

Fort McMurray #468 First Nation
Consolidated Financial Statements
March 31, 2016

Fort McMurray #468 First Nation

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For the year ended March 31, 2016

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Management's Responsibility

To the Members of Fort McMurray #468 First Nation:

The accompanying consolidated financial statements of Fort McMurray #468 First Nation are the responsibility of management and have been approved by the Chief and Council.

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian public sector accounting standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

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

The Fort McMurray #468 First Nation Council is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the consolidated financial statements. The Council fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Council is also responsible for recommending the appointment of the Nation's external auditors.

MNP LLP is appointed by the Council on behalf of the members to audit the consolidated 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 management to discuss their audit findings.

August 25, 2016

Signed by "Brad Callihoo"

Chief Executive Officer

Independent Auditors' Report

To the Members of Fort McMurray #468 First Nation:

We have audited the accompanying consolidated financial statements of Fort McMurray #468 First Nation which comprise the consolidated statement of financial position as at March 31, 2016, and the consolidated statements of operations, accumulated surplus, changes in net financial assets, cash flows, and related schedules 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.

Auditors' 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 auditors' 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

We were unable to observe sufficient evidence of the Nation's budget as they did not prepare one. Therefore, the Nation did not meet PSA standard 1201 that requires a budget be prepared and disclosed.

Qualified Opinion

In our opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly in all material respects the financial position of the Fort McMurray #468 First Nation as at March 31, 2016 and the results of its operations and accumulated surplus, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Fort McMurray, Alberta

August 25, 2016

MNP_{up}

Chartered Professional Accountants

Fort McMurray #468 First Nation

Consolidated Statement of Financial Position

As at March 31, 2016

	2016	2015
Financial assets		
Cash and cash equivalents	835,994	1,711,280
Restricted temporary investments (Note 2)	267,956	229,000
Accounts receivable (Note 3)	1,314,362	1,313,500
Investment in Nation partnerships and businesses (Note 4)	26,041,545	27,293,597
INAC capital and revenue trust funds (Note 5)	97,931	84,031
Loan receivable (Note 6)	500,000	-
Total of financial assets	29,057,788	30,631,408
Liabilities		
Operating line of credit (Note 7)	-	30,000
Accounts payable and accruals (Note 8)	589,851	941,280
Deferred revenue (Note 9)	600,728	660,952
Long-term debt (Note 10)	988,586	1,339,679
INAC Native claims loans (Note 11)	732,322	646,315
Total of financial liabilities	2,911,487	3,618,226
Net financial assets	26,146,301	27,013,182
Contingent liabilities (Note 13)		
Guarantees (Note 14)		
Subsequent event (Note 17)		
Non-financial assets		
Tangible capital assets (Note 12) (Schedule 1)	11,815,074	10,061,214
Accumulated surplus	37,961,375	37,074,396
Approved on behalf of the Council		
<u>Signed by "Byron Bates"</u>	Councilor	<u>Signed by "Ronald Kreutzer Jr."</u> Councilor

The accompanying notes are an integral part of these financial statements

Fort McMurray #468 First Nation

Consolidated Statement of Operations

For the year ended March 31, 2016

	<i>Schedules</i>	2016	2015
Revenue			
Government funding			
Indigenous and Northern Affairs Canada		2,135,924	2,111,206
Health Canada		1,099,496	781,478
Athabasca Tribal Council		154,032	140,796
Canada Mortgage and Housing Corporation		49,449	49,431
Additional government funding		13,285	187,746
Total government funding		3,452,186	3,270,657
Industrial Relations (Schedule 15)		2,857,758	1,997,236
Donations and other receipts from industry		908,123	391,787
Industry contributions to the Trust		613,333	1,000,000
First Nation Development Funds		494,201	686,965
Other revenue		508,177	247,207
Proceeds from insurance		135,431	105,000
Rental income		76,000	61,785
Land access fees		36,772	114,566
Revenue funds held in trust (Note 5)		13,900	7,371
		9,095,881	7,882,574
Program expenses			
Administration and Finance	3	2,161,905	1,768,239
Chief and Council	4	527,845	544,833
Operations and Maintenance	5	1,371,233	2,319,691
Economic Development	6	204,652	149,300
Education	7	103,922	79,638
First Nation Development Funds	8	32,769	103,887
Health Services	9	801,643	632,002
Band Housing	10	1,765,899	1,026,063
Human Resource Development	11	147,252	130,797
Summer Students	12	77,320	61,685
Membership	13	671,067	715,474
Social Assistance	14	584,594	517,414
Industrial Relations	15	2,614,274	2,527,576
Trust Funds	16	23,205	29,000
Total expenditures		11,087,580	10,605,599
Operating deficit before other items		(1,991,699)	(2,723,025)
Other income			
GST recovery		255,353	-
Earnings from investments in Nation partnerships and businesses (Note 4)		2,623,325	13,274,253
		2,878,678	13,274,253
Operating surplus		886,979	10,551,228

The accompanying notes are an integral part of these financial statements

Fort McMurray #468 First Nation
Consolidated Statement of Accumulated Surplus
For the year ended March 31, 2016

	2016	2015
Accumulated surplus, beginning of year	37,074,396	26,523,168
Surplus	886,979	10,551,228
Accumulated surplus, end of year	37,961,375	37,074,396

Fort McMurray #468 First Nation
Consolidated Statement of Changes in Net Financial Assets
For the year ended March 31, 2016

	2016	2015
Annual surplus	886,979	10,551,228
Purchases of tangible capital assets	(2,700,548)	(2,405,522)
Amortization of tangible capital assets <i>(Note 12) (Schedule 1)</i>	1,065,088	981,727
Contributed tangible capital assets <i>(Note 12) (Schedule 1)</i>	(118,400)	-
Increase (decrease) in net assets	(866,881)	9,127,433
Net financial assets, beginning of year	27,013,182	17,885,749
Net financial assets, end of year	26,146,301	27,013,182

Fort McMurray #468 First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2016

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Operating surplus	886,979	10,551,228
Non-cash items		
Amortization (Schedule 1)	1,065,088	981,727
Bad debts	-	636,045
Income re-invested in Nation partnerships and businesses (Note 4)	(2,623,325)	(13,274,253)
Contributions to INAC trust funds (Note 5)	(13,900)	(7,371)
Changes in working capital accounts		
Accounts receivable	(119,262)	(496,824)
Accounts payable and accruals	(351,429)	(338,333)
Deferred revenue	(60,224)	41,513
	(1,216,073)	(1,906,268)
Financing activities		
Repayment of long-term debt	(351,093)	(613,507)
INAC Native claim loan (Note 11)	86,007	-
	(265,086)	(613,507)
Capital activities		
Purchases of tangible capital assets (Note 12) (Schedule 1)	(2,700,548)	(2,405,522)
Investing activities		
Advances to Nation partnerships and businesses (Note 4)	-	(5,101)
Withdrawals from Nation partnerships and businesses (Note 4)	3,875,377	5,644,705
Purchase of restricted temporary investments	(38,956)	(229,000)
Loan receivable (Note 6)	(500,000)	-
Increase (decrease) in cash resources	(845,286)	485,307
Cash resources, beginning of year	1,681,280	1,195,973
Cash resources, end of year	835,994	1,681,280
Cash resources are composed of:		
Cash and cash equivalents	835,994	1,711,280
Bank indebtedness	-	(30,000)
	835,994	1,681,280
Supplementary cash flow information		
Interest paid	75,952	82,028

Fort McMurray #468 First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

1. Significant accounting policies

These consolidated financial statements are the representations of management, prepared in accordance with Canadian Public Sector Accounting Standards and include the following significant accounting policies:

Reporting entity and principles of consolidation

The consolidated financial statements consolidate the financial activities of all entities and departments comprising Fort McMurray #468 First Nation (the "Nation"), except for Nation business entities.

The Nation has consolidated the assets, liabilities, revenue and expenses of the following entities and departments:

- Fort McMurray #468 First Nation Industrial Relations Corporation
- Fort McMurray #468 First Nation Community Trust ("Trust")

Business accounted for by the modified equity basis include:

- i) Christina River Enterprises (1987) Ltd.
- ii) Fort McMurray First Nation Holdings Limited Partnership, which includes Fort McMurray First Nation Holdings Corporation.
- iii) Fort McMurray Business trust, which consists of:
 - Christina River Enterprises Limited Partnership
 - Christina River Enterprises GP Inc.
 - FMFN Rigs Limited Partnership (Formerly Fort McMurray First Nation Refinery Limited Partnership)
 - FMFN Rigs GP Inc (Formerly Fort McMurray First Nation Refinery GP)
 - Fort McMurray First Nation Management Ltd.
 - CRE/NCSG Crane and Heavy Haul Limited Partnership
 - Christina Logistics Limited Partnership

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

The Nation's business entities, which are owned or controlled by the Nation but not dependent on the Nation for their continuing operations, are included in the Nation's consolidated 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 are recorded at acquisition cost and are increased for the proportionate share of post acquisition earnings and decreased by post acquisition losses and distributions received.

Basis of presentation

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

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 expenses that have been prepaid.

Net financial assets

The Nation's consolidated financial statements are presented so as to highlight net financial assets as the measurement of financial position. The net financial assets of the Nation is determined by its financial assets less its liabilities. Net financial assets is comprised of two components, non-financial assets and accumulated surplus.

Fort McMurray #468 First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

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

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 consolidated statement of financial position in the year of receipt.

Government transfers

The Nation recognizes a government transfer as revenue when the transfer is authorized and all eligibility criteria, if any, have been met. A government transfer with stipulations giving rise to an obligation that meets the definition of a liability is recognized as a liability. In such circumstances, the Nation recognizes revenue as the liability is settled. Transfers of non-depreciable assets are recognized in revenue when received or receivable.

Industrial relations revenue

Industrial relations revenue is recognized when prices are agreed upon, all significant contractual obligations have been satisfied, and collectibility is reasonably assured.

INAC capital and revenue trust funds

Funds held in trust on behalf of Nation members by the Government of Canada are reported on the consolidated statement of financial position with an offsetting amount in revenue. Trust moneys consist of:

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

Restricted temporary investments

Restricted temporary investments with prices quoted in an active market are measured at fair value while those that are not quoted in an active market are measured at cost less impairment.

Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset.

Tangible capital assets received as contributions are recorded at fair value at the date of receipt and are also recorded as revenue.

Amortization

Amortization for tangible capital assets is provided using the following methods at rates intended to amortize the cost of the assets over their estimated useful lives.

	Method	Rate
Building and housing	straight-line	20-25 years
Computer software	declining balance	100 %
Office equipment	declining balance	20-55 %
Infrastructure	straight-line	20 years
Automotive equipment	declining balance	30 %
Equipment	declining balance	30 %

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

Long-lived assets

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 value 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 surplus for the year.

Measurement uncertainty (use of estimates)

The preparation of consolidated 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 consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period.

Accounts receivable, and amounts due from Membership, are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets. Accruals related to government transfers from INAC and Health Canada are estimates based on the related funding agreement and actual expenses. Liabilities for contaminated sites are estimated based on the best information available regarding potentially contaminated sites that the Nation is responsible for.

Liability for contaminated sites

A liability for remediation of a contaminated site is recognized at the best estimate of the amount required to remediate the contaminated site when contamination exceeding and environmental standard exists, the Nation is either directly responsible or accepts responsibility, it is expected that the future economic benefit will be given up, and a reasonable estimate of the amount is determinable. The best estimate of the liability includes all costs directly attributable to remediation activities and is reduced by expected net recoveries based on information available at March 31, 2016.

At each financial reporting date, the Nation reviews the carrying amount of the liability. Any revisions required to the amount previously recognized is accounted for in the period revisions are made. The Nation continues to recognize the liability until it is settled or otherwise extinguished. Disbursements made to settle the liability are deducted from the reported liability when they are made.

Segments

The Nation conducts its business through 14 reportable segments: Administration and Finance, Chief and Council, Operations and Maintenance, Economic Development, Education, First Nation Development Funds, Health Services, Band Housing, Human Resource Development, Summer Students, Membership, Social Assistance, Industrial Relations and Trust Funds. These operating segments are established by senior 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. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed above. Inter segment transfers are recorded at their exchange amount.

Fort McMurray #468 First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

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

Financial instruments

The Nation recognizes its financial instruments when the Nation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value.

At initial recognition, the Nation may irrevocably elect to subsequently measure any financial instrument at fair value. The Nation has not made such an election during the year.

The Nation subsequently measures investments in equity instruments quoted in an active market and all derivative instruments, except those that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, at fair value. Fair value is determined by published price quotations. Transactions to purchase or sell these items are recorded on the trade date. Net gains and losses arising from changes in fair value are recognized in the statement of remeasurement gains and losses, with the exception of gains and losses on externally restricted financial assets measured at fair value, which are recognized as an increase or decrease to the associated liability until the resources are used in accordance with their specified purpose. The Nation has not presented a statement of remeasurement gains and losses as it does not have any items giving rise to remeasurement gains (losses). Interest income is recognized in the statement of operations; however, interest income on externally restricted financial assets is recognized as an increase or decrease to the associated liability until the resources are used in accordance with their specified purpose. Investments in equity instruments not quoted in an active market and derivatives that are linked to, and must be settled by delivery of, unquoted equity instruments of another entity, are subsequently measured at cost. With the exception of those instruments designated at fair value, all other financial assets and liabilities are subsequently measured at amortized cost using the effective interest rate method.

Transaction costs directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in operating surplus. Conversely, transaction costs are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

All financial assets except derivatives are tested annually for impairment. Management considers recent collection experience for the loan, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. Any impairment, which is not considered temporary, is recorded in the statement of operations. Write-downs of financial assets measured at cost and/or amortized cost to reflect losses in value are not reversed for subsequent increases in value. Reversals of any net remeasurements of financial assets measured at fair value are reported in the statement of remeasurement gains and losses.

2. Restricted temporary investments

As at March 31, 2016, the Nation had an investment in mutual funds with both the carrying value and fair market value equal to \$267,956 (2015 - \$229,000). This amount is externally restricted for use on the construction of an asset.

3. Accounts receivable

	2016	2015
Indian and Northern Affairs Canada	435,951	56,861
First Nation Development Funds	-	441,694
Members	319,757	365,252
Tax receivables	7,867	16,463
Trade receivables	493,304	141,436
Industrial Relations - Trade receivables	420,087	644,879
Allowance for doubtful accounts	(362,604)	(353,085)
	1,314,362	1,313,500

Fort McMurray #468 First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

4. Investments in Nation partnerships and businesses

During the prior year, the Nation's entities under went a restructuring and introduced the Fort McMurray Business Trust to hold the Partnership units previously held by Fort McMurray First Nation Holdings Limited Partnership. The Nation is the beneficiary of the Trust.

In order to facilitate this restructuring, Fort McMurray First Nation Holdings Limited partnership cancelled its limited partner interest in the following partnerships:

- Christina River Enterprises Limited Partnership
- FMFN Rigs Limited Partnership (Formerly Fort McMurray First Nation Refinery Limited Partnership)

Subsequently, the Fort McMurray Business Trust made initial contributions to subscribe to the partnership units that were cancelled.

Under the terms of the amended partnership agreement, profits are allocated based on weighted average unit holdings, which is 99.99% to the Limited Partner and 0.01% to the General Partner for the period of October 1, 2014 to March 31, 2016.

The former Limited Partner and the General Partner were allocated profits from the period of April 1, 2014 to September 30, 2014 based on their weighted average unit holdings prior to the cancellation of the former Limited Partner's interest. For this period, the allocation was 99.99% to the former Limited Partner and 0.01% to the General Partner.

Upon the cancellation of the Partnership interests described above, the Nation contributed the cumulative partners capital remaining in Fort McMurray First Nation Holdings Limited Partnership to the Fort McMurray Business Trust.

The Nation has investments in the following entities:

					2016
	Opening net investment	Current contributions (draws)	Current earnings (loss)	Impact of restructuring	Total investment
Investments held at cost					
Athabasca Tribal Council Ltd.	1	-	-	-	1
Mark Amy Centre for Healing Addictions Ltd.	1	-	-	-	1
Fort McMurray First Nation Distributors Ltd.	-	1	-	-	1
FMFN Office of Commercial Development Ltd.	-	1	-	-	1
	2	2	-	-	4
Wholly-owned Businesses:					
Fort McMurray First Nations Holdings Limited Partnership	(1,313)	-	26,520	-	25,207
Christina River Enterprises (1987) Ltd.	150,659	-	32,284	-	182,943
Fort McMurray Business Trust	27,144,249	(3,875,379)	2,564,521	-	25,833,391
	27,293,595	(3,875,379)	2,623,325	-	26,041,541
	27,293,597	(3,875,377)	2,623,325	-	26,041,545

Fort McMurray #468 First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

4. Investments in Nation partnerships and businesses *(Continued from previous page)*

					2015
	Opening net investment	Current contributions (draws)	Current earnings (loss)	Impact of restructuring	Total investment
Investments held at cost					
Athabasca Tribal Council Ltd.	1	-	-	-	1
Mark Amy Centre for Healing Addictions Ltd.	1	-	-	-	1
	2	-	-	-	2
Wholly-owned Businesses:					
Fort McMurray First Nations Holdings Limited Partnership	19,519,994	(3,844,706)	6,650,647	(22,327,248)	(1,313)
Christina River Enterprises (1987) Ltd.	138,953	-	11,706	-	150,659
Fort McMurray Business Trust	-	(1,794,899)	6,611,900	22,327,248	27,144,249
	19,658,947	(5,639,605)	13,274,253	-	27,293,595
	19,658,949	(5,639,605)	13,274,253	-	27,293,597

Summary financial information for each Nation business enterprise, accounted for using the modified equity method, for their respective year-end is as follows:

	<i>Christina River Enterprises (1987) Ltd. As at March 31, 2016</i>	<i>Fort McMurray First Nations Holdings Limited Partnership As at March 31, 2016</i>	<i>Fort McMurray Business Trust As at March 31, 2016</i>
Assets			
Current assets	190,401	29,512	13,864,243
Long-term assets	-	-	15,489,068
Total assets	190,401	29,512	29,353,311
Liabilities			
Current liabilities	2,501	4,305	2,644,092
Long-term liabilities	4,957	-	875,828
Total liabilities	7,458	4,305	3,519,920
	182,943	25,207	25,833,391
Total revenue	23,800	-	31,180,490
Total expenses	1,909	4,305	28,574,751
	21,891	(4,305)	2,605,739

Fort McMurray #468 First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

5. INAC capital and revenue trust funds

The Ottawa Trust accounts arise from monies derived from capital and revenue sources which the Crown considers are described in Section 62 of the *Indian Act*. These funds are held in trust by the Government of Canada and the Crown treats these funds as primarily governed by sections 63 and 69 of the *Indian Act*.

These Ottawa Funds are held in trust in the Consolidated Revenue fund of the Government of Canada. These funds earn interest as specified in Section 61(2) of the *Indian Act*.

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.

	2016	2015
Capital Trust		
Balance, beginning of year	2,362	2,362
Interest and land leases	938	-
Balance, end of year	3,300	2,362
Revenue Trust		
Balance, beginning of year	81,669	74,298
Interest and land leases	12,962	7,371
Balance, end of year	94,631	81,669
	97,931	84,031

6. Loan receivable

During the year, the Nation entered into an agreement which required the Nation to provide a loan, up to a limit of \$1,500,000 of which \$500,000 (2015 - \$nil) was advanced. This loan earns interest at prime + 1.00% and is to be repaid within three years.

7. Operating line of credit

As at March 31, 2016, the Nation had a revolving credit facility available with the Royal Bank of Canada to a maximum of \$50,000 (2015 - maximum of \$50,000), of which \$nil (2015 - \$30,000) was drawn. The credit facility bears an interest rate of prime plus 3.50% and revolves in increments of \$5,000. Refer to Note 10 for security information on Royal Bank credit facilities.

8. Accounts payable and accruals

	2016	2015
Trade payables and accrued liabilities	495,323	507,203
Goods and services tax payable	5,074	355,068
Vacation pay payable	61,334	58,833
Source deductions payable	28,120	20,176
	589,851	941,280

Fort McMurray #468 First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

9. Deferred revenue

	2016	2015
FNDF - Youth Recreational	297,364	305,413
Health Canada - Special Projects	18,560	30,539
AOC Hangingstone Partnership	34,804	75,000
Deferred capital funding	250,000	250,000
	600,728	660,952

10. Long-term debt

	2016	2015
Royal Bank of Canada mortgage repayable at \$6,374 per month including interest at 6.02%, due March 2019.	649,876	685,947
Royal Bank of Canada loan repayable at \$40,574 per month including interest at 5.20% matured during the year.	-	198,135
First Nations Bank loan repayable in monthly principal payments of \$6,250 plus interest at prime plus 3% due May 2017.	84,028	159,028
CMHC mortgage repayable at \$998 per month including interest at 1.65% due September 2016.	110,305	120,367
CMHC mortgage repayable at \$1,057 per month including interest at 1.98% due May 2019.	95,444	106,224
CMHC mortgage repayable at \$1,855 per month including interest at 2.02%, due June 2018.	48,933	69,978
	988,586	1,339,679

Principal repayments on long-term debt in each of the next five years, assuming long-term debt subject to refinancing is renewed, are estimated as follows:

2017	155,158
2018	92,361
2019	71,164
2020	77,677
2021 and thereafter	592,224

The Royal Bank of Canada and First Nation's Bank loans are secured by a general security agreement. As additional security on the long-term debt with the Royal Bank of Canada, subsidiary partnerships to the Nation have signed guarantees totaling \$4,376,000 (2015 - \$4,376,000). These guarantee extends to the operating line of credit disclosed in Note 7.

11. INAC Native claims loans

Fort McMurray #468 First Nation is liable to the Government of Canada for \$732,322 (2015 - \$646,315) under promissory notes and a Native Claims Loan Agreement payable on the date on which the claim is settled.

The loans are to assist the Nation in pursuing its specific claim. The loans are interest free unless the Nation is in default or the promissory notes comes to maturity, in such case interest will accrue from the date of default or maturity at a rate to be determined.

Advances of \$86,007 (2015 - \$nil) on the Native claim loan were made during the year.

12. Tangible capital assets

The tangible capital assets reconciliation is included in Schedule 1.

During the year, purchases of tangible capital assets of \$2,818,948 (2015 - \$2,405,522) were made. Purchases by program were as follows:

- Administration and Finance \$15,701 (2015 - \$76,203)
- Operations and maintenance - \$60,980 (2015 - \$556,622)
- Economic Development (IM/IT Governance Capacity Development) - \$10,954 (2015 - \$30,500)
- First Nation Development Funds - \$494,201 (2015 - \$583,909)
- Band Housing - \$1,820,796 (2015 - \$1,154,198)
- Fort McMurray #468 First Nation Industrial Resource Company \$31,852 (2015 - \$4,090)
- Health Canada - \$384,464 (2015 - \$nil)

Included in tangible capital asset additions for Band Housing are trailers with a value of \$118,400 (2015 - \$nil) which were donated to the Nation.

13. Contingent liabilities

The Nation has been named as defendant in certain legal proceedings. The Nation is actively defending all lawsuits. Since the amount of loss, if any, cannot be reasonably estimated, no provision has been recorded in these consolidated financial statements. Should a loss be incurred, it will be expensed in the year the liability is determined.

These consolidated financial statements are subject to review by the Nation's funding agents. It is possible that adjustments could be made based on the results of their reviews.

14. Guarantees

The Nation has signed a guarantee and postponement of claims related to the Royal Bank of Canada credit facilities for Christina River Enterprises Limited Partnership, a subsidiary Partnership, to a maximum of \$1,965,000 (2015 - \$1,965,000). As at March 31, 2016, the subsidiary Partnership had \$nil (2015 - \$254,398) outstanding on all related facilities. The facilities are additionally secured by a general security agreement and a guarantee and postponement of claims in the amount of \$1,965,000 (2015 - \$1,965,000) from Fort McMurray First Nation Holdings Limited Partnership.

As at March 31, 2016, no liability (2015 - no liability) has been recorded associated with these guarantees.

15. Financial Instruments

The Nation as part of its operations carries a number of financial instruments. It is management's opinion that the Nation is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Risk Management Policy

The Nation, as part of operations, has established management objectives such as avoidance of undue concentrations of risk as risk management objectives. In seeking to meet these objectives, the Nation follows a risk management policy approved by Chief and Council.

Credit Risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations.

The carrying amount of the Nation's financial instruments best represents the maximum exposure to credit risk.

The Nation manages its credit risk by performing regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable. Currently, the allowance for doubtful accounts is \$362,604 (2015 - \$353,085).

15. Financial instruments *(Continued from previous page)*

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Nation is exposed to interest rate risk with respect to the loan receivable and its long-term debt amounts which bear interest at rates agreed upon at the time of issuance.

16. Comparative figures

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

17. Subsequent event

On May 3, 2016, the city of Fort McMurray and the surrounding areas, of which the Nation is located, was evacuated due to a forest wildfire. The extent of loss due to costs associated with evacuation of members, forest fire fighting prevention, development of fire prevention barriers, support to members during the evacuation, costs associated with re-entry to the Nation, clean-up of the fire prevention measurers, professional and administrative costs for administering cost recovery and insurance recovery, repairs to property and clean-up of other properties for the Nation and the related mandatory evacuation are currently estimated at \$4,000,000. The costs incurred are expected to be substantially recovered through various recovery programs and insurance.