

Horse Lake First Nation
Financial Statements
March 31, 2015

Horse Lake First Nation
Contents
For the year ended March 31, 2015

Page

Management's Responsibility

Independent Auditors' Report

Financial Statements

Statement of Financial Position	1
Statement of Operations and Accumulated Surplus (Deficit).....	2
Statement of Change in Net Financial Assets	4
Statement of Cash Flows.....	5
Notes to the Financial Statements	6
Schedule 1 - Schedule of Consolidated Expenses by Object	17

Notes to the Financial Statements

Schedule 1 - Schedule of Consolidated Expenses by Object

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. 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 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 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.



Chief

Date

July 29, 2015



Administrator

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, 2015, and the statements of operations, change in net financial assets (debt) 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.

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, 2015, 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
July 29, 2015


Chartered Professional Accountants

Horse Lake First Nation Statement of Financial Position

As at March 31, 2015

	2015	2014
Financial assets		
Current		
Term deposits (Note 2)	148,251	188,560
Accounts receivable (Note 3)	497,300	652,198
Payroll advances receivable (Note 4)	168,958	88,456
Subtotal of current assets	814,509	929,214
Investment and advances to related Nation entities (Note 5)	2,085,804	1,990,046
Funds held in trust (Note 6)	4,940,372	3,824,620
Total financial assets	7,840,685	6,743,880
Liabilities		
Current		
Bank indebtedness (Note 7)	39,547	255,054
Accounts payable and accruals (Note 8)	415,476	744,310
Deferred revenue (Note 9)	29,676	104,590
Accrued interest payable	10,670	13,075
Current portion of long-term debt (Note 10)	688,500	665,036
Subtotal of current liabilities	1,183,869	1,782,065
Long-term debt (Note 10)	3,336,569	3,456,217
Total financial liabilities	4,520,438	5,238,282
Net financial assets	3,320,247	1,505,598
Non-financial assets		
Tangible capital assets (Note 11)	27,649,066	27,512,699
Horse Lake First Nation Investment Management Board (Note 13)	45,822,634	48,769,397
Prepaid expenses	38,487	-
Total non-financial assets	73,510,187	76,282,096
Accumulated surplus (Note 14)	76,830,434	77,787,694

Approved on behalf of the Council



Chief



Councilor

Horse Lake First Nation

Statement of Operations and Accumulated Surplus (Deficit)

For the year ended March 31, 2015

	<i>Schedules</i>	<i>2015 Budget</i>	<i>2015</i>	<i>2014</i>
Revenue				
Aboriginal Affairs and Northern Development Canada (AANDC)				
Block funding		1,930,357	2,021,475	1,982,886
Set Funding		214,170	624,059	119,788
Fixed funding		-	-	75,000
Treaty 8		14,500	16,512	16,219
Aboriginal Skills & Employment Training Strategy		196,714	192,940	192,939
AANDC Trust Accounts				
Capital Trust		1,125,000	2,200,333	1,900,330
Revenue Trust		100,000	100,000	120,000
Canada Mortgage and Housing Corporation		610,062	221,102	185,199
Health Canada		693,700	762,694	729,957
Horse Lake First Nation Investment Management Board		3,627,110	3,430,000	2,838,760
First Nation Development Fund		628,000	555,307	533,153
Administration Fees		-	25,143	55,464
Rental income		10,000	27,300	14,850
Interest income		-	15,007	7,588
Other revenue		24,000	189,243	258,639
Deferred revenue - prior year		104,590	104,590	714,316
Deferred revenue - current year		-	(29,676)	(104,590)
Government of Alberta		35,000	35,000	-
University of Ottawa		-	-	15,892
		9,313,203	10,491,029	9,656,390
Expenses				
Program expenses				
Administration	2	2,191,578	2,447,807	2,741,195
Capital Projects and Housing	3	1,309,845	1,405,905	1,085,189
Economic Development	4	98,500	92,150	133,685
Education	5	687,745	731,760	635,163
Operations and Maintenance	6	919,000	1,823,545	1,321,972
Medical Services	7	693,700	859,071	713,575
First Nations Food Program	8	-	-	13,545
Multiplex	9	975,958	514,885	603,873
Per Capita Distribution	10	650,000	5,920	636,500
Protective Services	11	123,100	127,113	237,658
Recreation	12	195,500	252,425	291,722
Social Services	13	503,973	330,541	496,438
First Nation Casino Fund	14	732,590	426,890	331,343
Aboriginal Relations Labour Study	15	35,000	5,324	-
E-learning	16	-	3,237	-
		9,116,489	9,026,573	9,241,858
Human Resources expenses				
Human Resources - Labour Market - EI	17	39,082	47,270	38,925
Human Resources - Labour Market - CRF	18	51,459	110,679	58,974
Human Resources - Child Care Initiative	19	106,173	136,134	135,854
		196,714	294,083	233,753
Total expenses		9,313,203	9,320,656	9,475,611
Surplus before other items		-	1,170,373	180,779

Continued on next page

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, 2015

	<i>Schedules</i>	2015 Budget	2015	2014
Surplus before other items <i>(Continued from previous page)</i>		-	1,170,373	180,779
Other income (expense)				
Loss on disposal of capital assets		-	12,499	121,097
Equity pickup in nation owned entities		-	(78,442)	(99,133)
		-	(65,943)	21,964
Surplus		-	1,104,430	202,743
Accumulated surplus, beginning of year, as previously stated		-	77,787,694	75,047,751
Prior period adjustment		-	-	472,990
Accumulated surplus, beginning of year, as restated		-	77,787,694	75,520,741
Change in equity Horse Lake First Nation Investment Management Board		-	(2,832,445)	928,897
Change in equity Aboriginal Affairs and Northern Development Trusts		-	770,755	1,135,313
		-	(2,061,690)	2,064,210
Accumulated surplus, end of year		-	76,830,434	77,787,694

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, 2015

	<i>2015 Budgets</i>	<i>2015</i>	<i>2014</i>
Annual surplus	-	1,104,430	202,743
Purchases of tangible capital assets	-	(1,240,613)	(1,200,979)
Amortization of tangible capital assets	-	1,070,247	1,027,481
Loss on sale of tangible capital assets	-	(12,499)	(121,097)
Proceeds of disposal of tangible capital assets	-	42,800	315,590
	-	(140,065)	20,995
Acquisition of prepaid expenses	-	(38,487)	-
Advances to Horse Lake First Nation Investment Management Board	-	(226,980)	500,515
Change in equity Aboriginal Affairs and Northern Development Trusts	-	1,115,753	1,135,309
	-	850,286	1,635,824
Increase (decrease) in net financial assets	-	1,814,651	1,859,562
Net (debt) financial assets, beginning of year	-	1,505,596	(353,964)
Net financial assets (net debt), end of year	-	3,320,247	1,505,598

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, 2015

	2015	2014
Cash provided by (used for) the following activities		
Operating activities		
Surplus	1,104,430	202,743
Non-cash items		
Amortization	1,070,247	1,027,481
Deferred revenue - current year	29,676	-
Gain on disposal of tangible capital assets	(12,499)	(121,097)
	2,191,854	1,109,127
Changes in working capital accounts		
Accounts receivable	154,898	15,071
Prepaid expenses	(38,487)	-
Payroll advances receivable	(80,502)	97,184
Accounts payable and accruals	(328,835)	184,450
Deferred revenue	(104,590)	(609,726)
Accrued interest payable	(2,405)	(2,114)
	1,791,933	793,992
Financing activities		
Advances of long-term debt	-	1,800,823
Repayment of long-term debt	(744,827)	(1,997,220)
Advances from (to) Related Nation Entities	1,382,776	1,390,800
	637,949	1,194,403
Capital activities		
Purchases of tangible capital assets	(1,240,613)	(1,200,979)
Proceeds of disposal of tangible capital assets	42,800	315,590
	(1,197,813)	(885,389)
Investing activities		
Allocation of current years equity	78,442	99,133
Funds held in AANDC Trust	(1,135,313)	(1,135,313)
	(1,056,871)	(1,036,180)
Increase (decrease) in cash resources	175,198	66,826
Cash resources, beginning of year	(66,494)	(133,320)
Cash resources, end of year	108,704	(66,494)
Term deposits	148,251	188,560
Bank indebtedness	(39,547)	(255,054)
	108,704	(66,494)
Supplementary cash flow information		
Interest paid	215,673	262,778

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 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, 2015
- Clear Hills Development Corporation at March 31, 2015
- Horse Lake Oil and Gas Corporation at March 31, 2015
- 959447 Alberta Ltd at March 31, 2015
- Horse Lake Industry Relations Corporation at December 31, 2012
- Horse Lake First Nation Investment Management Board (HLIMB) at December 31, 2014
- 1113046 Alberta Ltd. at March 31, 2015
- HLFN Oilfield Construction Corp. at December 31, 2014

The December 31, 2013 and December 31, 2014 financial statements did not include statements of Horse Lake Industry Relations Corporation. Therefore, no adjustment has been made to record the increase (decrease) for the Nation's proportionate share of earnings (losses) for the fiscal period January to December 31, 2013 and January to December 31, 2014 (see audit qualification).

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 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 collectability 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, 2015 is \$204,881 (2014 - \$191,447).

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 (net debt)

The 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 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.

Interest revenue is recognized as it is earned.

Other revenue is recognized when amounts can be reasonably estimated and collection is reasonably assured.

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 one-half the amortization annual rate.

	Method	Rate
Automotive	straight-line	7-20 years
Buildings	straight-line	25-50 years
Construction equipment	straight-line	10 years
Housing	straight-line	25-50 years
Roads	straight-line	25 years
Other equipment	straight-line	3-20 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, 2015

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.

	2015	2014
CIBC, Guaranteed Investment Certificate (GIC) - matures Sep 8, 2014	-	49,986
CIBC Portfolio investment	148,251	138,574
	148,251	188,560

3. Accounts receivable

	2015	2014
Alberta Lottery fund receivable	136,662	335,886
Horse Lake First Nation Investment Management Board	-	12,285
CMHC subsidy assistance receivable	35,304	61,869
GST receivable	108,910	52,000
Health Canada receivable	33,399	-
Other receivables	23,745	11,278
WCTC receivable	159,280	178,880
	497,300	652,198

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2015

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.

	2015	2014
Members and staff advances receivable	373,839	279,903
Less: allowance for doubtful accounts	(204,881)	(191,447)
	<u>168,958</u>	<u>88,456</u>

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.

	2015	2014
424337 Alberta Ltd.	105,606	104,687
Horse Lake Oil and Gas Corporation	45,465	32,208
959447 Alberta Ltd.	1,701,429	1,691,252
Clear Hills Development Corporation	104,686	84,752
Horse Lake Industry Relations Corporation	164,881	123,029
Canadian Native Oil Corporation - Shares at cost	1,000	1,000
1113046 Alberta Ltd. - Shares at cost	100	100
HLFN Oilfield Construction Corp.	(37,363)	(46,982)
	<u>2,085,804</u>	<u>1,990,046</u>

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2015

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 (AANDC), with the consent of the Nation's Council.

	2015	2014
Capital Trust		
Balance, beginning of year	3,668,253	2,542,278
Royalties	3,018,011	3,026,305
	6,686,264	5,568,583
Less: Transfers to Nation	2,020,333	1,900,330
Balance, end of year	4,665,931	3,668,253
Revenue Trust		
Balance, beginning of year	156,367	147,029
Interest	108,551	129,338
Land leases	109,523	-
	374,441	276,367
Less: Transfers to Nation	100,000	120,000
Balance, end of year	274,441	156,367
	4,940,372	3,824,620

7. Bank indebtedness

At March 31, 2015, the Nation has an operating line of credit bearing interest at prime plus 1.25% with totaling credit available of \$500,000, of which \$39,547 (2014 - \$255,054) were drawn. This is secured by a General Security Agreement as well as a Band Council Resolution.

8. Accounts payable and accruals

	2015	2014
Trade Payables	387,808	720,134
Government remittances	12,805	14,300
Pension Plan Remittance	14,863	9,876
	415,476	744,310

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2015

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>
First Nation Development Fund	104,590	-	104,590	-
Government of Alberta - Aboriginal Relations Labour Study	-	29,676	-	29,676
	104,590	29,676	104,590	29,676

10. Long-term debt

	2015	2014
CMHC mortgage bearing interest at 2.02%, repayable in blended monthly instalments of \$2,567, due August 2018, secured by related buildings.	473,677	494,723
CMHC Mortgage bearing interest at 1.67% repayable in monthly instalments of \$1,926, due January 2020, secured by related building.	350,910	-
CMHC Mortgage bearing interest at 0.86% repayable in monthly interest only instalments, secured by related building.	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.	805,822	1,218,669
CIBC loan #3894355 repayable in monthly principal payments of \$9,163, plus interest at Prime + 1.25%, due May 2016, secured by related building.	127,220	228,996
CIBC Mortgage #5489487 bearing interest at 5.14% repayable in monthly instalments of \$1,151, due June 2018, secured by related building.	41,308	52,707
CIBC Mortgage #5472005 bearing interest at 4.39% repayable in monthly instalments of \$1,061, due February 2017, secured by related building.	25,312	36,671
CIBC Mortgage #5472015 bearing interest at 5.24% repayable in monthly instalments of \$848, due February 2018, secured by related building.	37,647	45,365
CIBC Mortgage #5315227 bearing interest at 5.49% repayable in monthly instalments of \$1,610, due June 2015, secured by related building.	141,298	152,623
CIBC Mortgage #5832522 bearing interest at 4.94% repayable in monthly instalments of \$1,826, due April 2016, secured by related building.	21,341	41,666
CIBC Mortgage #5832520 bearing interest at 5.14% repayable in monthly instalments of \$1,592, due February 2017, secured by related building.	157,006	167,822
CIBC Mortgage #5832530 bearing interest at 3.00% repayable in monthly instalments of \$1,143, due February 2019, secured by related building.	153,510	162,488
CIBC Mortgage #5832531 bearing interest at 3.00% repayable in monthly instalments of \$1,069, due December 2018, secured by related building.	142,169	150,607

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2015

CIBC Mortgage #5832535 bearing interest at 4.25% repayable in monthly instalments of \$2,252, due April 2015, secured by related building.	284,190	298,903
CIBC Mortgage #5809399 bearing interest at 4.39% repayable in monthly instalments of \$983, due September 2016, secured by related building.	99,286	106,590
CIBC Mortgage #5809404 bearing interest at 5.24% repayable in monthly instalments of \$1,164, due February 2018, secured by related building.	117,581	125,239
CIBC Mortgage #5927980 bearing interest at 4.39% repayable in monthly instalments of \$1,432, due September 2016, secured by related building.	186,884	195,732
CIBC Mortgage #5927995 bearing interest at 6.70% repayable in monthly instalments of \$2,380, due June 2015, secured by related building.	290,424	299,616
CIBC Mortgage #5927996 bearing interest at 4.39% repayable in monthly instalments of \$2,426, due April 2018, secured by related building.	323,511	338,200
Finance contract repaid in full.	-	4,636
	4,025,069	4,121,253
Less: current portion	688,500	665,036
	3,336,569	3,456,217

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

	Principal	Interest	Total
2016	668,500	136,476	804,976
2017	570,183	126,652	696,835
2018	157,771	117,471	275,242
2019	164,708	96,994	261,702
2020	164,700	93,547	258,247
	1,725,862	571,140	2,297,002

Interest on long-term debt amounted to \$159,098 (2014 - \$187,453)

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2015

11. Tangible capital assets

	<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

	<i>Cost</i>	<i>Additions</i>	<i>Disposals</i>	<i>Accumulated amortization</i>	<i>2014 Net book value</i>
Automotive	1,719,259	176,615	43,595	1,288,450	563,829
Buildings	12,067,840	-	191,344	2,927,278	8,949,218
Building under construction	-	1,024,364	-	-	1,024,364
Construction equipment	2,259,054	-	-	2,071,749	187,305
Housing	15,973,064	-	-	5,560,142	10,412,922
Land	250,001	-	-	-	250,001
Other Equipment	440,539	-	-	310,548	129,991
Roads	2,317,343	-	-	1,874,461	442,882
Water	9,664,328	-	-	4,112,141	5,552,187
	44,691,428	1,200,979	234,939	18,144,769	27,512,699

Amortization expense of \$1,070,247 (2014 - \$1,027,481) was recorded in the applicable segment schedules of revenue and expenses.

12. Amortization of tangible capital assets

	<i>2015</i>	<i>2014</i>
Automotive	124,672	130,277
Buildings	265,973	237,530
Construction equipment	34,055	37,555
Housing	399,299	370,202
Other equipment	31,327	33,097
Roads	16,512	16,512
Water	198,409	202,308
	1,070,247	1,027,481

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2015

13. 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.

	2015	2014
Equity in Horse Lake First Nation Investment Management Board		
Balance, beginning of year	51,832,447	50,903,550
Current year operating (deficit) surplus	(2,832,445)	928,897
Balance, end of year	49,000,002	51,832,447
Advances from Horse Lake First Nation Investment Management Board		
Balance, beginning of year	(3,063,050)	(2,562,535)
Additional transfers	(114,318)	(500,515)
Balance, end of year	(3,177,368)	(3,063,050)
	45,822,634	48,769,397

14. Accumulated Surplus

Accumulated surplus/deficit is comprised of the following:

	2015	2014
CMHC replacement reserve	448,829	411,635
Operating surplus (deficit)	(91,202)	(599,420)
Equity in tangible capital assets	23,623,997	23,391,416
Equity of AANDC Trust Fund	4,940,372	3,824,620
Equity in Horse Lake First Nation Investment Management Board	45,822,634	48,769,397
Equity in related Nation entities	2,085,804	1,990,046
	76,830,434	77,787,694

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2015

15. 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 (2014 - \$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.

	2015	2014
Replacement reserve, beginning of the year	411,635	374,441
Required contribution per CMHC	37,194	37,194
	448,829	411,635

At March 31, 2015 the replacement reserve is underfunded by \$300,578 (2014 - \$223,075).

16. 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.

17. Related party transactions

Repairs and maintenance expense includes \$18,200 (2014 - \$13,500) and \$251,116 (2013 - \$214,726) paid to companies owned by members of Chief and Council during the March 31, 2015 fiscal year.

On March 31, 2015, included in payroll advances receivable are \$37,624 (2014 - \$26,448) owing by members of Chief and Council. Also included in payroll advances are \$1,700 (2013 - \$60,395) 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.

18. Comparative figures

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

19. 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.

Horse Lake First Nation
Schedule 1 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2015

	2015	2015	2014
Consolidated expenses by object			
Administration	-	25,143	55,464
Advertising	10,000	643	5,861
Amortization	-	1,070,247	1,027,481
Assisted Living	50,000	27,856	51,627
Automotive	79,000	98,499	86,921
Bad debts	-	13,435	14,295
Ball team	10,000	19,621	7,385
Band Housing Repairs and maintenance	410,000	255,264	106,627
Band support	-	78,374	12,146
Bank charges and interest	25,000	21,614	28,220
Basic needs	350,000	214,149	290,795
Board travel, training and honouraria	145,400	153,946	112,503
Books and supplies	31,900	12,409	39,228
Community events	18,000	19,581	38,166
Community support	50,000	81,190	-
Computer Support	63,000	61,056	63,578
DNA testing (recovery)	4,000	420	(800)
Economic development	55,000	38,016	66,736
Elder support	200,000	163,217	300,157
Enhanced policing	-	11,976	129,688
Funeral	65,000	66,702	104,548
Interest on long-term debt	863,181	159,098	187,453
Hockey support	-	4,370	3,750
Insurance	161,350	179,481	186,682
Job maintenance	4,582	13,629	13,833
Medical travel	35,000	63,809	82,218
Minor Hockey	110,000	124,732	120,920
National Child Benefits	32,500	11,178	72,448
Office supplies	36,750	50,968	63,196
New Housing	440,000	-	-
PSS/FCSS	-	1,625	-
Per capita distribution	650,000	5,900	636,500
Professional fees	182,000	202,558	199,717
Program supplies	985,304	712,939	559,876
Renovations	-	196,219	170,922
Rent	37,000	20,445	13,060
Repairs and maintenance	552,001	544,528	671,376
Residential Rehabilitation Assistance Program	-	113,605	-
Road upgrade	-	503,221	-
Security services	1,100	5,230	7,028
Social assistance	-	20,198	37,885
Special needs	20,000	658	1,127
Sponsorship	-	-	1,801
Student allowances	180,000	78,876	122,070
Student attendance	21,000	739	8,070
Student travel	5,000	2,109	995
Summer student employment	-	21,428	25,715
Supplies	14,300	22,508	52,123
Telephone and utilities	326,343	384,402	365,746
Training	-	180	150
Transportation	1,500	2,432	5,643
Travel	265,750	404,993	379,985
Treaty days (recovery)	3,000	(1,000)	840
Tuition	54,864	40,713	41,854

Horse Lake First Nation
Schedule 1 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2015

	2015	2015	2014
Vehicle subsidy	-	88,535	134,363
Wages, honorarium and benefits	2,624,788	2,870,253	2,758,698
Water system upgrade	-	36,739	8,941
	9,173,613	9,320,656	9,475,611