

Katzie First Nation
Consolidated Financial Statements
March 31, 2015

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Management's Responsibility

To the Members of Katzie First Nation:

The accompanying consolidated financial statements of Katzie 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 Katzie 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, an independent firm of Chartered Professional Accountants, is appointed by 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.

July 27, 2015



Chief



Financial Manager

Independent Auditors' Report

To the Members of Katzie First Nation:

We have audited the accompanying consolidated financial statements of Katzie First Nation, which comprise the consolidated statement of financial position as at March 31, 2015 and the consolidated statements of operations and accumulated surplus, changes in net financial assets and cash flows 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 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

During the course of the audit, a scope limitation was encountered as management was unable to provide sufficient and appropriate audit evidence to support the valuation of the investment in a Nation business entity.

Qualified Opinion

In our opinion, except for the possible effects 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 Katzie First Nation as at March 31, 2015 and the results of its operations, changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Chilliwack, British Columbia


July 27, 2015

MNP LLP

Chartered Professional Accountants

Katzie First Nation
Consolidated Statement of Financial Position
As at March 31, 2015

	2015	2014
Financial assets		
Cash	13,194,013	14,454,341
Investments (Note 3)	819,712	2,799,312
Accounts receivable	744,056	421,034
Investment in Nation business entities (Note 4)	1,720,212	159,409
Funds held in trust (Note 5)	457,247	445,202
Operating reserve (Note 6)	65,845	62,991
Replacement reserve (Note 7)	45,772	73,284
	17,046,857	18,415,573
Liabilities		
Accounts payable and accruals	819,755	537,288
Deferred revenue (Note 8)	73,515	-
Contingent liability	-	1,000,000
Long-term debt (Note 9)	3,653,959	3,492,487
	4,547,229	5,029,775
Net financial assets	12,499,628	13,385,798
Contingencies (Note 14)		
Non-financial assets		
Tangible capital assets (Schedule 1)	8,226,698	4,712,354
Prepaid expenses	30,836	99,130
	8,257,534	4,811,484
Accumulated surplus (Note 10)	20,757,162	18,197,282
Approved on behalf of the Council		



Chief



Councilor

Katzie First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2015

	<i>2015 Budget</i>	<i>2015</i>	<i>2014</i>
Revenue			
Aboriginal Affairs and Northern Development Canada	1,932,025	3,217,880	1,966,018
First Nations Health Authority	589,817	2,089,837	230,845
Province of B.C.	138,100	216,630	12,828,587
Canada Mortgage and Housing Corporation	73,515	84,220	97,110
Government of Canada	1,403,392	61,150	39,675
Health Canada	-	-	230,844
Human Resources and Skills Development Canada	-	-	5,250
Equity earnings from investments	-	711,987	157,560
Rental income	178,000	181,793	193,995
B.C. Treaty Commission	549,200	124,840	89,440
Administration fees	200,010	135,371	89,354
B.C. Hydro	74,400	81,211	1,338,392
External revenue	-	64,814	2,828
Interest income	-	63,215	10,811
Investment income	187,758	59,264	95,721
Prior year's recovery	-	55,687	-
C.M.H.C. subsidy	-	42,505	-
First Nations Land Management Resource Ctr	-	37,500	-
Sto:lo Aboriginal Skills & Employment Training	16,639	16,639	12,679
Vancity	12,500	12,500	-
Fundraising and donations	5,761	8,830	8,611
Simon Fraser University	8,000	8,144	12,554
New Relationship Trust	7,000	7,000	2,500
Port Metro Vancouver	-	6,000	-
Ridge Meadows A.C.L.	5,000	5,000	5,000
First Nations Education Steering Committee	4,953	4,982	7,982
Ridge Meadows Child Development Centre Society	-	2,063	-
Surrey Schools	-	2,010	5,000
Special distribution - Ottawa trust interest	1,250	1,291	1,269
Bus revenue	-	-	1,005
Aboriginal Sports & Recreation Association of B.C.	-	-	3,116
Fisheries and Oceans Canada	-	-	7,200
	5,387,320	7,302,363	17,443,346

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Katzie First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2015

	<i>Schedules</i>	2015	2015	2014
<i>(Continued from previous page)</i>		5,387,320	7,302,363	17,443,346
Expenses				
Administration	3	563,000	362,293	403,334
Capital Projects	4	284,545	82,625	10,250
Economic Development and Employment	5	215,937	1,659,003	1,303,659
Education	6	734,682	757,702	754,504
Health and Social Programs	7	990,835	1,057,521	1,169,095
Housing	8	250,000	133,237	170,434
Aboriginal Rights and Title	9	719,200	344,760	277,159
Maintenance	10	182,972	182,972	172,028
Other	11	275,000	242,603	276,992
First Nation Enterprises	12	93,500	110,142	127,254
		4,309,671	4,932,858	4,664,709
Surplus before other items		1,077,649	2,369,505	12,778,637
Other income				
Gain on disposal of tangible capital asset (Note 15)		-	190,375	-
Surplus		1,077,649	2,559,880	12,778,637
Accumulated surplus, beginning of year		18,197,282	18,197,282	5,418,645
Accumulated surplus, end of year		19,274,931	20,757,162	18,197,282

Katzie First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2015

	<i>2015 Budget</i>	<i>2015</i>	<i>2014</i>
Annual surplus	1,077,649	2,559,880	12,778,637
Purchases of tangible capital assets	(1,500,000)	(3,774,544)	(839,471)
Amortization of tangible capital assets	-	238,354	255,440
Proceeds on disposal of tangible capital assets	-	212,215	-
Gain on disposal of tangible capital asset	-	(190,375)	-
	(1,500,000)	(3,514,350)	(584,031)
Acquisition of prepaid expenses	-	(7,295)	(25,676)
Use of prepaid expenses	-	75,595	11,719
	-	68,300	(13,957)
Increase (decrease) in net financial assets	(422,351)	(886,170)	12,180,649
Net financial assets, beginning of year	13,385,798	13,385,798	1,205,149
Net financial assets, end of year	12,963,447	12,499,628	13,385,798

Katzie First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2015

	2015	2014
Cash provided by (used for) the following activities		
Operating activities		
Annual Surplus	2,559,880	12,778,637
Non-cash items		
Amortization	238,354	255,440
Change in funds held in trust	(12,045)	526,815
Equity income from investments	(711,987)	(155,811)
Gain on disposal of tangible capital assets	(190,375)	-
	1,883,827	13,405,081
Changes in working capital accounts		
Accounts receivable	(62,820)	165,804
Prepaid expenses	68,300	(13,957)
Replacement reserve	18,774	(44,765)
Accounts payable and accruals	363,321	(6,240)
Investments	1,834,293	93,662
Contingent liability	(1,000,000)	1,000,000
Deferred revenue	25,515	-
	3,131,210	14,599,585
Financing activities		
Advances of long-term debt	424,360	329,112
Repayment of long-term debt	(262,888)	(145,484)
	161,472	183,628
Capital activities		
Purchases of tangible capital assets	(3,774,544)	(839,471)
Investing activities		
Investment in Katzie Development Corporation Ltd.	(841,019)	-
Restricted cash accounts	24,657	14,085
Increase (decrease) in cash resources	(1,298,224)	13,957,827
Cash resources, beginning of year	15,003,841	1,046,014
Cash resources, end of year	13,705,617	15,003,841
Cash resources are composed of:		
Replacement reserve	19,781	-
Investments	511,604	549,500
Cash	13,174,232	14,454,341
	13,705,617	15,003,841
Supplementary cash flow information		
Interest paid	34,805	52,273

1. Operations

The Katzie First Nation (the "Nation") is located in the province of British Columbia, and provides various services to its members. Katzie First Nation includes the Nation's government and all related entities that are accountable to the Nation and are either owned or controlled by the Nation.

2. 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:

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 prepaid expenses.

Net financial assets

The Nation's 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 combined with non-financial assets comprise a second indicator of financial position, accumulated surplus.

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 straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives:

	Rate
Infrastructure	50 years
Bridges	40 years
Buildings	25 years
Roads	20 years
Equipment	10 years
Vehicles	5 years

2. 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.

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.

Other revenue

Other revenue is recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Government transfers

Katzie First 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.

Housing rental income

Rental revenue is recorded in the year it is earned. At the end of each year, management evaluates whether rent revenue is collectible and records a bad debt expense and allowance for doubtful accounts for those amounts designated as unlikely to be collected.

First Nation capital and revenue trust funds

Katzie First Nation recognizes revenues at the time funds are contributed from the accounts held in Ottawa. Interest revenue is recognized when earned.

Income from investments

Katzie First Nation uses the modified equity method to account for its investments in Katzie Development Corporation Ltd. and Katzie Coast Marine Services Inc. as the entities are not dependent on the Nation for its continuing operations. 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 to the extent that retained earnings is above zero.

Other investment income

Interest and dividend income earned on portfolio investments are recognized as revenue when received.

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

Measurement uncertainty

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 related Nation entities and departments, are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of tangible capital assets.

Reporting entity

The financial statements consolidate the financial activities of all entities and departments comprising the Nation reporting entity, except for those entities not dependent on the Nation for their continuing operations, which are included in the financial statements using the modified equity method.

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

- Katzie First Nation Bus Corporation
- Smuq'wa Development Corporation
- Katzie Cultural Education Society

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 has used the modified equity method to account for its investments in Katzie Coast Marine Services Inc. and Katzie Development Corporation Ltd.

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.

When the Nation determines that a long-lived asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations. Write-downs are not reversed.

Segments

Katzie First Nation conducts its business through ten reportable segments: Administration, Capital Projects, Economic Development and Employment, Education, Health and Social Programs, Housing, Aboriginal Rights and Title, Maintenance, Other and First Nation Enterprises. 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.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements.

Liability for contaminated site

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 an environmental standard exists, the Nation is either directly responsible or accepts responsibility, it is expected that future economic benefits 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, 2015.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

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

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.

Recent accounting pronouncements

Related party transactions

The Public Sector Accounting Board (PSAB) issued this Invitation to Comment (ITC) in October 2011 together with an Issues Paper, Related party transactions – Recognition and measurement, as part of its project to develop a new Public Sector Accounting (PSA) Handbook standard for related parties and related party transactions in the context of governments and government organizations. Comments on the ITC were required by November 14, 2011. The effective date of the new PSA Handbook standard is April 1, 2017.

Financial instruments

In June 2011, the Public Sector Accounting Board (PSAB) issued PS 3450 *Financial Instruments* to establish standards for recognition, measurement, presentation and disclosure of financial assets, financial liabilities and non-financial derivatives. As a result of issuance of PS 3450, there have been numerous consequential amendments made to other Sections. PS 3450 is effective for fiscal years beginning on or after April 1, 2016. Earlier adoption is permitted.

3. Investments

	2015	2014
Fixed income	470,471	776,785
Long-term GICs	-	1,473,027
	470,471	2,249,812
Equity investments	314,897	446,196
Cash	34,344	103,304
	349,241	549,500
	819,712	2,799,312

The market value of the marketable securities as at March 31, 2015 is \$972,402 (2014 - \$2,919,230)

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

4. Investments in Nation business entities

The Nation has investments in the following entities:

	<i>Investment cost</i>	<i>Loans / advances</i>	<i>Cumulative share of earnings</i>	<i>2015 Total investment</i>
Katzie Development Corporation Ltd. - 100%	100	850,562	869,550	1,720,212

The Nation's investment in Katzie Development Corporation Ltd. was established for the purposes of performing archaeology services off-reserve. Summary financial information, accounted for using the modified equity method, for its year-end is as follows:

	<i>Katzie Development Corporation Ltd. As at March 31, 2015</i>	<i>Katzie Development Corporation Ltd. As at March 31, 2014</i>
Assets		
Current assets	1,084,702	181,977
Property, plant and equipment	865,680	-
Total assets	1,950,382	181,977
Liabilities		
Current liabilities	230,168	24,317
Long-term liabilities	850,564	-
Total liabilities	1,080,732	24,317
Share capital	100	100
Surplus (Deficit)	869,550	157,560
Total revenue	3,095,706	3,206,791
Total expenses	2,381,971	3,035,411
Net income	713,735	171,380
	713,735	171,380

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Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

4. Investments in Nation business entities (Continued from previous page)

The Nation has a 50% interest in Katzie Coast Marine Services Ltd. The general nature of the business is to provide water taxi and other commercial marine services in and around Pitt Meadows, BC. Financial information for the year ended July 31, 2015 was unavailable. The most recent summary financial information for Katzie Coast Marine Services Ltd., accounted for using the modified equity method, was for the year ended July 31, 2012.

During the year, the Nation was required to pay \$2,000,000 to satisfy a loan guarantee for Katzie Coast Marine Services Ltd.

	<i>Katzie Coast Marine Services Inc. As at July 31, 2012</i>
Assets	
Current assets	72,484
Investments	1
Property, plant and equipment	2,159,770
Total assets	2,232,255
Liabilities	
Accounts payable and accruals	233,702
Long-term liabilities	2,680,189
Total liabilities	2,913,891
Share capital	1
Deficit	(681,637)
Total revenue	149,881
Total expenses	662,799
Net loss	(512,918)

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

5. Funds held in trust

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

	2015	2014
Capital Trust		
Balance, end of year	6,320	6,320
Revenue Trust		
Balance, beginning of year	438,882	965,698
Interest	10,754	21,915
Special (BC)	1,291	1,269
Transfer to Health Building Construction	-	(550,000)
Balance, end of year	450,927	438,882
	457,247	445,202

6. Operating reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC), Katzie First Nation established the following:

An operating reserve resulting from annual surplus after the payment of all costs and expenses including allocation to the replacement reserve. These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation, or as otherwise mutually agreed to by Katzie First Nation and CMHC. These funds may only be used for the ongoing operating costs of the housing projects committed under the 1997 On-Reserve Program. Accordingly, future years' deficits may be recovered from the Operating Reserve fund. At March 31, 2015, \$65,845 (2014 - \$62,991) has been set aside to fund this reserve.

7. Replacement reserve

Under agreements with Canada Mortgage and Housing Corporation (CMHC) the Nation established a replacement reserve, established by an annual allocation of \$32,105 (2014 - \$33,458), to ensure replacement of buildings financed by CMHC. At March 31, 2015, \$45,772 (2014 - \$73,284) has been set aside to fund this reserve. The unfunded portion at March 31, 2015 was \$nil (2014 - \$nil).

In accordance with terms of the agreements, CMHC reserve funds 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 first to interest and then to principal.

8. Deferred revenue

Deferred revenue consists of five forgivable CMHC On-Reserve Residential Rehabilitation Assistance Program loans. The loans will be forgiven over the next five years, provided the Nation continues to own and operate the properties and they remain occupied by band members with a total household income at or below the income threshold established by CMHC, for the term of the loan.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

9. Long-term debt

	2015	2014
Treaty Negotiations - Aboriginal Affairs and Northern Development Canada - repayment provisions are outlined in Sections 13.0 and 14.0 of the First Nation Negotiation Support Agreement	2,696,564	2,272,204
Non-Profit Housing IV - All Nations Trust - C.M.H.C. mortgage #15468986004	-	9,833
Non-Profit Housing V - All Nations Trust - C.M.H.C. mortgage #15468986005; payments of \$817 per month, including interest at 1.67% per annum; renewal and maturity date of May 1, 2018	30,236	39,458
Non-Profit Housing VI - All Nations Trust - C.M.H.C. mortgage #15468986006; payments of \$2,715 per month, including interest at 2.56% per annum; renewal date of December 1, 2015; maturity date of August 1, 2020	164,649	192,643
Non-Profit Housing VII - All Nations Trust - C.M.H.C. mortgage #15468986007; payments of \$1,680 per month, including interest at 1.67% per annum; renewal date of April 1, 2017; maturity date of February 1, 2022	131,613	149,419
Non-Profit Housing VIII - All Nations Trust - C.M.H.C. mortgage #15468986008; payments of \$1,535 per month, including interest at 2.11% per annum; renewal date of January 1, 2019; maturity date of December 1, 2023	147,138	162,298
Non-Profit Housing IX - All Nations Trust - C.M.H.C. mortgage #19360312001; payments of \$1,337 per month, including interest at 2.56% per annum; renewal date of December 1, 2015; maturity date of August 1, 2020	81,061	94,843
Non-Profit Housing X - All Nations Trust - C.M.H.C. mortgage #19360312002; payments of \$485 per month, including interest at 1.98% per annum; renewal date of May 1, 2019; maturity date of May 1, 2034	92,803	96,751
Non-Profit Housing XI - All Nations Trust - C.M.H.C. mortgage #19360312003; payments of \$1,339 per month, including interest at 1.92% per annum; renewal date of April 1, 2019; maturity date of April 1, 2039	309,895	319,112
First Nation Enterprise loan - Royal Bank	-	145,926
First Nation Enterprise demand loan	-	10,000
	3,653,959	3,492,487

Long-term debt for housing projects are secured by Ministerial guarantees of the Ministry of Aboriginal Affairs and Northern Development Canada.

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Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

9. Long-term debt (Continued from previous page)

Principal repayments on long-term debt in each of the next five years, assuming all term debt is subject to contractual terms of repayment and long-term debt subject to refinancing is renewed with similar terms, are estimated as follows:

2016	101,062
2017	113,096
2018	105,513
2019	107,813
2020	110,166

10. Accumulated surplus

	2015	2014
Equity in Ottawa Trust Funds (Note 5)	457,247	445,202
Equity in CMHC replacement reserve (Note 7)	45,772	28,519
Equity in CMHC operating reserve (Note 6)	65,845	62,991
Equity in tangible capital assets	7,269,303	3,492,071
Deficit of Nation Enterprises	(415,917)	(110,827)
Restricted surplus (Note 12)	137,666	131,342
Unrestricted surplus	13,197,246	14,147,984
	20,757,162	18,197,282

11. Financial Instruments

Katzie First Nation's financial instruments consist of cash, investments, accounts receivable, bank indebtedness, accounts payable and accruals, and long-term debt. It is management's opinion that the Nation is not exposed to significant currency or credit risk arising from these financial instruments. The fair value of the instruments approximates their carrying values, unless otherwise noted.

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Nation manages exposure through its normal operating and financing activities. The Nation is exposed to interest rate cash flow risk through its Royal Bank line of credit with a variable interest rate of prime plus 1%. The Nation is exposed to interest rate price risk on its mortgages with fixed interest rates and on its investment portfolio consisting partially of fixed income securities.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2015

12. Operations fund surplus

The following programs within the Operations Fund Surplus include balances which are appropriated (committed) to those programs and are unavailable for transfer to other programs:

	2015	2014
Sanitation System (CPMS 4814)	130,538	130,538
I.R. #3 Septic Malfunction	(4,900)	-
I.R. #1 Lot Preparation	11,224	-
Physical Development Plan	450	450
I.R. #2 Sewer Feasibility Study	354	354
	137,666	131,342

13. Economic dependence

Katzie First Nation receives substantially all of its revenue from various government agreements. The ability of the Nation to continue operations is dependent upon the continued financial commitments as guaranteed by these agreements.

14. Contingent liabilities

Katzie First Nation may be contingently liable for guaranteed housing mortgages, totaling \$92,958 (2014 - \$96,913).

15. Gain on disposal of tangible capital asset

On March 4, 2015 a CMHC program house was destroyed by fire. Subsequent to year end, insurance proceeds of \$212,215 were received for the reconstruction of the house.

16. Segments

During 2015, the Nation had ten segments: Administration, Capital Projects, Economic Development and Employment, Education, Health and Social Programs, Housing, Aboriginal Rights and Title, Maintenance, Other, and First Nation Enterprises. These segments are differentiated by major activities; accountability and control relationships.

Administration - Includes general operation, support, and financial management of the Nation.

Capital Projects - Includes revenue and expenditures related to capital projects.

Economic Development and Employment - Includes activities related to the growth of revenue producing projects with the Nation, along with employment programs for the members of the Nation.

Education - Includes revenues and expenses related to primary, secondary and post secondary education of the members of the Nation.

Health and Social Programs - Includes activities related to the provision of health services and social programs within the Nation.

Housing - Includes activities related to the provision of housing to the members of the Nation.

Aboriginal Rights and Title - Includes revenue and expenditures related to the negotiation of treaty and specific claims.

Maintenance - Includes revenue and expenditures for maintenance projects associated with the Nation.

Other - Includes activities related to capital assets, replacement reserve, and Ottawa Trust.

First Nation Enterprises - Includes activities related to the Nation's business entities.

17. Comparative figures

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

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets

For the year ended March 31, 2015

	<i>Buildings</i>	<i>Housing projects</i>	<i>Equipment</i>	<i>Infrastructure</i>	<i>Roads</i>	<i>Bridges</i>	<i>Subtotal</i>
Cost							
Balance, beginning of year	1,686,949	3,007,151	77,657	2,806,351	671,586	465,393	8,715,087
Acquisition of tangible capital assets	622,644	359,750	-	-	-	-	982,394
Construction-in-progress	3,775,244	-	-	-	-	-	3,775,244
Disposal of tangible capital assets	(360,455)	(725,038)	-	-	-	-	(1,085,493)
Balance, end of year	5,724,382	2,641,863	77,657	2,806,351	671,586	465,393	12,387,232
Accumulated amortization							
Balance, beginning of year	752,552	2,181,676	70,971	716,916	577,570	302,497	4,602,182
Annual amortization	12,933	105,674	3,310	56,127	31,341	11,634	221,019
Accumulated amortization on disposals	-	(80,552)	-	-	-	-	(80,552)
Balance, end of year	765,485	2,206,798	74,281	773,043	608,911	314,131	4,742,649
Net book value of tangible capital assets	4,958,897	435,065	3,376	2,033,308	62,675	151,262	7,644,583
2014 Net book value of tangible capital assets	934,396	825,477	6,686	2,089,435	94,015	162,895	4,112,904

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2015

	<i>Subtotal</i>	<i>Vehicles</i>	<i>First Nation Enterprise assets</i>	<i>2015</i>	<i>2014</i>
Cost					
Balance, beginning of year	8,715,087	120,700	667,347	9,503,134	8,663,663
Acquisition of tangible capital assets	982,394	-	-	982,394	-
Construction-in-progress	3,775,244	-	-	3,775,244	839,471
Disposal of tangible capital assets	(1,085,493)	-	-	(1,085,493)	-
Balance, end of year	12,387,232	120,700	667,347	13,175,279	9,503,134
Accumulated amortization					
Balance, beginning of year	4,602,182	120,700	67,897	4,790,779	4,535,340
Annual amortization	221,019	-	17,335	238,354	255,440
Accumulated amortization on disposals	(80,552)	-	-	(80,552)	-
Balance, end of year	4,742,649	120,700	85,232	4,948,581	4,790,780
Net book value of tangible capital assets	7,644,583	-	582,115	8,226,698	4,712,354
2014 Net book value of tangible capital assets	4,112,904	-	599,450	4,712,354	

Katzie First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2015

	2015	2014
Consolidated expenses by object		
Administrative expenses	248,278	212,218
Amortization of tangible capital assets	238,353	255,440
Bank charges and short-term interest	34,804	34,006
Contracted services	494,353	260,282
Inter-program administration fees	(155,574)	(105,474)
Interest on long-term debt	20,761	18,265
Loss on loan guarantee	1,000,000	1,000,000
Materials, goods and utilities	739,809	589,641
Member Services and Benefits	1,786,167	1,753,205
Replacement Reserve	23,599	38,887
Salaries, wages and benefits	502,308	608,239
	4,932,858	4,664,709

**Katzie First Nation
Administration**

Schedule 3 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2015

	2015	2014
Revenue		
Aboriginal Affairs and Northern Development Canada	251,059	313,673
Administration fees	114,371	81,200
Interest income	63,215	10,811
External revenue	1,600	240
Equity earnings from investments	711,987	157,560
	1,142,232	563,484
Expenses		
Allowance for bad debts	1,489	15,519
Benefits	30,662	30,939
Community celebrations	6,246	-
Consulting	7,700	4,350
Election	2,257	16,459
Funeral costs	300	815
Honoraria	150,597	130,471
Insurance	7,911	5,998
Materials and supplies	6,479	43,700
Meetings	8,067	1,131
Office supplies and expenses	44,458	31,909
Professional fees	67,066	42,635
Repairs and maintenance	4,743	14,377
Salaries and benefits	158,072	156,589
Storage	3,965	-
Telephone	192	391
Travel	12,465	13,525
Utilities	5,198	-
Administration fees charged to other functions	(155,574)	(105,474)
	362,293	403,334
Surplus before transfers	779,939	160,150
Transfers between segments	28,860	92,593
Surplus	808,799	252,743
Accumulated surplus (deficit), beginning of year	142,070	(110,673)
Accumulated surplus, end of year	950,869	142,070

Katzie First Nation
Capital Projects

Schedule 4 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus
For the year ended March 31, 2015

	2015	2014
Revenue		
Aboriginal Affairs and Northern Development Canada	9,100	10,235
C.M.H.C. subsidy	42,505	-
	51,605	10,235
Expenses		
Materials and supplies	9,110	10,250
Repairs and maintenance	73,515	-
	82,625	10,250
Deficit before transfers	(31,020)	(15)
Transfers between segments	(4,900)	4,915
Surplus (deficit)	(35,920)	4,900
Accumulated surplus, beginning of year	103,440	98,540
Accumulated surplus, end of year	67,520	103,440

Katzie First Nation

Economic Development and Employment

Schedule 5 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2015

	2015	2014
Revenue		
Province of B.C.	216,631	12,828,587
Aboriginal Affairs and Northern Development Canada	13,264	-
Government of Canada	61,150	39,675
B.C. Hydro	81,211	1,334,892
Investment income	47,503	72,820
First Nations Land Management Resource Ctr	37,500	-
Sto:lo Aboriginal Skills & Employment Training	16,639	12,679
Vancity	12,500	-
Port Metro Vancouver	6,000	-
First Nations Education Steering Committee	4,982	2,982
Fisheries and Oceans Canada	-	7,200
Ridge Meadows A.C.L.	5,000	5,000
	502,380	14,303,835
Expenses		
Administration	1,078	15,012
Honoraria	1,800	-
Loss on Guarantee	1,000,000	1,000,000
Materials and supplies	51,347	42,641
Professional fees	192,349	61,704
Repairs and maintenance	164,634	4,150
Salaries and benefits	60,650	160,472
Security	107,702	-
Training costs (recovery of)	26,257	-
Travel	5,008	19,680
Wapato project	16,350	-
Cultural workshops	1,100	-
Community benefits	28,928	-
Outings	1,800	-
	1,659,003	1,303,659
Surplus (deficit) before transfers	(1,156,623)	13,000,176
Transfers between segments	(279,128)	(1,536,887)
Surplus (deficit)	(1,435,751)	11,463,289
Accumulated surplus, beginning of year	15,673,351	4,210,062
Accumulated surplus, end of year	14,237,600	15,673,351

**Katzie First Nation
Education**

Schedule 6 - Consolidated Schedule of Revenue and Expenses and Accumulated Deficit

For the year ended March 31, 2015

	2015	2014
Revenue		
Aboriginal Affairs and Northern Development Canada	733,645	742,230
Prior year's recovery	10,439	-
Simon Fraser University	8,144	12,554
New Relationship Trust	7,000	2,500
Surrey Schools	2,010	5,000
B.C. Hydro	-	3,500
First Nations Education Steering Committee	-	5,000
	761,238	770,784
Expenses		
Consulting	2,408	600
Contracted payments	3,815	3,307
Guidance and counselling	5,302	7,000
Honoraria	923	375
Materials and supplies	23,726	16,407
Preschool fees	6,010	12,575
Professional fees	-	5,432
School fees and supplies	15,557	16,720
Student allowances and supplies	7,782	5,843
Training costs	-	1,329
Travel	2,094	5,391
Tuition agreements	690,085	679,525
	757,702	754,504
Surplus before transfers	3,536	16,280
Transfers between segments	1,037	(112)
Surplus	4,573	16,168
Accumulated deficit, beginning of year	(57,029)	(73,197)
Accumulated deficit, end of year	(52,456)	(57,029)

**Katzie First Nation
Health and Social Programs**

Schedule 7 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2015

	2015	2014
Revenue		
First Nations Health Authority	2,089,837	230,845
Aboriginal Affairs and Northern Development Canada	502,173	567,214
Health Canada	-	230,844
Human Resources and Skills Development Canada	-	5,250
Prior year's recovery	28,613	-
Vehicle user fees	16,000	8,154
Fundraising and donations	8,830	8,611
Ridge Meadows Child Development Centre Society	2,063	-
Aboriginal Sports & Recreation Association of B.C.	-	3,116
	2,647,516	1,054,034

Continued on next page

Katzie First Nation
Health and Social Programs

Schedule 7 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2015

	2015	2014
<i>(Continued from previous page)</i>	2,647,516	1,054,034
Expenses		
AIHC Service Delivery expense (recovery)	(7,167)	-
Administration	3,146	-
Adult in home care	47,784	46,359
Basic needs	296,210	380,606
Brighter futures	49,427	44,685
Building healthy communities	31,184	29,538
Child out of parental home	26,116	27,027
Childrens oral health initiative	4,716	4,467
Community health	71,334	-
Community health reps	-	67,567
Design phase	-	72,844
Diabetes initiative	32,728	31,000
Drinking water safety	11,120	10,533
Education services	59	-
HIV/AIDS strategy	899	899
Head start on reserve	116,896	62,700
Health planning and management	-	55,060
Healthy living	5,705	-
Home and community care	80,255	76,017
Honoraria	1,000	-
Management support	58,130	-
Materials and supplies	11,467	59,591
NNADAP	43,701	41,393
National child benefit	63,729	63,320
Outings	254	-
Patient transportation services	22,607	22,607
Prenatal nutrition	9,296	8,805
Prevention projects	3,871	3,871
Professional fees	2,426	-
Repairs and maintenance	3,030	2,929
Salaries and benefits	15,347	-
Service delivery	42,424	42,424
Solvent abuse	6,775	6,418
Special needs	3,018	8,435
Travel	34	-
	1,057,521	1,169,095
Surplus (deficit) before transfers	1,589,995	(115,061)
Transfers between segments	(1,380,702)	1,910,923
Surplus	209,293	1,795,862
Accumulated surplus (deficit), beginning of year	1,686,337	(109,525)
Accumulated surplus, end of year	1,895,630	1,686,337

**Katzie First Nation
Housing**

Schedule 8 - Consolidated Schedule of Revenue and Expenses and Accumulated Deficit

For the year ended March 31, 2015

	2015	2014
Revenue		
Canada Mortgage and Housing Corporation	84,220	97,110
Aboriginal Affairs and Northern Development Canada	20,319	40,638
Rental income	170,753	183,963
Administration fees	5,000	-
	280,292	321,711
Expenses		
Administration	20,521	17,710
Allowance for bad debts	-	4,032
Insurance	19,616	19,050
Garbage removal	18,800	18,325
Mortgage payments	20,761	18,266
Professional fees	9,400	8,524
Water and sewer	9,660	9,900
Replacement reserve expense	2,016	-
Repairs and maintenance	27,778	67,557
Utilities	4,685	7,070
	133,237	170,434
Surplus before transfers	147,055	151,277
Transfers between segments	(159,413)	(198,342)
Deficit	(12,358)	(47,065)
Accumulated deficit, beginning of year	(249,792)	(202,727)
Accumulated deficit, end of year	(262,150)	(249,792)

Katzie First Nation
Aboriginal Rights and Title

Schedule 9 - Consolidated Schedule of Revenue and Expenses and Accumulated Deficit

For the year ended March 31, 2015

	2015	2014
Revenue		
Aboriginal Affairs and Northern Development Canada	1,505,348	120,000
B.C. Treaty Commission - Contribution	124,840	89,440
Prior year's recovery	6,895	-
	1,637,083	209,440
Expenses		
Administration	30,092	13,430
Materials and supplies	7,322	12,117
Meetings	11,076	-
Professional fees	219,456	134,619
Salaries and benefits	51,902	77,177
Storage	6,197	-
Telephone	5,640	4,821
Travel and meetings	7,755	24,800
Honoraria	-	300
Equipment rental	5,320	6,895
Community consultation	-	3,000
	344,760	277,159
Surplus (deficit)	1,292,323	(67,719)
Accumulated deficit, beginning of year	(1,800,146)	(1,732,427)
Accumulated deficit, end of year	(507,823)	(1,800,146)

**Katzie First Nation
Maintenance**

Schedule 10 - Consolidated Schedule of Revenue and Expenses and Surplus

For the year ended March 31, 2015

	2015	2014
Revenue		
Aboriginal Affairs and Northern Development Canada	182,972	172,028
Prior year's recovery	9,740	-
	192,712	172,028
Expenses		
ACRS - Special Services	15,785	-
Administration	21,138	-
Insurance	1,718	1,475
Professional fees	-	3,596
Repairs and maintenance	125,379	146,654
Salaries and benefits	13,657	16,180
Septic tank pumping	3,226	4,123
Utilities	2,069	-
	182,972	172,028
Surplus	9,740	-

Katzie First Nation
Other

Schedule 11 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2015

	2015	2014
Revenue		
Interest income	11,761	22,901
Special distribution - Ottawa trust interest	1,291	1,269
	13,052	24,170
Expenses		
Amortization	221,019	238,105
Repairs and maintenance	21,584	38,887
	242,603	276,992
Deficit before other items	(229,551)	(252,822)
Other income		
Gain on disposal of capital asset	190,375	-
Deficit before transfers	(39,176)	(252,822)
Transfers between programs	1,581,856	(351,658)
Surplus (deficit)	1,542,680	(604,480)
Accumulated surplus, beginning of year	3,041,748	3,646,228
Accumulated surplus, end of year	4,584,428	3,041,748

Katzie First Nation
First Nation Enterprises

Schedule 12 - Consolidated Schedule of Revenue and Expenses and Accumulated Deficit

For the year ended March 31, 2015

	2015	2014
Revenue		
External revenue	63,214	2,588
Rental income	11,039	10,032
Bus revenue	-	1,005
	74,253	13,625
Expenses		
Administration	5,052	5,250
Amortization	17,335	17,335
Fuel	4,412	4,767
Insurance	4,318	2,974
Interest and bank charges	34,805	34,007
Materials and supplies	6,297	3,936
Professional fees	3,658	3,773
Repairs and maintenance	11,897	14,383
Salaries and benefits	17,697	35,737
Utilities	4,671	5,092
	110,142	127,254
Deficit before transfers	(35,889)	(113,629)
Transfers between programs	212,390	78,568
Surplus (deficit)	176,501	(35,061)
Accumulated deficit, beginning of year	(342,697)	(307,636)
Accumulated deficit, end of year	(166,196)	(342,697)