

**Horse Lake First Nation**  
**Financial Statements**  
*March 31, 2017*

# Horse Lake First Nation

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For the year ended March 31, 2017

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### Management's Responsibility

To the Members of Horse Lake First Nation:

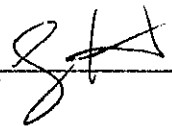
Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards and ensuring that all information in the annual report is consistent with the statements. 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 directors who are not employees of the Nation. The Council is responsible for overseeing management in the performance of its financial reporting responsibilities. The Council fulfils 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 Nation's external auditors.

Holm Raiche Oberg Chartered Professional Accountants P.C. Ltd., an independent firm of chartered professional accountants, is appointed by the 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.

August 23, 2017  
Date

  
Chief

  
Administrative Officer

## 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, 2017, 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.

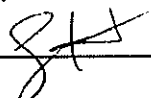
### *Basis for Qualified Opinion*

We are unable to satisfy ourselves that the First Nation's investment and advances to related Nation entities, as further described in the note 1 to the consolidated financial statements, are recorded using the modified equity method. Accordingly, we are unable to determine whether adjustments to the recorded value of the investments and advances to related Nation entities might be necessary.

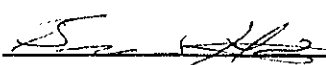
**Horse Lake First Nation**  
**Statement of Financial Position**  
*As at March 31, 2017*

	2017	2016
<b>Financial assets</b>		
<b>Current</b>		
Cash resources	2,385,700	-
Term deposits (Note 2)	150,063	145,253
Accounts receivable (Note 3)	1,447,548	2,754,181
Payroll advances receivable (Note 4)	53,534	160,962
<b>Subtotal of current assets</b>	<b>4,036,845</b>	<b>3,060,396</b>
<b>Investment and advances to related Nation entities (Note 5)</b>	<b>1,784,356</b>	<b>1,900,029</b>
<b>Funds held in trust (Note 6)</b>	<b>1,162,095</b>	<b>3,505,079</b>
<b>Total financial assets</b>	<b>6,983,296</b>	<b>8,465,504</b>
<b>Liabilities</b>		
<b>Current</b>		
Bank indebtedness (Note 7)	-	223,092
Accounts payable and accruals (Note 8)	677,094	1,706,383
Deferred revenue (Note 9)	1,074,201	165,164
Accrued interest payable	7,489	8,137
Current portion of long-term debt (Note 10)	149,500	579,918
Current portion of capital lease obligations (Note 11)	107,500	103,750
<b>Subtotal of current liabilities</b>	<b>2,015,784</b>	<b>2,786,444</b>
<b>Long-term debt (Note 10)</b>	<b>2,945,266</b>	<b>2,745,556</b>
<b>Capital lease obligations (Note 11)</b>	<b>125,411</b>	<b>184,699</b>
<b>Total financial liabilities</b>	<b>5,086,461</b>	<b>5,716,699</b>
<b>Net financial assets</b>	<b>1,896,835</b>	<b>2,748,805</b>
<b>Non-financial assets</b>		
Tangible capital assets (Note 12)	29,353,723	27,420,610
Horse Lake First Nation Investment Management Board (Note 14)	43,053,686	44,874,785
Prepaid expenses	77,118	47,763
<b>Total non-financial assets</b>	<b>72,484,527</b>	<b>72,343,158</b>
<b>Accumulated surplus (Note 15)</b>	<b>74,381,362</b>	<b>75,091,963</b>

Approved on behalf of the Council

  
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Chief

  
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Councilor

*Qualified Opinion*

In our opinion, except for the effects of the adjustments, if any, which might have determined to be necessary, had we been able to satisfy ourselves concerning the valuation of the investments and advances to related Nation entities as referred to in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of Horse Lake First Nation as at March 31, 2017, and the results of its operations, change in net financial assets (net debt) 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  
August 23, 2017

  
Chartered Professional Accountants



# Horse Lake First Nation

## Statement of Operations and Accumulated Surplus (Deficit)

*For the year ended March 31, 2017*

	<i>Schedules</i>	<i>2017 Budget</i>	<i>2017</i>	<i>2016</i>
<b>Revenue</b>				
Indigenous and Northern Affairs Canada (INAC)				
Block funding	1,880,602	2,039,535		1,964,886
Flex Funding	-	8,000,000		1,030,000
Set Funding	75,302	221,079		326,927
Fixed funding	83,783	83,783		515,699
Treaty 8	20,133	20,783		21,618
Aboriginal Skills & Employment Training Strategy	192,939	424,592		234,989
Other	-	29,732		356,289
Health Canada - FNIHB				
Health Canada	727,678	863,585		923,859
Canada Mortgage and Housing Corporation				
Subsidy	125,000	214,942		222,512
RRAP conversions	-	39,586		29,700
INAC Trust Accounts				
Revenue Trust	100,000	262,000		130,000
Capital Trust	1,505,000	2,711,000		2,063,000
Investment income	-	609		(4,935)
Rental income	20,000	24,000		48,467
Interest income	-	9,145		1,963
Province of Alberta	-	591,494		131,519
First Nation Development Fund	3,734,911	3,609,807		3,930,417
Deferred revenue - prior year	-	165,164		29,676
Deferred revenue - current year	-	(1,074,201)		(165,164)
Administration Fees	-	363,120		221,842
Other revenue	42,536	149,646		349,548
Donations	-	5,250		-
First Nation Development Fund	-	696,414		582,467
HLFN Oilfield Construction Corp - Donation	-	-		150,000
	<b>8,507,884</b>	<b>19,451,065</b>		<b>13,095,279</b>

*Continued on next page*

# Horse Lake First Nation

## Statement of Operations and Accumulated Surplus (Deficit)

*For the year ended March 31, 2017*

	<b>Schedules</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
<i>(Continued from previous page)</i>		<b>8,507,884</b>	<b>19,451,065</b>	<b>13,095,279</b>
<b>Expenses</b>				
Program expenses				
Administration	2	2,455,000	3,217,683	3,070,509
Capital Projects and Housing	3	800,752	1,557,603	1,506,358
Economic Development	4	72,255	71,217	500,247
Education	5	673,991	712,910	653,082
Community Empowerment	6	-	14,441	-
Water Treatment Plant	7	-	2,408,672	1,018,818
Operations and Maintenance	8	993,200	1,181,562	1,387,803
Multiplex	9	844,700	451,546	517,306
Per Capita Distribution	10	700,000	1,023,000	-
Protective Services	11	116,550	180,865	131,215
Recreation	12	183,350	317,619	307,807
Social Services	13	568,972	549,245	468,337
Aboriginal Relations Labour Study	14	-	-	27,206
Pre employment program	15	-	223,058	29,629
		<b>7,408,770</b>	<b>11,909,421</b>	<b>9,618,317</b>
<b>Assets</b>				
ASETS - Labour Market - EI	16	39,636	42,957	33,808
ASETS - Labour Market - CRF	17	128,000	254,474	134,875
ASETS - Child Care Initiative	18	137,750	196,111	143,168
ASETS - Youth Community	19	-	70,271	-
		<b>305,386</b>	<b>563,813</b>	<b>311,851</b>
<b>Health Canada</b>				
Aboriginal Head Start on-reserve	20	65,916	74,893	79,707
Canada Prenatal Nutrition Program	21	8,544	9,640	10,027
Maternal Child Health	22	85,000	91,433	86,066
Building Healthy Communities - Mental Health	23	34,868	68,668	34,814
Crisis Mgmt				
Building Healthy Communities - Solvent Abuse	24	7,028	5,178	4,991
Program				
Brighter Futures	25	45,202	50,580	51,363
NNADAP	26	56,926	68,468	61,908
Aboriginal Diabetes Initiative	27	33,825	35,538	39,532
HIV/Aids strategy	28	5,000	5,000	5,324
Enviromental Health - Drinking Water Safety	29	8,000	5,583	4,383
Program				
FNIHCC	30	94,533	13,505	81,241
Support Clerk	31	16,785	40,909	17,242
Community Health Rep	32	49,645	61,141	55,426
Capital Facilities - Operations and Maintenance	33	47,917	95,418	101,904
MSB Health	34	72,922	73,320	75,995
Medical Transportation - Client Insured Services	35	95,567	164,120	115,852
Public Health Protection - CDC-CDE	36	-	2,738	-
Community Crisis	37	-	71,773	-
		<b>727,678</b>	<b>937,905</b>	<b>825,775</b>

*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 March 31, 2017*

	<b>Schedules</b>	<b>2017</b>	<b>2017</b>	<b>2016</b>
First Nation Development Fund				
2 Public works Trucks	38	-	-	4,287
Arena Upgrade & maintenance	39	-	41,175	-
E-Learning Centre	40	66,050	98,950	80,004
FNDF - ECS Centre	41	-	-	38,443
File Scanner	43	-	-	3,855
Fire Training	44	-	77,151	117,343
Garbage Bins	45	-	-	3,908
Gravel North Side roads	46	-	-	86,280
House Purchase	47	-	68,686	-
Paving Township Road # 73	48	-	4,161,745	-
Power Snake	49	-	-	3,439
Recreation Study	50	-	9,485	-
Reserve Landscaping	51	-	25,168	1,000
School Bus Purchase	53	-	-	4,870
Sewer Camera/Line Locator	54	-	6,302	-
		<b>66,050</b>	<b>4,488,662</b>	<b>343,429</b>
<b>Total expenses</b>		<b>8,507,884</b>	<b>17,899,801</b>	<b>11,099,372</b>
<b>Surplus before other items</b>		-	<b>1,551,264</b>	<b>1,995,907</b>
<b>Other income (expense)</b>				
Gain (Loss) on disposal of tangible capital assets		-	-	(91,497)
Recovery of surplus		-	-	(30,110)
Transfer cost to tangible capital assets		-	<b>2,444,604</b>	-
Equity pickup in nation owned entities		-	<b>(8,240)</b>	<b>(186,103)</b>
		-	<b>2,436,364</b>	<b>(307,710)</b>
<b>Transfers between programs</b>				
Transfer 22		-	<b>(18,229)</b>	-
Transfer 23		-	<b>(42,815)</b>	-
Transfer 24		-	<b>(9,031)</b>	-
Transfer 25		-	<b>(10,969)</b>	-
Transfer 28		-	<b>225,359</b>	-
Paving Township Road #734		-	<b>(41,724)</b>	-
Transfer 30		-	<b>(102,591)</b>	-
		-	-	-
<b>Surplus</b>		-	<b>3,987,628</b>	<b>1,688,197</b>
<b>Accumulated surplus, beginning of year</b>		-	<b>75,091,963</b>	<b>76,830,435</b>
<b>Change in equity Horse Lake First Nation Investment Management Board</b>		-	<b>(2,355,245)</b>	<b>(1,991,376)</b>
<b>Change in equity Aboriginal Affairs and Northern Development Trusts</b>		-	<b>(2,342,984)</b>	<b>(1,435,293)</b>
<b>Accumulated surplus, end of year</b>		-	<b>74,381,362</b>	<b>75,091,963</b>

The accompanying notes are an integral part of these financial statements

**Horse Lake First Nation**  
**Statement of Change in Net Financial Assets**  
*For the year ended March 31, 2017*

	<i>2017 Budgets</i>	<i>2017</i>	<i>2016</i>
<b>Annual surplus</b>	-	<b>3,987,628</b>	1,688,197
Purchases of tangible capital assets	-	<b>(3,075,704)</b>	(932,163)
Amortization of tangible capital assets	-	<b>1,115,391</b>	1,056,955
Amortization on tangible capital assets	-	<b>27,200</b>	12,164
Loss on sale of tangible capital assets	-	-	91,497
	-	<b>(1,933,113)</b>	228,453
Acquisition of prepaid expenses	-	<b>(119,274)</b>	(47,763)
Use of prepaid expenses	-	<b>89,919</b>	38,487
Advances to Horse Lake First Nation Investment Management Board	-	<b>(1,742,435)</b>	(1,043,524)
Change in equity Aboriginal Affairs and Northern Development Trusts	-	<b>(1,134,695)</b>	(1,435,293)
	-	<b>(2,906,485)</b>	(2,488,093)
<b>Increase (decrease) in net financial assets</b>	-	<b>(851,970)</b>	(571,443)
<b>Net (debt) financial assets, beginning of year</b>	-	<b>2,748,805</b>	3,320,248
<b>Net financial assets (net debt), end of year</b>	-	<b>1,896,835</b>	2,748,805

*The accompanying notes are an integral part of these financial statements*

**Horse Lake First Nation**  
**Statement of Cash Flows**  
*For the year ended March 31, 2017*

	2017	2016
<b>Cash provided by (used for) the following activities</b>		
<b>Operating activities</b>		
Surplus	3,987,628	1,688,197
Non-cash items		
Amortization	1,115,391	1,056,955
Amortization	27,200	12,164
Deferred revenue - current year	1,074,201	165,164
(Gain) loss on disposal of tangible capital assets	-	91,497
	6,204,420	3,013,977
Changes in working capital accounts		
Accounts receivable	1,306,633	(2,256,882)
Prepaid expenses	(29,355)	(9,276)
Payroll advances receivable	107,428	7,996
Accounts payable and accruals	(1,029,291)	1,290,913
Deferred revenue	-	135,488
Accrued interest payable	(648)	(2,533)
	6,559,187	2,179,683
<b>Financing activities</b>		
Advances of long-term debt	394,886	19,643
Repayment of long-term debt	(625,594)	(719,229)
Repayment of current portion of capital lease obligations	(111,238)	(66,551)
Advances of capital lease obligation	51,950	355,000
Advances (to) from Related Nation Entities	50,131	(252,167)
	(239,865)	(663,304)
<b>Capital activities</b>		
Purchases of tangible capital assets	(3,075,704)	(932,163)
	(3,075,704)	(932,163)
<b>Investing activities</b>		
Funds held in INAC Trust	(630,016)	(770,755)
	(630,016)	(770,755)
<b>Increase (decrease) in cash resources</b>	2,613,602	(186,539)
<b>Cash resources, beginning of year</b>	(77,839)	108,700
<b>Cash resources, end of year</b>	2,535,763	(77,839)
Cash resources	2,385,700	-
Term deposits	150,063	145,253
Bank indebtedness	-	(223,092)
	2,535,763	(77,839)
<b>Supplementary cash flow information</b>		
Interest paid	110,397	146,994

The accompanying notes are an integral part of these financial statements

**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 First Nation reporting entity, except for First Nation business entities. Trusts administered on behalf of third parties by Horse Lake First Nation are excluded from the First 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 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. Entities accounted for by the modified equity basis include:

***Entities***

- 424337 Alberta Ltd at March 31, 2017
- Clear Hills Development Corporation at March 31, 2017
- Horse Lake Oil and Gas Corporation at March 31, 2017
- 959447 Alberta Ltd at March 31, 2017
- Horse Lake Industry Relations Corporation at December 31, 2015
- Horse Lake First Nation Investment Management Board (HLIMB) at December 31, 2016
- 1113046 Alberta Ltd. at March 31, 2017
- HLFN Oilfield Construction Corp. at December 31, 2016

***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.

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

**Segments**

The First 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 it's 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, 2017 is \$250,742 (2016 - \$264,478).

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

***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 monies consist of:

- Capital trust monies derived from non-renewable resource transactions on the sale of land or other First 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 (net debt)***

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

***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 capital 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 of the HLIMB and a portion of these investments are held in foreign currency.



**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.

	<b>2017</b>	2016
CIBC Portfolio investment	<b>150,063</b>	145,253

**3. Accounts receivable**

	<b>2017</b>	2016
Alberta Lottery fund receivable	<b>232,912</b>	137,634
CMHC subsidy assistance receivable	<b>39,320</b>	130,882
GST receivable	<b>53,496</b>	103,185
Health Canada receivable	<b>85,480</b>	44,269
Horse Lake First Nation Investment Management Board	<b>200,000</b>	-
Other receivables	<b>20,087</b>	218,657
WCTC receivable	<b>816,253</b>	2,119,554
	<b>1,447,548</b>	2,754,181

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2017*

**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.

	<b>2017</b>	<b>2016</b>
Members and staff advances receivable	<b>304,276</b>	<b>425,440</b>
Less: allowance for doubtful accounts	<b>(250,742)</b>	<b>(264,478)</b>
	<b>53,534</b>	<b>160,962</b>

**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.

	<b>2017</b>	<b>2016</b>
424337 Alberta Ltd.	<b>105,606</b>	105,606
Horse Lake Oil and Gas Corporation	<b>45,269</b>	45,368
959447 Alberta Ltd.	<b>1,720,814</b>	1,710,070
Clear Hills Development Corporation	<b>105,061</b>	105,154
Horse Lake Industry Relations Corporation	<b>343,939</b>	472,447
Canadian Native Oil Corporation - Shares at cost	<b>1,000</b>	1,000
1113046 Alberta Ltd. - Shares at cost	<b>100</b>	100
HLFN Oilfield Construction Corp.	<b>(537,433)</b>	(539,716)
	<b>1,784,356</b>	1,900,029

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2017*

**6. Funds held in trust**

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

	<b>2017</b>	<b>2016</b>
<b>Capital Trust</b>		
Balance, beginning of year	<b>3,189,250</b>	4,665,931
Royalties	<b>411,133</b>	586,319
	<b>3,600,383</b>	5,252,250
Less: Transfers to Nation	<b>2,711,000</b>	2,063,000
Balance, end of year	<b>889,383</b>	3,189,250
<b>Revenue Trust</b>		
Balance, beginning of year	<b>315,829</b>	274,441
Interest	<b>66,717</b>	103,125
Land leases	<b>152,166</b>	68,263
	<b>534,712</b>	445,829
Less: Transfers to Nation	<b>262,000</b>	130,000
Balance, end of year	<b>272,712</b>	315,829
	<b>1,162,095</b>	3,505,079

**7. Bank indebtedness**

At March 31, 2017, the Nation has an operating line of credit bearing interest at prime plus 1.25% with total credit available of \$500,000, of which \$410,008 (2016 - \$223,092) were drawn. This is secured by a General Security Agreement as well as a Band Council Resolution.

**8. Accounts payable and accruals**

	<b>2017</b>	<b>2016</b>
Trade payables	<b>677,094</b>	1,688,844
Government remittances	<b>-</b>	17,539
	<b>677,094</b>	1,706,383

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2017*

**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 - Education - Elders Training	-	195,885	-	195,885
Government of Alberta - Pre-Employment Training	101,890	269,613	101,890	269,613
First Nation Development Funds - Fire Training	43,274	83,739	43,274	83,739
First Nation Development Fund - Paving Township Road #73	-	490,703	-	490,703
First Nation Development Fund - Recreation Study	-	15,515	-	15,515
First Nation Development Funds - Sewer Camera/Line Locator	20,000	-	20,000	-
INAC - Fisheries, nateral Resources & Transportation	-	18,746	-	18,746
	<b>165,164</b>	<b>1,074,201</b>	<b>165,164</b>	<b>1,074,201</b>

**10. Long-term debt**

	<b>2017</b>	<b>2016</b>
CMHC mortgage bearing interest at 2.02%, repayable in blended monthly instalments of \$2,567, due August 2018, secured by related buildings	<b>430,296</b>	452,225
CMHC Mortgage bearing interest at 1.48% repayable in blended monthly payment of 2,038, due January 2020, secured by related building	<b>420,232</b>	247,795
CMHC Mortgage bearing interest at 1.67% repayable in monthly instalments of \$1,926, due January 2020, secured by related building	<b>336,778</b>	353,978
CMHC Mortgage progress draws, secured by related building	<b>221,038</b>	-
CIBC Mortgage # 5489487 bearing interest at 5.14% repayable in blended monthly instalments of \$1,151, due June 2018, secured by related building	<b>16,699</b>	29,316
CIBC loan #3472015 repayable in monthly principal payments of \$824, plus interest at 5.24%, due February 2018, secured by related building	<b>20,958</b>	29,518
CIBC Mortgage #5315227 bearing interest at 2.95% repayable in monthly instalments of \$1,597, due August 2020, secured by related building	<b>111,966</b>	127,597
CIBC Mortgage #5832520 bearing interest at 5.14% repayable in monthly instalments of \$1,592, due February 2018, secured by related building	<b>133,078</b>	145,627
CIBC Mortgage #5832530 bearing interest at 2.70% repayable in monthly instalments of \$1,143, due February 2019, secured by related building	<b>133,979</b>	143,925
CIBC Mortgage #5832531 bearing interest at 2.70% repayable in monthly instalments of \$1,069, due December 2018, secured by related building	<b>123,823</b>	133,165
CIBC Mortgage #5832535 bearing interest at 2.95% repayable in monthly instalments of \$2,346, due April 2020, secured by related building	<b>248,308</b>	267,676
CIBC Mortgage #5809399 bearing interest at 2.49% repayable in monthly instalments of \$902, due November 2021, secured by related building	<b>83,633</b>	91,658

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2017*

CIBC Mortgage #58094041 bearing interest at 2.54% repayable in monthly instalments of \$1,164, due January 2022, secured by related building	<b>100,574</b>	109,518
CIBC Mortgage #5927980 bearing interest at 2.54% repayable in monthly instalments of \$1,657, due January 2022, secured by related building	<b>167,564</b>	177,642
CIBC Mortgage #5927995 bearing interest at 2.95% repayable in monthly instalments of \$1,834, due June 2020, secured by related building	<b>264,458</b>	278,487
CIBC Mortgage #5927996 bearing interest at 2.95% repayable in monthly instalments of \$2,728, due November 2020, secured by related building	<b>281,382</b>	305,481
CIBC loan #3472005 paid in full.	-	13,448
CIBC Loan paid in full.	-	25,444
CMHC Mortgage paid in full	-	392,974
	<b>3,094,766</b>	3,325,474
Less: current portion	<b>149,500</b>	579,918
	<b>2,945,266</b>	2,745,556

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

	Principal
2018	149,500
2019	169,963
2020	160,000
2021	171,218
2022	173,700
	<b>824,381</b>

Interest on long-term debt amounted to \$86,482 (2016 - \$126,016)

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2017*

**11. Capital lease obligations**

	<b>2017</b>	2016
Capital lease obligation payable in instalments of two payments of \$14,839 and remaining payment of \$8,922 including interest at 6.41%, due date 2019, with related equipment pledged as collateral.	<b>184,718</b>	288,449
Capital lease obligation payable in equal monthly installments of \$1,004 including interest at 5.99%, due October 2021, with related equipment pledged as collateral	<b>48,193</b>	-
	<b>232,911</b>	288,449
Less: current portion	<b>107,500</b>	103,750
	<b>125,411</b>	184,699

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

2018	107,500
2019	96,622
2020	10,600
2021	11,200
2022	6,989
	<b>232,911</b>
Less: current portion	107,500
	<b>125,411</b>

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2017*

**12. Tangible capital assets**

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2017 Net book value</i>
Automotive	1,333,539	211,241	-	964,278	580,502
Buildings	13,298,632	-	-	3,710,863	9,587,769
Building under construction	-	2,398,473	-	-	2,398,473
Construction Equipment	2,284,807	57,000	-	1,883,128	458,679
Housing	16,700,492	392,655	-	6,788,079	10,305,068
Land	250,001	-	-	-	250,001
Other Equipment	486,921	16,335	-	405,369	97,887
Roads	2,317,343	-	-	1,922,492	394,851
Water	9,664,328	-	-	4,687,360	4,976,968
Equipment under capital lease	355,000	-	-	51,475	303,525
	<b>46,691,063</b>	<b>3,075,704</b>	<b>-</b>	<b>20,413,044</b>	<b>29,353,723</b>

	<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
Construction equipment	1,909,054	375,753	-	1,808,648	476,159
Housing	16,700,492	-	-	6,373,073	10,327,419
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
	<b>46,418,835</b>	<b>932,163</b>	<b>659,934</b>	<b>19,270,454</b>	<b>27,420,610</b>

Tangible capital assets include assets under capital lease with a gross cost of \$355,000 (2016 - \$355,000), and accumulated amortization of \$51,475 (2016 - \$17,750).

Amortization expense of \$1,142,592 (2016 - \$1,069,119) was recorded in the applicable segment schedules of revenue and expenses.

**13. Amortization of tangible capital assets**

	<i>2017</i>	<i>2016</i>
Automotive	153,398	95,366
Buildings	265,973	265,973
Construction equipment	74,481	70,593
Housing	415,005	399,299
Other equipment	32,564	30,930
Roads	15,006	16,512
Water	186,365	190,446
	<b>1,142,792</b>	<b>1,069,119</b>

**Horse Lake First Nation**  
**Notes to the Financial Statements**  
*For the year ended March 31, 2017*

**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.

	<b>2017</b>	<b>2016</b>
<b>Equity in Horse Lake First Nation Investment Management Board</b>		
Balance, beginning of year	<b>47,008,626</b>	49,000,002
Current year operating (deficit) surplus	<b>(2,355,245)</b>	(1,991,376)
Balance, end of year	<b>44,653,381</b>	47,008,626
<b>Advances from Horse Lake First Nation Investment Management Board</b>		
Balance, beginning of year	<b>(2,133,841)</b>	(3,177,368)
Additional transfers	<b>534,146</b>	1,043,527
Balance, end of year	<b>(1,599,695)</b>	(2,133,841)
	<b>43,053,686</b>	44,874,785

**15. Accumulated Surplus**

Accumulated surplus/deficit is comprised of the following:

	<b>2017</b>	<b>2016</b>
CMHC replacement reserve	<b>524,924</b>	486,023
Operating surplus (deficit)	<b>1,830,255</b>	520,460
Equity in tangible capital assets	<b>26,026,046</b>	23,806,685
Equity of INAC Trust Fund	<b>1,162,095</b>	3,505,079
Equity in Horse Lake First Nation Investment Management Board	<b>43,053,686</b>	44,874,785
Equity in related Nation entities	<b>1,784,356</b>	1,898,931
	<b>74,381,362</b>	75,091,963



# Horse Lake First Nation

## Notes to the Financial Statements

*For the year ended March 31, 2017*

### 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 \$76,095 - \$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.

	<b>2017</b>	2016
Replacement reserve, beginning of the year	<b>448,829</b>	411,635
Required contribution per CMHC	<b>76,095</b>	37,194
	<b>524,924</b>	448,829

At March 31, 2017 the replacement reserve is underfunded by \$374,861(2016- \$303,576).

### 17. Economic dependence

The 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.

### 18. Related party transactions

Repairs and maintenance expense includes \$93,568 (2016 - \$136,227) paid to companies owned by members of Chief and Council during the March 31, 2017 fiscal year.

On March 31, 2017, included in payroll advances receivable are \$20,961 (2016 - \$79,514) owing by members of Chief and Council. Also included in payroll advances are \$1,700 (2016 - \$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.