	
Fixed funding	-	515,699	93,092	
Treaty 8	17,405	21,618	16,512	
Aboriginal Skills & Employment Training Strategy	192,939	234,989	192,940	
Flexible funding	-	1,386,289	-	
Health Canada				
Health Canada	-	923,859	762,694	
Canada Mortgage and Housing Corporation				
RRAP homeowner and disabled programs	-	222,512	199,202	
RRAP conversions	-	29,700	21,900	
AANDC Trust Accounts				
Revenue trust	175,000	130,000	100,000	
Capital trust	727,678	2,063,000	2,200,333	
Investment income	-	(4,935)	-	
Rental income	3,449,138	48,467	27,300	
Revenue and Capital trust funds (AANDC)	-	1,963	15,007	
Province of Alberta	-	131,519	-	
First Nation Development Fund	-	3,930,417	3,430,000	
Deferred revenue - prior year	51,335	29,676	104,590	
Revenue trust funds	20,000	-	-	
Deferred revenue - current year	-	(165,164)	(29,676)	
Administration fees	69,600	221,842	25,143	
Other revenue	-	388,708	189,243	
Alberta Lotteries Fund	-	543,308	555,307	
Government of Alberta	-	-	35,000	
HLFN Oilfield Construction Corp - donation	-	150,000	-	
	7,601,360	13,095,280	10,491,029	

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Horse Lake First Nation
Statement of Operations and Accumulated Surplus (Deficit)
For the year ended 31 March, 2016

	<i>Schedules</i>	2016	2016	2015
(Continued from previous page)		7,601,360	13,095,280	10,491,029
Expenses				
Program expenses				
Administration	2	-	3,070,513	2,447,807
Capital Projects and Housing	3	-	1,506,358	1,403,166
Economic Development	4	62,400	500,247	92,150
Education	5	-	653,082	731,765
Water Treatment Plant	6	-	1,018,818	-
Operations and Maintenance	7	919,000	1,387,802	1,826,284
Multiplex	8	167,500	517,306	514,885
Per Capita Distribution	9	700,000	-	5,920
Protective Services	10	121,600	131,215	127,113
Recreation	11	162,100	307,807	252,425
Social Services	12	560,870	468,337	330,541
Aboriginal Relations Labour Study	13	29,676	27,206	5,324
Pre employment program	14	-	29,629	-
		2,723,146	9,618,320	7,737,380
Human Resources				
Labour Market - EI	15	40,136	33,808	47,270
Labour Market - CRF	16	104,562	134,875	110,679
Child Care Initiative	17	117,341	143,168	136,134
		262,039	311,851	294,083
Health Canada				
Aboriginal Head Start on-reserve	18	65,916	79,707	94,554
Canada Prenatal Nutrition Program	19	8,544	10,027	6,775
Maternal Child Health	20	85,000	86,066	85,060
Building Healthy Communities - Mental Health	21	34,868	34,814	37,016
Crisis Mgmt				
Building Healthy Communities - Solvent Abuse	22	7,028	4,991	8,938
Program				
Brighter Futures	23	45,202	51,363	54,078
NNADAP	24	56,926	61,908	74,586
Aboriginal Diabetes Initiative	25	33,825	39,532	42,907
HIV/Aids Strategy	26	5,000	5,324	5,045
Enviromental Health - Drinking Water Safety	27	8,000	4,383	8,466
Program				
FNIHCC	28	94,533	81,241	96,469
Support Clerk	29	16,785	17,242	20,025
Community Health Rep	30	49,645	55,426	48,636
Capital Facilities - Operations and Maintenance	31	47,917	101,904	61,247
MSB Health	32	72,922	75,995	75,124
Medical Transportation - Client Insured Service	33	80,067	94,938	116,367
Medical Transportation - Administration	34	15,500	20,914	20,811
Public Health Protection - CDC-CDE	35	-	-	2,967
		727,678	825,775	859,071
First Nation Development Fund				
ECS Centre	36	-	38,443	62,660
Strategic Community Plan	37	-	-	5,000
Security Cameras	38	-	-	20,638
Security on Reserve	39	-	-	48,986

The accompanying notes are an integral part of these financial statements

Horse Lake First Nation
Statement of Operations and Accumulated Surplus (Deficit)
For the year ended 31 March, 2016

	<i>Schedules</i>	<i>2016</i>	<i>2016</i>	<i>2015</i>
File Scanner	40	-	3,855	8,247
Fire Training	41	-	117,343	57,249
Garbage Bins	42	-	3,908	-
Power Snake	43	-	3,439	3,696
School Bus Purchase	45	-	4,870	-
E-Learning Operational	47	-	80,004	3,237
2 Public works Trucks	48	-	4,287	-
Gravel North Side Roads	49	-	86,280	-
Reserve Landscaping	50	-	1,000	220,414
		-	343,429	430,127
Total expenses		3,712,863	11,099,375	9,320,661
Surplus before other items		3,888,497	1,995,905	1,170,368
Other income (expense)				
Gain (loss) on disposal of capital assets		-	(91,497)	12,499
Recovery of surplus		-	(30,110)	-
Equity pickup in Nation owned entities		-	(186,103)	(78,442)
		-	(307,710)	(65,943)
Surplus		3,888,497	1,688,195	1,104,425
Accumulated surplus, beginning of year		-	76,830,434	77,787,699
Change in equity Horse Lake First Nation Investment Management Board		-	(1,991,376)	(2,832,445)
Change in equity Aboriginal Affairs and Northern Development Trusts		-	(1,435,293)	770,755
Accumulated surplus, end of year		-	75,091,960	76,830,434

Horse Lake First Nation
Statement of Change in Net Financial Assets
For the year ended 31 March, 2016

	2016 Budgets	2016	2015
Annual surplus	-	1,688,195	1,104,425
Purchases of tangible capital assets	-	(932,163)	(1,240,613)
Amortization of tangible capital assets	-	1,056,955	1,049,784
Amortization on tangible capital assets - lease	-	12,164	20,463
Gain (loss) on sale of tangible capital assets	-	91,497	(12,499)
Proceeds of disposal of tangible capital assets	-	-	42,800
	-	228,453	(140,065)
Acquisition of prepaid expenses	-	(47,763)	(38,487)
Use of prepaid expenses	-	38,487	-
Advances to Horse Lake First Nation Investment Management Board	-	(1,043,524)	(226,980)
Change in equity Aboriginal Affairs and Northern Development Trusts	-	(1,435,293)	1,115,753
	-	(2,488,093)	850,286
Increase (decrease) in net financial assets	-	(571,445)	1,814,646
Net (debt) financial assets, beginning of year	-	3,320,247	1,505,601
Net financial assets (net debt), end of year	-	2,748,802	3,320,247

Horse Lake First Nation
Statement of Cash Flows
For the year ended 31 March, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Surplus	1,688,195	1,104,425
Non-cash items		
Amortization	1,056,955	1,049,784
Amortization	12,164	20,463
Deferred revenue - current year	165,164	29,676
Gain (loss) on disposal of tangible capital assets	91,497	(12,499)
	3,013,975	2,191,849
Changes in working capital accounts		
Accounts receivable	(2,256,881)	154,898
Prepaid expenses	(9,276)	(38,487)
Payroll advances receivable	7,996	(80,502)
Accounts payable and accruals	1,290,910	(328,830)
Deferred revenue	135,488	(104,590)
Accrued interest payable	(2,533)	(2,405)
	2,179,679	1,791,933
Financing activities		
Advances of long-term debt	19,643	-
Repayment of long-term debt	(719,229)	(744,827)
Repayment of current portion of capital lease obligations	(66,551)	-
Advances of capital lease obligation	355,000	-
Advances (to) from Related Nation Entities	(252,167)	1,382,776
	(663,304)	637,949
Capital activities		
Purchases of tangible capital assets	(932,163)	(1,240,613)
Proceeds of disposal of tangible capital assets	-	42,800
	(932,163)	(1,197,813)
Investing activities		
Allocation of current years equity	-	78,442
Funds held in AANDC trust	(770,755)	(1,135,313)
	(770,755)	(1,056,871)
Increase (decrease) in cash resources	(186,543)	175,198
Cash resources, beginning of year	108,704	(66,494)
Cash resources, end of year	(77,839)	108,704
Term deposits	145,253	148,251
Bank indebtedness	(223,092)	(39,547)
	(77,839)	108,704
Supplementary cash flow information		
Interest paid	146,994	215,673

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

1. Significant accounting policies

These financial statements are the representations of management, prepared under Canadian public sector accounting standards for local government entities, (except as explained below) and including the following significant accounting policies:

Basis of presentation

Sources of financing and expenditures are recorded on the accrual basis of accounting. The accrual basis of accounting recognizes revenue as it becomes available and measurable; expenditures 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.

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for Nation business entities. Trusts administered on behalf of third parties by Horse Lake First Nation are excluded from the Nation reporting entity.

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

Horse Lake First Nation business entities, owned or controlled by the Nation's Council but not dependent on the 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 Nation. Thus, the 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. Entities accounted for by the modified equity basis include:

Entities

- 424337 Alberta Ltd at March 31, 2016
- Clear Hills Development Corporation at March 31, 2016
- Horse Lake Oil and Gas Corporation at March 31, 2016
- 959447 Alberta Ltd at March 31, 2016
- Horse Lake Industry Relations Corporation at December 31, 2015
- Horse Lake First Nation Investment Management Board (HLIMB) at December 31, 2015
- 1113046 Alberta Ltd. at March 31, 2016
- HLFN Oilfield Construction Corp. at December 31, 2015

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 and prepaid expenses.

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

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

Segments

The Nation conducts its business through 13 reportable segments:

Administration - reports on the everyday operations of the Nation

Capital Projects and Housing - reports on the capital projects and residential housing provided to the members of the Nation

Economic Development - reports on the business developments of the Nation

Education - reports on the educational activities of the Nation

First Nation Casino Fund - reports on the activities of funding received from Alberta Lotteries

Human Resources - reports on the activities of the Nation's Resource Centre

Medical Services - reports on the Wellness Centre and its related services to the Nation

Multiplex - reports on the operations of the Nations multiplex centre

Operations and Maintenance - reports on the operations and maintenance of the reserve site of the Nation

Per Capita Distribution - reports on the distribution made under per capital payments to members

Protective Services - provides protective services and related activities to the Nation

Recreation - reports on the recreational activities of the Nation

Social Services - reports on the social welfare activities of the Nation

These operating segments are established by management to facilitate the achievement of the Nation's long-term objectives to aid in resource allocation decisions, and to assess operational performance.

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.

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

Measurement uncertainty

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from current estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period which they become known.

Accounts receivable are stated after evaluation as to their collectability. Investments in Nation business entities is stated after evaluation as to valuation and collectibility of advances. Amortization is based on the estimated useful lives of tangible capital assets. The allowance for doubtful accounts related to payroll advances as of March 31, 2016 is \$264,478 (2015 - \$204,881).

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

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

Funds held in Ottawa Trust Fund

Funds held in trust on behalf of 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 monies consist of:

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

Net financial assets

The Nation's financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the 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.

Revenue recognition

Funding

Revenue 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.

Cash and cash equivalents

Cash and cash equivalent 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.

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 asset over their estimated useful lives. Tangible capital assets acquired during the year are amortized at 1/2 the amortization annual rate.

	Method	Rate
Housing	straight-line	7-20 years
Land	straight-line	45-50 years
Construction equipment	straight-line	10 years
Equipment under Capital Lease	declining balance	10 years
Housing	straight-line	20-25 years
Roads	straight-line	25 years
Other equipment	straight-line	25 years
Water	straight-line	25-75 years

Financial instruments

The Horse Lake First Nation's financial instruments consist of cash, cash held in trust, accounts receivable, bank indebtedness, accounts payable, deferred revenue, and long term debt. It is management's opinion that the Horse Lake First Nation is not exposed to significant interest, currency or credit risk arising from these financial instruments. Unless otherwise noted, the fair value of the financial instruments approximates their carrying value.

The Nation is exposed to some risk with the mutual funds held in the Horse Lake First Nation Investment Management Board (HLIMB). These investments are included in the equity pickup of the HLIMB and a portion of these investments are held in foreign currency.

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

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

Long-lived assets and discontinued operations

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 cash flows 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 value exceeds its fair value. Any impairment is included in deficit for the year.

Prices for similar items are used to measure fair value of long-lived assets.

Provision for site rehabilitation

The Alberta Environmental Protection Act sets out the regulatory requirements to properly close and maintain active and inactive landfill sites. Under environmental law, there is a requirement for closure and post-closure care of solid waste landfill sites. Liabilities are recorded when environmental claims or remedial efforts are probable, and the costs can be reasonably estimated. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to future revenue generation, are expensed.

2. Term deposits

The term deposits are comprised of funds held for housing replacement in accordance with the terms of the agreement with CMHC.

	2016	2015
CIBC Portfolio investment	145,253	148,251

3. Accounts receivable

	2016	2015
Alberta Lottery fund receivable	137,634	136,662
CMHC subsidy assistance receivable	130,882	35,304
GST receivable	103,185	108,910
Health Canada receivable	44,269	33,399
Other receivables	218,657	23,745
WCTC receivable	2,119,554	159,280
	2,754,181	497,300

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

4. Payroll advances receivable

Payroll advances receivable are collected against employees future wages. In the year it becomes obvious these advances are not collectable they are set up as doubtful against the program for which the employee worked.

	2016	2015
Members and staff advances receivable	425,440	373,839
Less: allowance for doubtful accounts	(264,478)	(204,881)
	160,962	168,958

5. Investment and advances to related Nation entities

Advances to related Nation entities are unsecured, non-interest bearing and due on demand. The figures below combine the Nation's equity in the related Nation entity and advances made by the Nation to the entity.

	2016	2015
424337 Alberta Ltd.	105,606	105,606
Horse Lake Oil and Gas Corporation	45,368	45,465
959447 Alberta Ltd.	1,710,070	1,701,429
Clear Hills Development Corporation	105,154	104,686
Horse Lake Industry Relations Corporation	472,447	164,881
Canadian Native Oil Corporation - Shares at cost	1,000	1,000
1113046 Alberta Ltd. - Shares at cost	100	100
HLFN Oilfield Construction Corp.	(539,716)	(37,363)
	1,900,029	2,085,804

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

6. Funds held in trust

Capital and revenue trust moneys are transferred to the Nation on the authorization of the Minister of Aboriginal Affairs and Northern Development Canada, with the consent of the Nation's Council.

	2016	2015
Capital Trust		
Balance, beginning of year	4,665,931	3,668,253
Royalties	586,319	3,018,011
	<hr/>	<hr/>
Less: Transfers to Nation	5,252,250	6,686,264
	2,063,000	2,020,333
	<hr/>	<hr/>
Balance, end of year	3,189,250	4,665,931
Revenue Trust		
Balance, beginning of year	274,441	156,367
Interest	103,125	108,551
Land leases	68,263	109,523
	<hr/>	<hr/>
Less: Transfers to Nation	445,829	374,441
	130,000	100,000
	<hr/>	<hr/>
Balance, end of year	315,829	274,441
	<hr/>	<hr/>
	3,505,079	4,940,372

7. Bank indebtedness

At March 31, 2016, the Nation has an operating line of credit bearing interest at prime plus 1.25% with total credit available of \$500,000, of which \$223,092 (2015 - \$39,547) was drawn. This is secured by a General Security Agreement as well as a Band Council Resolution.

8. Accounts payable and accruals

	2016	2015
Trade payables	1,688,847	387,803
Government remittances	17,539	12,805
Pension plan remittance	-	14,863
	<hr/>	<hr/>
	1,706,386	415,471

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

9. 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>Expensed</i>	<i>Balance, end of year</i>
Government of Alberta - Aboriginal Relations Labour Study	29,676	-	29,676	-
First Nation Development Funds - Sewer Camera/Line Locator	-	20,000	-	20,000
First Nation Development Funds - Fire Training	-	43,274	-	43,274
Government of Alberta - Pre-Employment Training	-	101,890	-	101,890
	29,676	165,164	29,676	165,164

10. Long-term debt

	<i>2016</i>	<i>2015</i>
CMHC mortgage bearing interest at 2.02%, repayable in blended monthly instalments of \$2,567, due August 2018, secured by related buildings	452,225	473,677
CMHC mortgage bearing interest at 1.67% repayable in monthly instalments of \$1,926, due January 2020, secured by related building	353,978	350,910
CMHC mortgage bearing interest at 0.69% repayable in monthly interest only instalments, secured by related building	247,795	245,973
CIBC loan #3894053 repayable in monthly principal payments of \$34,404, plus interest at 3.87%, due May 2016, secured by related building	392,974	805,822
CIBC loan #3894355 repayable in monthly principal payments of \$9,163, plus interest at prime plus 1.25%, due May 2016, secured by related building	25,444	127,220
CIBC mortgage #5489487 bearing interest at 5.14% repayable in monthly instalments of \$1,151, due June 2018, secured by related building	29,316	41,308
CIBC mortgage #5472005 bearing interest at 4.39% repayable in monthly instalments of \$1,061, due February 2017, secured by related building	13,448	25,312
CIBC mortgage #5472015 bearing interest at 5.24% repayable in monthly instalments of \$848, due February 2018, secured by related building	29,518	37,647
CIBC mortgage #5315227 bearing interest at 2.95% repayable in monthly instalments of \$1,597, due June 2020, secured by related building	127,597	141,298
CIBC mortgage #5832522 paid in full	-	21,341
CIBC mortgage #5832520 bearing interest at 5.14% repayable in monthly instalments of \$1,592, due February 2017, secured by related building	145,627	157,006
CIBC Mortgage #5832530 bearing interest at 2.70% repayable in monthly instalments of \$1,143, due February 2019, secured by related building	143,925	153,510
CIBC mortgage #5832531 bearing interest at 2.70% repayable in monthly instalments of \$1,069, due December 2018, secured by related building	133,165	142,169

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For the year ended 31 March, 2016

CIBC mortgage #5832535 bearing interest at 2.95% repayable in monthly instalments of \$2,346, due April 2020, secured by related building	267,676	284,190
CIBC mortgage #5809399 bearing interest at 4.39% repayable in monthly instalments of \$983, due September 2016, secured by related building	91,658	99,286
CIBC mortgage #5809404 bearing interest at 5.24% repayable in monthly instalments of \$1,164, due February 2018, secured by related building	109,518	117,581
CIBC mortgage #5927980 bearing interest at 4.39% repayable in monthly instalments of \$1,432, due September 2016, secured by related building	177,642	186,884
CIBC mortgage #5927995 bearing interest at 2.95% repayable in monthly instalments of \$1,834, due June 2020, secured by related building	278,487	290,424
CIBC mortgage #5927996 bearing interest at 2.95% repayable in monthly instalments of \$2,728, due April 2020, secured by related building	305,481	323,511
	3,325,474	4,025,069
<u>Less: current portion</u>	579,918	688,500
	2,745,556	3,336,569

Principal repayments on long-term debt in each of the next five years are estimated as follows:

	Principal
2017	579,918
2018	169,963
2019	160,000
2020	171,218
2021	173,700

Interest on long-term debt amounted to \$126,016 (2015 - \$159,098)

11. Capital lease obligations

	2016	2015
Capital lease obligation payable in instalments of 2 payments of \$14,839 and remaining payment of \$8,922 including interest at 6.41%, due date 2019, with related equipment pledged as collateral.	288,449	-
<u>Less: current portion</u>	103,750	-
	184,699	-

Minimum lease payments related to the obligation under capital lease are as follows:

2017	103,750
2018	98,100
2019	86,599
	288,449
<u>Less: current portion</u>	103,750
	184,699

Horse Lake First Nation
Notes to the Financial Statements
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12. Tangible capital assets

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2016 Net book value</i>
Automotive	1,792,064	201,410	659,934	844,805	488,735
Buildings	13,298,632	-	-	3,444,891	9,853,741
Housing	16,700,492	-	-	6,373,073	10,327,419
Construction Equipment	1,909,054	375,753	-	1,808,648	476,159
Land	250,001	-	-	-	250,001
Other Equipment	486,921	-	-	372,805	114,116
Roads	2,317,343	-	-	1,907,486	409,857
Water	9,664,328	-	-	4,500,996	5,163,332
Equipment under capital lease	-	355,000	-	17,750	337,250
	46,418,835	932,163	659,934	19,270,454	27,420,610
	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2015 Net book value</i>
Automotive	1,852,279	69,031	112,246	1,317,876	491,188
Buildings	11,876,496	1,422,136	-	3,178,918	10,119,714
Building under construction	1,024,364	-	1,024,364	-	-
Construction equipment	2,259,054	-	367,000	1,755,805	136,249
Housing	15,973,064	727,429	-	5,973,774	10,726,719
Land	250,001	-	-	-	250,001
Other Equipment	440,539	46,382	-	341,874	145,047
Roads	2,317,343	-	-	1,890,973	426,370
Water	9,664,328	-	-	4,310,550	5,353,778
	45,657,468	2,264,978	1,503,610	18,769,770	27,649,066

Tangible capital assets include assets under capital lease with a gross cost of \$355,000 (2015 - \$Nil), and accumulated amortization of \$17,750 (2015 - \$Nil).

Amortization expense of \$1,069,119 (2015 - \$1,070,247) was recorded in the applicable segment schedules of revenue and expenses.

13. Amortization of tangible capital assets

	<i>2016</i>	<i>2015</i>
Automotive	95,366	124,672
Buildings	265,973	265,973
Construction equipment	70,593	34,055
Housing	399,299	399,299
Other equipment	30,930	31,327
Roads	16,512	16,512
Water	190,446	198,409
	1,069,119	1,070,247

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

14. Horse Lake First Nation Investment Management Board

With the consent of Council, Horse Lake First Nation is allowed to withdraw to a maximum of \$5,000,000 total between transfers and operations of Horse Lake First Nation Investment Management Board.

	2016	2015
Equity in Horse Lake First Nation Investment Management Board		
Balance, beginning of year	49,000,002	51,832,447
Current year operating (deficit) surplus	(1,991,376)	(2,832,445)
Balance, end of year	47,008,626	49,000,002
Advances from Horse Lake First Nation Investment Management Board		
Balance, beginning of year	(3,177,368)	(3,063,050)
Additional transfers	1,043,527	(114,318)
Balance, end of year	(2,133,841)	(3,177,368)
	44,874,785	45,822,634

15. Accumulated Surplus

Accumulated surplus/deficit is comprised of the following:

	2016	2015
CMHC replacement reserve	486,023	448,829
Operating surplus (deficit)	520,460	(91,201)
Equity in tangible capital assets	23,806,682	23,623,996
Equity of AANDC Trust Fund	3,505,079	4,940,372
Equity in Horse Lake First Nation Investment Management Board	44,874,785	45,822,634
Equity in related Nation entities	1,898,931	2,085,804
	75,091,960	76,830,434

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Notes to the Financial Statements
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16. Replacement reserve

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

A replacement reserve, established by an annual allocation of \$37,194 (2015 - \$37,194)

Reserve funds may be used to meet future subsidy requirements of income test occupants, over and above the maximum federal assistance.

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 to interest and then to principal.

	2016	2015
Replacement reserve, beginning of the year	448,829	411,635
Required contribution per CMHC	37,194	37,194
	486,023	448,829

At March 31, 2016 the replacement reserve is underfunded by \$340,770 (2015 - \$300,578).

17. Economic dependence

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

18. Related party transactions

Repairs and maintenance expense includes \$Nil (2015 - \$18,200) and \$136,227 (2015 - \$251,116) paid to companies owned by members of Chief and Council during the March 31, 2016 fiscal year.

On March 31, 2016, included in payroll advances receivable are \$79,514 (2015 - \$37,624) owing by members of Chief and Council. Also included in payroll advances are \$1,700 (2015 - \$1,700) owing by companies owned by members of Chief and Council.

Related party transactions are recorded at the exchange amount, which is the amount considered established and agreed to by the related parties.

19. Comparative figures

Certain comparative figures have been reclassified to conform with current year's presentation.

20. Budget information

The disclosed budget information has been approved by the Chief and Council of the Horse Lake First Nation, these budget figures are not audited.