

**Horse Lake First Nation
Financial Statements**
March 31, 2018

Horse Lake First Nation
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For the year ended March 31, 2018

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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.

23 Aug 2018

Date

R. Horseman
Chief

for / R. Horseman
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, 2018, 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.

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, 2018, 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, 2018


Chartered Professional Accountants

Horse Lake First Nation
Statement of Financial Position
As at March 31, 2018

	2018	2017
Financial assets		
Current		
Cash resources	1,768,094	2,385,700
Term deposits (Note 2)	-	150,063
Accounts receivable (Note 3)	1,351,584	1,447,548
Short-term loans (Note 4)	5,100,000	-
Payroll advances receivable (Note 5)	293,266	53,534
Subtotal of current assets	8,512,944	4,036,845
Investment and advances to related Nation entities (Note 6)	2,477,812	1,784,356
Funds held in trust (Note 7)	1,158,214	1,162,095
Total financial assets	12,148,970	6,983,296
Liabilities		
Current		
Accounts payable and accruals (Note 9)	965,086	677,099
Deferred revenue (Note 10)	468,906	1,074,201
Accrued interest payable	5,346	7,489
Current portion of long-term debt (Note 11)	241,800	149,500
Current portion of capital lease obligations (Note 12)	96,000	107,500
Subtotal of current liabilities	1,777,138	2,015,789
Long-term debt (Note 11)	3,062,065	2,945,266
Capital lease obligations (Note 12)	29,425	125,411
Total financial liabilities	4,868,628	5,086,466
Net financial assets	7,280,342	1,896,830
Non-financial assets		
Tangible capital assets (Note 13)	33,933,941	29,353,723
Horse Lake First Nation Investment Management Board (Note 15)	42,499,587	43,053,686
Prepaid expenses	89,212	77,118
Total non-financial assets	76,522,740	72,484,527
Accumulated surplus (Note 16)	83,803,082	74,381,357

Approved on behalf of the Council

R. Hansen

Chief

CH

Councilor

John Z

Horse Lake First Nation
Statement of Operations and Accumulated Surplus (Deficit)
For the year ended March 31, 2018

	<i>Schedules</i>	<i>2018 Budget</i>	<i>2018</i>	<i>2017</i>
Revenue				
Indigenous and Northern Affairs Canada (INAC)				
Contributions	265,752	-	-	-
Block funding	1,698,633	1,964,886	2,039,535	2,039,535
Set funding	52,302	21,634	152,028	152,028
Fixed funding	28,800	5,706,396	8,160,042	8,160,042
Treaty 8	14,333	127,710	13,575	13,575
Aboriginal Skills & Employment Training Strategy	192,939	268,928	424,592	424,592
Other	-	-	29,732	29,732
Health Canada - FNIHB				
Health Canada	727,678	1,075,465	863,585	863,585
Canada Mortgage and Housing Corporation				
Subsidy	125,000	239,954	214,942	214,942
RRAP conversions	-	23,711	39,586	39,586
Housing internship initiative for First Nation and Inuit youth	-	15,424	-	-
Indigenous and Northern Affairs Canada (INAC) - Trust Accounts				
Revenue Trust	100,000	250,000	262,000	262,000
Capital Trust	750,000	250,000	2,711,000	2,711,000
Rental income	20,000	16,500	24,000	24,000
Interest income	-	20,004	9,754	9,754
Province of Alberta	-	119,680	591,494	591,494
Horse Lake First Nation Investment Management Board	3,930,911	7,722,975	3,609,807	3,609,807
Deferred revenue - prior year	-	1,074,201	165,164	165,164
Deferred revenue - current year	-	(468,906)	(1,074,201)	(1,074,201)
Administration fees	83,536	278,117	363,120	363,120
Other revenue	41,036	1,432,986	214,987	214,987
Donations	-	-	5,250	5,250
First Nation Development Fund	-	401,483	631,073	631,073
	8,030,920	20,541,148	19,451,065	

Continued on next page

Horse Lake First Nation
Statement of Operations and Accumulated Surplus (Deficit)
For the year ended March 31, 2018

	<i>Schedules</i>	<i>Budget 2018</i>	<i>2018</i>	<i>2017</i>
<i>(Continued from previous page)</i>		8,030,920	20,541,148	19,451,065
Expenses				
Program expenses				
Administration	2	2,455,000	3,702,331	3,217,683
Economic Development	3	72,255	115,705	71,217
Sawmill	4	40,000	41,760	-
Capital Projects and Housing	5	800,752	1,656,919	1,557,604
Renovations	6	-	420,317	-
Water Treatment Plant	7	-	4,697,757	2,408,672
Solar Panels	8	-	421,036	-
Education	9	673,991	745,069	712,910
E-Learning Centre	10	66,050	97,215	98,950
Community Empowerment	11	-	55,955	14,441
Operations and Maintenance	12	993,200	1,093,047	1,181,562
Multiplex	13	319,700	454,148	451,546
Protective Services	14	120,550	179,296	180,865
Recreation	15	183,350	367,519	317,619
Social Services	16	572,508	556,688	549,245
Per Capita Distribution	17	700,000	-	1,023,000
Pre employment program	18	-	52,343	223,058
		6,997,356	14,657,105	12,008,372
Assets				
ASETS - Labour Market - EI	19	40,136	81,260	42,957
ASETS - Labour Market - CRF	20	128,000	158,958	254,474
ASETS - Child Care Initiative	21	137,750	240,166	196,111
ASETS - Youth Community	22	-	29,743	70,271
		305,886	510,127	563,813
Health Canada				
Aboriginal Head Start on-reserve	23	65,916	99,072	74,893
Canada Prenatal Nutrition Program	24	8,544	10,564	9,640
Maternal Child Health	25	85,000	69,794	91,433
Building Healthy Communities - Mental Health	26	34,868	44,891	68,668
Building Healthy Communities - Youth Solvent	27	7,028	7,943	5,178
Abuse Program				
Brighter Futures	28	45,202	180,655	50,580
NNADAP	29	56,926	60,999	68,468
Aboriginal Diabetes Initiative	30	33,825	21,785	35,538
HIV/Aids Strategy	31	5,000	935	5,000
Environmental Health - Drinking Water Safety	32	8,000	8,980	5,583
Program				
FNIHCC	33	94,533	135,007	13,505
Support Clerk	34	16,785	1,853	40,909
Community Health Rep	35	49,645	54,287	61,141
Capital Facilities - Operations and Maintenance	36	47,917	160,459	95,418
MSB Health	37	72,922	73,323	73,320
Medical Transportation - Client Insured Services	38	95,567	144,589	164,120
Public Health Protection - CDC-CDE	39	-	3,132	2,738
Children's Oral Health	40	-	2,000	-
Community Crisis	41	-	-	71,773
		727,678	1,080,268	937,905

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, 2018

	<i>Schedules</i>	<i>Budget 2018</i>	<i>2018</i>	<i>2017</i>
First Nation Development Fund				
Fire Training	42	-	5,299	77,151
Paving Township Road # 73	43	-	100,179	4,161,745
Recreation Study	44	-	-	9,485
Arena Upgrade & Maintenance	45	-	66,267	41,175
House Purchase	46	-	284,585	68,686
Update Band Policy Documents 2018	47	-	23,441	-
School Bus	48	-	113,982	-
Reserve Landscaping	51	-	-	25,168
Sewer Camera/Line Locator	54	-	-	6,302
			-	593,753
Total expenses		8,030,920	16,841,253	17,899,802
Surplus before other items			-	3,699,895
Other income (expense)				1,551,263
Recovery of surplus	-	-	(227,558)	-
Transfer cost to tangible capital assets	-	-	5,429,799	2,444,604
Equity pickup in Nation owned entities	-	-	381,519	(8,240)
			-	5,583,760
Surplus			-	9,283,655
Accumulated surplus, beginning of year			-	74,381,357
Change in equity Horse Lake First Nation Investment Management Board			-	141,950
Change in equity Indigenous and Northern Affairs Canada Trusts			-	(3,880)
Accumulated surplus, end of year			-	83,803,082
				74,381,357

Horse Lake First Nation
Statement of Change in Net Financial Assets
For the year ended March 31, 2018

	2018 Budget	2018	2017
Annual surplus	-	9,283,655	3,987,627
Purchases of tangible capital assets	-	(5,754,189)	(3,075,704)
Amortization of tangible capital assets	-	1,145,082	1,115,391
Amortization of tangible capital assets	-	28,889	27,200
	-	(4,580,218)	(1,933,113)
Acquisition of prepaid expenses	-	(89,212)	(119,274)
Use of prepaid expenses	-	77,118	89,919
Advances to Horse Lake First Nation Investment Management Board	-	688,290	(1,742,435)
Change in equity Aboriginal Affairs and Northern Development Trusts	-	3,880	(1,134,695)
	-	680,076	(2,906,485)
Increase (decrease) in net financial assets	-	5,383,513	(851,971)
Net (debt) financial assets, beginning of year	-	1,896,830	2,748,801
Net financial assets (net debt), end of year	-	7,280,342	1,896,830

Horse Lake First Nation
Statement of Cash Flows
For the year ended March 31, 2018

	2018	2017
Cash provided by (used for) the following activities		
Operating activities		
Surplus	9,283,655	3,987,627
Non-cash items		
Amortization	1,173,971	1,142,591
Deferred revenue - current year	468,906	1,074,201
	10,926,532	6,204,419
Changes in working capital accounts		
Accounts receivable	95,964	1,306,633
Prepaid expenses	(12,094)	(29,355)
Payroll advances receivable	(239,732)	107,428
Accounts payable and accruals	287,983	(1,029,290)
Accrued interest payable	(2,143)	(648)
Loan receivable related party	(5,100,000)	-
	5,956,510	6,559,187
Financing activities		
Advances of long-term debt	440,456	394,886
Repayment of long-term debt	(231,354)	(625,594)
Repayment of current portion of capital lease obligations	(107,486)	(111,238)
Advances of capital lease obligation	-	51,950
Advances (to) from related nation entities	(1,075,486)	50,131
	(973,870)	(239,865)
Capital activities		
Purchases of tangible capital assets	(5,754,189)	(3,075,704)
	(5,754,189)	(3,075,704)
Investing activities		
Funds held in INAC Trust	3,880	(630,016)
	3,880	(630,016)
Increase (decrease) in cash resources	(767,669)	2,613,602
Cash resources, beginning of year	2,535,763	(77,839)
Cash resources, end of year	1,768,094	2,535,763
Cash resources	1,768,094	2,385,700
Term deposits	-	150,063
	1,768,094	2,535,763
Supplementary cash flow information		
Interest paid	98,291	110,397

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

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, 2018
- Clear Hills Development Corporation at June 30, 2017
- Horse Lake Oil and Gas Corporation at March 31, 2018
- 959447 Alberta Ltd. at March 31, 2018
- Horse Lake Industry Relations Corporation at December 31, 2017
- Horse Lake First Nation Investment Management Board (HLIMB) at December 31, 2017
- 1113046 Alberta Ltd. at March 31, 2018
- HLFN Oilfield Construction Corp. at December 31, 2017

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, 2018

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

Segments

The Nation conducts its business through 13 reportable segments:

- Administration - reports on the everyday operations of the Nation
- Capital Projects and Housing - reports on the capital projects and residential housing provided to the members of the Nation
- Economic Development - reports on the business developments of the Nation
- Education - reports on the educational activities of the Nation
- First Nation Casino Fund - reports on the activities of funding received from Alberta Lotteries
- Human Resources - reports on the activities of the Nation's Resource Centre
- Medical Services - reports on the Wellness Centre and its related services to the Nation
- Multiplex - reports on the operations of the Nations multiplex centre
- Operations and Maintenance - reports on the operations and maintenance of the reserve site of the Nation
- Per Capita Distribution - reports on the distribution made under per capita 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, 2018 is \$243,123 (2017 - \$250,742).

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

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 financial 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 equivalents 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
Construction equipment	straight-line	10 years
Equipment under Capital Lease	declining balance	10 years
Housing Modular	straight-line	7-20 years
Housing	straight-line	20-25 years
Other equipment	straight-line	25 years
Roads	straight-line	25 years
Solar Panels	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, 2018

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.

	2018	2017
CIBC Portfolio investment	-	150,063

3. Accounts receivable

	2018	2017
Alberta Lottery fund receivable	121,637	232,912
CMHC subsidy assistance receivable	-	39,320
GST receivable	63,251	53,496
Health Canada receivable	45,476	85,480
Horse Lake First Nation Investment Management Board	5,598	200,000
Other receivables	206,574	20,087
WCTC receivable	909,048	816,253
	1,351,584	1,447,548

4. Short Term Loans Receivable

During the year, a loan was advanced to related First Nation entity owned and operated by the First Nation. The advance is bearing and repayable over the next 24 months.

	2018	2017
HLFN Oilfield Construction Corp.	5,100,000	-

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

5. Payroll advances receivable

Payroll advances receivable are collected against employee's 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.

	2018	2017
Chief and Council advances	263,365	-
Members and staff advances receivable	273,023	304,276
Less: allowance for doubtful accounts	(243,122)	(250,742)
	293,266	53,534

6. 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.

	2018	2017
424337 Alberta Ltd.	105,606	105,606
Horse Lake Oil and Gas Corporation	45,161	45,269
959447 Alberta Ltd.	1,733,956	1,720,814
Clear Hills Development Corporation	105,004	105,061
Horse Lake Industry Relations Corporation	957,216	343,939
Canadian Native Oil Corporation - Shares at cost	1,000	1,000
MMS Society	111,350	-
1113046 Alberta Ltd. - Shares at cost	100	100
HLFN Oilfield Construction Corp.	(581,581)	(537,433)
	2,477,812	1,784,356

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

7. Funds held in trust

Capital and revenue trust monies 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.

	2018	2017
Capital Trust		
Balance, beginning of year	889,383	3,189,250
Royalties	371,294	411,133
	1,260,677	3,600,383
Less: Transfers to Nation	250,000	2,711,000
Balance, end of year	1,010,677	889,383
Revenue Trust		
Balance, beginning of year	272,712	315,829
Interest	-	66,717
Land leases	124,825	152,166
	397,537	534,712
Less: Transfers to Nation	250,000	262,000
Balance, end of year	147,537	272,712
	1,158,214	1,162,095

8. Bank indebtedness

At March 31, 2018, the Nation has an operating line of credit bearing interest at prime plus 1.25% with total credit available of \$500,000, of which \$500,000 (2017 - \$410,008) has drawn. This is secured by a general security agreement as well as a Band Council Resolution.

9. Accounts payable and accruals

	2018	2017
Trade payables	656,510	677,099
Health Canada	135,407	-
Wages payable	81,018	-
WCCTC payable	92,151	-
	965,086	677,099

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

10. Deferred revenue

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

	<i>Balance, beginning of year</i>	<i>Contributions received</i>	<i>Expensed</i>	<i>Balance, end of year</i>
INAC - FNIYES - Skills link	-	38,693	11,731	26,962
INAC - New Paths for Education (NPE) Parental & Comm. Engagement	-	5,167	-	5,167
INAC - New Paths for Education (NPE) Language and Culture	-	65,450	41,243	24,207
INAC - O&M FNWAP Water	-	22,080	-	22,080
INAC - O&M FNWAP Waste Water	-	33,540	-	3,139
INAC - Fisheries, Natural Resources & Transportation	18,746	-	18,746	-
INAC - Renovation	-	653,000	420,317	232,683
INAC - Special needs ID initiative	-	500	-	500
Total INAC funding deferral	18,746	653,500	439,063	233,183
FNDF - Fire Training	83,739	-	5,299	78,440
FNDF - Paving Township Road #73	490,703	-	490,703	-
FNDF - Recreation Study	15,515	-	-	15,515
FNDF - Solar Panels	-	60,213	-	60,213
Total First Nation Development fund deferral	589,957	60,213	496,002	154,168
Government of Alberta - Elders Training	195,885	-	-	-
Government of Alberta - Pre Employment Training	269,613	-	-	-
Total Government of Alberta funding deferral	465,498	-	-	-
	1,074,201	878,643	988,039	468,906

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

11. Long-term debt

	2018	2017
CMHC Mortgage bearing interest at 2.02%, repayable in blended monthly instalments of \$2,567, due August 2018, secured by related buildings	407,943	430,296
CMHC Mortgage bearing interest at 1.48% repayable in blended monthly instalments of \$2,038, due January 2022, secured by related building	401,855	420,232
CMHC Mortgage bearing interest at 1.67% repayable in monthly instalments of \$1,926, due January 2020, secured by related building	339,114	336,778
CMHC Mortgage bearing interest at 1.97%, repayable in blended monthly instalments of \$3,246, due 2022, secured by related building	637,366	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	3,425	16,699
CIBC loan #3472015 repayable in monthly principal payments of \$824, plus interest at 5.24%, due June 2018, secured by related building	11,934	20,958
CIBC Mortgage #5315227 bearing interest at 2.95% repayable in monthly instalments of \$1,597, due August 2020, secured by related building	95,871	111,966
CIBC Mortgage #5832520 bearing interest at 2.54% repayable in monthly instalments of \$1,592, due January 2022, secured by related building	117,155	133,078
CIBC Mortgage #5832530 bearing interest at 2.70% repayable in monthly instalments of \$1,143, due February 2019, secured by related building	124,153	133,979
CIBC Mortgage #5832531 bearing interest at 2.70% repayable in monthly instalments of \$1,069, due December 2018, secured by related building	114,588	123,823
CIBC Mortgage #5832535 bearing interest at 2.95% repayable in monthly instalments of \$2,346, due August 2020, secured by related building	228,364	248,308
CIBC Mortgage #5809399 bearing interest at 2.49% repayable in monthly instalments of \$902, due November 2021, secured by related building	74,778	83,633
CIBC Mortgage #58094041 bearing interest at 2.54% repayable in monthly instalments of \$1,164, due January 2022, secured by related building	89,013	100,574
CIBC Mortgage #5927980 bearing interest at 2.54% repayable in monthly instalments of \$1,657, due January 2022, secured by related building	151,728	167,564
CIBC Mortgage #5927995 bearing interest at 2.95% repayable in monthly instalments of \$1,834, due August 2020, secured by related building	250,012	264,458
CIBC Mortgage #5927996 bearing interest at 2.95% repayable in monthly instalments of \$2,728, due November 2020, secured by related building	256,566	281,382
	3,303,865	3,094,766
<u>Less: current portion</u>	241,800	149,500
	3,062,065	2,945,266

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

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

2019	241,800
2020	241,400
2021	249,500
2022	248,800
2023	258,500
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	1,240,000

Interest on long-term debt amounted to \$69,488 (2017 - \$86,482).

12. Capital lease obligations

	2018	2017
Capital lease obligations payable in instalments of 2 payments of \$14,839 and remaining monthly payment of \$8,922 including interest at 6.41%, due date 2019, with related equipment pledged as collateral.	86,652	184,718
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.	38,773	48,193
	125,425	232,911
<u>Less: current portion</u>	<u>96,000</u>	<u>107,500</u>
	29,425	125,411

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

2019	96,000
2020	10,000
2021	10,700
2022	8,725
	<hr/>
	125,425
<u>Less: current portion</u>	<u>96,000</u>
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	29,425

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

13. Tangible capital assets

	Cost	Additions	Disposals	Accumulated amortization	2018 Net book value
Automotive	1,544,780	203,920	-	1,087,269	661,431
Buildings	13,367,318	-	-	3,976,836	9,390,482
Building under construction	2,398,473	4,763,055	-	-	7,161,528
Construction equipment	2,341,807	-	-	1,960,459	381,348
Housing	17,024,461	547,839	-	7,226,553	10,345,747
Land	250,001	-	-	-	250,001
Other equipment	503,256	-	-	439,566	63,690
Roads	2,317,343	-	-	1,935,992	381,351
Solar panels	-	239,375	-	4,787	234,588
Water	9,664,328	-	-	4,873,725	4,790,603
Equipment under capital lease	355,000	-	-	81,828	273,172
	49,766,767	5,754,189	-	21,587,015	33,933,941
	Cost	Additions	Disposals	Accumulated amortization	2017 Net book value
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

Tangible capital assets include assets under capital lease with a cost of \$355,000 (2017 - \$355,000), and accumulated amortization of \$81,828 (2017 - \$51,475).

Amortization expense of \$1,173,971 (2017 - \$1,142,592) was recorded in the applicable segment schedules of revenue and expenses.

14. Amortization of tangible capital assets

	2018	2017
Automotive	153,344	153,398
Buildings	265,973	265,973
Construction equipment	77,331	74,481
Housing	438,475	415,005
Other equipment	34,197	32,564
Roads	13,500	15,006
Solar panels	4,787	-
Water	186,364	186,365
	1,173,971	1,142,792

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

15. 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.

	2018	2017
Equity in Horse Lake First Nation Investment Management Board		
Balance, beginning of year	44,653,380	47,008,626
Current year operating (deficit) surplus	141,950	(2,355,246)
 Balance, end of year	 44,795,330	 44,653,380
Advances from Horse Lake First Nation Investment Management Board		
Balance, beginning of year	(1,599,694)	(2,133,841)
Additional transfers	(696,049)	534,147
 Balance, end of year	 (2,295,743)	 (1,599,694)
	 42,499,587	 43,053,686

16. Accumulated Surplus

Accumulated surplus/deficit is comprised of the following:

	2018	2017
CMHC replacement reserve	548,924	524,924
Operating surplus (deficit)	4,984,358	238,927
Equity in tangible capital assets	30,504,651	26,026,046
Equity of INAC Trust Fund	1,158,312	1,162,095
Equity in Horse Lake First Nation Investment Management Board	42,499,587	43,053,686
Equity in related Nation entities	2,477,812	1,784,356
 	 82,173,644	 72,790,034
Restricted surplus		
Water Treatment Plant	1,396,755	1,591,323
Renovations	232,683	-
 	 1,629,438	 1,591,323
	 83,803,082	 74,381,357

Horse Lake First Nation
Notes to the Financial Statements
For the year ended March 31, 2018

17. 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 \$24,000 (2017 - \$76,095)

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.

	2018	2017
Replacement reserve, beginning of the year	524,924	448,829
Required contribution per CMHC	24,000	76,095
	548,924	524,924

At March 31, 2018 the replacement reserve is underfunded by \$193,816 (2017- \$374,861).

18. 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 Nation to continue operations is dependent upon the Government of Canada's continued financial commitments as guaranteed by these treaties.

19. Related party transactions

Repairs and maintenance expense includes \$48,762 (2017 - \$93,568) paid to companies owned by members of Chief and Council during the March 31, 2018 fiscal year.

On March 31, 2018, included in payroll advances receivable are \$263,365 (2017 - \$20,961) owing by members of Chief and Council. Also included in payroll advances are \$Nil (2017 - \$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.

20. Comparative figures

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

21. 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.