

Horse Lake First Nation
Financial Statements
March 31, 2017

Horse Lake First Nation Contents

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.

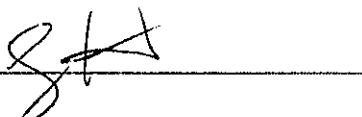
In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records 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 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 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





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, 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.

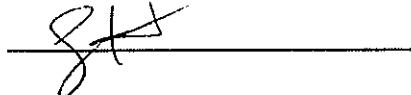
Basis for Qualified Opinion

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
Financial assets		
Current		
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
Subtotal of current assets	4,036,845	3,060,396
Investment and advances to related Nation entities (Note 5)	1,784,356	1,900,029
Funds held in trust (Note 6)	1,162,095	3,505,079
Total financial assets	6,983,296	8,465,504
Liabilities		
Current		
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
Subtotal of current liabilities	2,015,784	2,786,444
Long-term debt (Note 10)	2,945,266	2,745,556
Capital lease obligations (Note 11)	125,411	184,699
Total financial liabilities	5,086,461	5,716,699
Net financial assets	1,896,835	2,748,805
Non-financial assets		
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
Total non-financial assets	72,484,527	72,343,158
Accumulated surplus (Note 15)	74,381,362	75,091,963

Approved on behalf of the Council



Chief



Councillor

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>
Revenue				
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	
	8,507,884	19,451,065	13,095,279	

Continued on next page

Horse Lake First Nation
Statement of Operations and Accumulated Surplus (Deficit)
For the year ended March 31, 2017

	<i>Schedules</i>	2017	2017	2016
(Continued from previous page)		8,507,884	19,451,065	13,095,279
Expenses				
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
		7,408,770	11,909,421	9,618,317
Assets				
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	-
		305,386	563,813	311,851
Health Canada				
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	-
		727,678	937,905	825,775

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

	<i>Schedules</i>	<i>2017</i>	<i>2017</i>	<i>2016</i>
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	-
		66,050	4,488,662	343,429
Total expenses		8,507,884	17,899,801	11,099,372
Surplus before other items		-	1,551,264	1,995,907
Other income (expense)		-	-	-
Gain (Loss) on disposal of tangible capital assets		-	-	(91,497)
Recovery of surplus		-	-	(30,110)
Transfer cost to tangible capital assets		-	2,444,604	-
Equity pickup in nation owned entities		-	(8,240)	(186,103)
		-	2,436,364	(307,710)
Transfers between programs				
Transfer 22		-	(18,229)	-
Transfer 23		-	(42,815)	-
Transfer 24		-	(9,031)	-
Transfer 25		-	(10,969)	-
Transfer 28		-	225,359	-
Paving Township Road #734		-	(41,724)	-
Transfer 30		-	(102,591)	-
Surplus		-	3,987,628	1,688,197
Accumulated surplus, beginning of year		-	75,091,963	76,830,435
Change in equity Horse Lake First Nation Investment Management Board		-	(2,355,245)	(1,991,376)
Change in equity Aboriginal Affairs and Northern Development Trusts		-	(2,342,984)	(1,435,293)
Accumulated surplus, end of year		-	74,381,362	75,091,963

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

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

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

	2017	2016
Cash provided by (used for) the following activities		
Operating activities		
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
Financing activities		
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)
Capital activities		
Purchases of tangible capital assets	(3,075,704)	(932,163)
	(3,075,704)	(932,163)
Investing activities		
Funds held in INAC Trust	(630,016)	(770,755)
	(630,016)	(770,755)
Increase (decrease) in cash resources	2,613,602	(186,539)
Cash resources, beginning of year	(77,839)	108,700
Cash resources, end of year	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)
 Supplementary cash flow information		
Interest paid	110,397	146,994

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

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.

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

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 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, 2017 is \$250,742 (2016 - \$264,478).

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

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 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 March 31, 2017

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.

	2017	2016
CIBC Portfolio investment	150,063	145,253

3. Accounts receivable

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

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

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.

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

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

	2017	2016
Trade payables	677,094	1,688,844
Government remittances	-	17,539
	<hr/>	<hr/>
	677,094	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, material Resources & Transportation	-	18,746	-	18,746
	165,164	1,074,201	165,164	1,074,201

10. Long-term debt

	2017	2016
CMHC mortgage bearing interest at 2.02%, repayable in blended monthly instalments of \$2,567, due August 2018, secured by related buildings	430,296	452,225
CMHC Mortgage bearing interest at 1.48% repayable in blended monthly payment of 2,038, due January 2020, secured by related building	420,232	247,795
CMHC Mortgage bearing interest at 1.67% repayable in monthly instalments of \$1,926, due January 2020, secured by related building	336,778	353,978
CMHC Mortgage progress draws, secured by related building	221,038	-
CIBC Mortgage # 5489487 bearing interest at 5.14% repayable in blended monthly instalments of \$1,151, due June 2018, secured by related building	16,699	29,316
CIBC loan #3472015 repayable in monthly principal payments of \$824, plus interest at 5.24%, due February 2018, secured by related building	20,958	29,518
CIBC Mortgage #5315227 bearing interest at 2.95% repayable in monthly instalments of \$1,597, due August 2020, secured by related building	111,966	127,597
CIBC Mortgage #5832520 bearing interest at 5.14% repayable in monthly instalments of \$1,592, due February 2018, secured by related building	133,078	145,627
CIBC Mortgage #5832530 bearing interest at 2.70% repayable in monthly instalments of \$1,143, due February 2019, secured by related building	133,979	143,925
CIBC Mortgage #5832531 bearing interest at 2.70% repayable in monthly instalments of \$1,069, due December 2018, secured by related building	123,823	133,165
CIBC Mortgage #5832535 bearing interest at 2.95% repayable in monthly instalments of \$2,346, due April 2020, secured by related building	248,308	267,676
CIBC Mortgage #5809399 bearing interest at 2.49% repayable in monthly instalments of \$902, due November 2021, secured by related building	83,633	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	100,574	109,518
CIBC Mortgage #5927980 bearing interest at 2.54% repayable in monthly instalments of \$1,657, due January 2022, secured by related building	167,564	177,642
CIBC Mortgage #5927995 bearing interest at 2.95% repayable in monthly instalments of \$1,834, due June 2020, secured by related building	264,458	278,487
CIBC Mortgage #5927996 bearing interest at 2.95% repayable in monthly instalments of \$2,728, due November 2020, secured by related building	281,382	305,481
CIBC loan #3472005 paid in full.	-	13,448
CIBC Loan paid in full.	-	25,444
CMHC Mortgage paid in full	-	392,974
	3,094,766	3,325,474
<u>Less: current portion</u>	149,500	579,918
	2,945,266	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
	<hr/>
	824,381
	<hr/>

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

	2017	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.	184,718	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	48,193	-
	232,911	288,449
<u>Less: current portion</u>	107,500	103,750
	125,411	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
	<hr/>
	232,911
<u>Less: current portion</u>	<u>107,500</u>
	<hr/>
	125,411

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
	46,691,063	3,075,704	-	20,413,044	29,353,723
	<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
	46,418,835	932,163	659,934	19,270,454	27,420,610

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
	1,142,792	1,069,119

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.

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

15. Accumulated Surplus

Accumulated surplus/deficit is comprised of the following:

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

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