

Katzie First Nation
Consolidated Financial Statements
March 31, 2016

Katzie First Nation

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For the year ended March 31, 2016

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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 25, 2016

(original signed by Susan Miller)

Chief

(original signed by Denis Vaillancourt)

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, 2016, 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 statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Katzie First Nation as at March 31, 2016 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 25, 2016

MNP LLP

Chartered Professional Accountants

Katzie First Nation
Consolidated Statement of Financial Position
As at March 31, 2016

	2016	2015 <i>(Restated)</i>
Financial assets		
Cash	2,971,709	13,194,013
Investments <i>(Note 3)</i>	11,569,085	819,712
Accounts receivable	320,086	744,056
Investment in Nation business entities <i>(Note 4), (Note 18)</i>	2,495,234	1,917,069
Funds held in trust <i>(Note 5)</i>	467,994	457,247
Operating reserve <i>(Note 6)</i>	67,027	65,845
Replacement reserve <i>(Note 7)</i>	46,802	45,772
	17,937,937	17,243,714
Liabilities		
Accounts payable and accruals	296,519	819,661
Deferred revenue <i>(Note 8)</i>	66,238	73,609
Long-term debt <i>(Note 9)</i>	3,739,964	3,653,959
	4,102,721	4,547,229
Net financial assets	13,835,216	12,696,485
Non-financial assets		
Tangible capital assets <i>(Schedule 1)</i>	8,427,388	8,226,698
Prepaid expenses	87,060	30,831
	8,514,448	8,257,529
Accumulated surplus <i>(Note 10)</i>	22,349,664	20,954,014
Approved on behalf of the Council		
 (original signed by Susan Miller)	Chief	 (original signed by Pam McCotter)
		Councilor

Katzie First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2016

	2016 Budget	2016	2015 (Restated)
Revenue			
Province of B.C.	2,629,167	2,609,795	216,630
Indigenous and Northern Affairs Canada	1,854,215	1,953,859	3,217,880
First Nations Health Authority	1,035,202	1,055,212	2,089,837
Canada Mortgage and Housing Corporation	136,800	136,801	84,220
Government of Canada	84,356	84,356	61,150
Equity earnings (loss) from Nation business entities			
Katzie Development Limited Partnership (Note 18)	-	288,098	876,662
Katzie Development Corporation	-	(2,057)	71
Rental income	177,612	197,425	181,793
Administration fees	170,000	51,885	135,371
Interest income	-	39,577	63,215
First Nations Land Management Resource Ctr	39,500	39,500	37,500
External revenue	-	30,694	64,814
B.C. Hydro	27,000	25,790	81,211
First People's Heritage	18,500	18,500	-
Investment income	-	18,391	59,264
Sto:lo Aboriginal Skills & Employment Training	16,114	16,114	16,639
Simon Fraser University	15,500	15,506	8,144
Surrey Schools	5,000	12,000	2,010
C.M.H.C. subsidy	-	7,972	42,505
First Nations Education Steering Committee	5,353	5,353	4,982
Ridge Meadows A.C.L.	5,000	5,000	5,000
Union of B.C. Municipalities	5,000	3,025	-
Fundraising and donations	5,000	1,617	8,830
B.C. Treaty Commission	-	1,320	124,840
Special distribution - Ottawa trust interest	-	1,312	1,291
Prior year's recovery	-	-	55,687
Vancity	-	-	12,500
New Relationship Trust	-	-	7,000
Port Metro Vancouver	-	-	6,000
Ridge Meadows Child Development Centre	-	-	2,063
	6,229,319	6,617,045	7,467,109

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Katzie First Nation

Consolidated Statement of Operations and Accumulated Surplus

For the year ended March 31, 2016

	<i>Schedules</i>	2016	2016	2015
Revenue <i>(Continued from previous page)</i>		6,229,319	6,617,045	7,467,109
Expenses				
Administration	3	537,974	334,651	362,293
Capital Projects	4	-	10,235	82,625
Economic Development and Employment	5	117,683	1,303,629	1,659,003
Education	6	744,601	815,510	757,702
Health and Social Programs	7	1,106,543	1,184,327	1,057,521
Housing	8	308,660	274,027	133,237
Aboriginal Rights and Title	9	476,039	392,723	344,760
Maintenance	10	195,005	207,452	182,972
Other	11	245,000	350,300	242,603
First Nation Enterprises	12	122,500	140,227	110,142
		3,854,005	5,013,081	4,932,858
Surplus before other items		2,375,314	1,603,964	2,534,251
Other income				
Gain on disposal of tangible capital asset <i>(Note 15)</i>		-	49,201	190,375
Unrealized foreign exchange loss		-	(257,515)	-
		-	(208,314)	190,375
Surplus		2,375,314	1,395,650	2,724,626
Accumulated surplus, beginning of year as previously stated		20,757,157	20,757,157	18,197,277
Correction of an error <i>(Note 18)</i>		-	196,857	32,111
Accumulated surplus, beginning of year, as restated		20,757,157	20,954,014	18,229,388
Accumulated surplus, end of year ended		23,132,471	22,349,664	20,954,014

The accompanying notes are an integral part of these financial statements

Katzie First Nation
Consolidated Statement of Change in Net Financial Assets
For the year ended March 31, 2016

	2016 Budget	2016	2015 (Restated)
Annual surplus (Note 18)	2,375,314	1,395,650	2,724,626
Purchases of tangible capital assets	488,535	(521,700)	(3,774,544)
Amortization of tangible capital assets	-	314,068	238,354
Proceeds on disposal of tangible capital assets	-	56,133	212,215
Gain on disposal of tangible capital asset	-	(49,201)	(190,375)
Correction of an error (Note 18)	-	-	32,111
	488,535	(200,700)	(3,482,239)
Acquisition of prepaid expenses	-	(87,055)	(7,295)
Use of prepaid expenses	-	30,836	75,595
	-	(56,219)	68,300
Increase (decrease) in net financial assets	2,863,849	1,138,731	(689,313)
Net financial assets, beginning of year	12,499,628	12,696,485	13,385,798
Net financial assets, end of year	15,363,477	13,835,216	12,696,485

Katzie First Nation
Consolidated Statement of Cash Flows
For the year ended March 31, 2016

	2016	2015 (Restated)
Cash provided by (used for) the following activities		
Operating activities		
Annual Surplus	1,395,650	2,724,626
Non-cash items		
Amortization	314,068	238,354
Change in funds held in trust	(10,746)	(12,045)
Equity income from investments (Note 18)	(286,041)	(876,733)
Gain (loss) on disposal of capital assets	(49,201)	(190,375)
	1,363,730	1,883,827
Changes in working capital accounts		
Accounts receivable	471,807	(62,820)
Prepaid expenses	(56,219)	68,300
Replacement reserve	(1,030)	18,774
Accounts payable and accruals	(517,146)	363,321
Investments	20,446	1,834,293
Contingent liability	-	(1,000,000)
Deferred revenue	(7,372)	25,515
	1,274,216	3,131,210
Financing activities		
Advances of long-term debt	191,161	424,360
Repayment of long-term debt	(105,156)	(262,888)
	86,005	161,472
Capital activities		
Purchases of tangible capital assets	(521,700)	(3,774,544)
Investing activities		
Purchase of Investments	(4,625,757)	-
Investment in Katzie Development Corporation Ltd.	(312,571)	(841,019)
Restricted cash accounts	2,212	24,657
Increase (decrease) in cash resources	(4,097,595)	(1,298,224)
Cash resources, beginning of year	13,705,617	15,003,841
Cash resources, end of year	9,608,022	13,705,617
Cash resources are composed of:		
Cash	2,971,709	13,194,013
Short-term investments	6,636,313	511,604
	9,608,022	13,705,617
Supplementary cash flow information		
Interest paid	30,975	34,805

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 First 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 First 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
Community/Health building	50 years
Bridges	40 years
Buildings	25 years
Fencing	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. as the entity is 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 this entity 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 investment in Katzie Development Corporation Ltd. and Katzie Development Limited Partnership.

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 First 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, 2016.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

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

At each financial reporting date, the First 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 First 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.

Foreign currency translation

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the statement of financial position date. Translation gains and losses are included in current year ended surplus.

3. Investments

	<i>Regular</i>	<i>Trust</i>	<i>2016</i>	<i>2015</i>
Fixed income	476,350	4,625,757	5,102,107	470,471
Equity investments	334,431	5,687,579	6,022,010	314,897
Cash	26,223	418,745	444,968	34,344
	360,654	6,106,324	6,466,978	349,241
	837,004	10,732,081	11,569,085	819,712

The market value of the marketable securities as at March 31, 2016 is \$11,790,111 (2015 - \$972,402)

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

4. Investments in Nation business entities

	2016			
	<i>Investment cost</i>	<i>Loans/ advances</i>	<i>Cumulative share of earnings</i>	<i>Total investment</i>
Katzie Development Corporation (100%)	100	1,142,589	(1,970)	1,140,719
Katzie Development Limited Partnership (99.99%)	-	-	1,354,515	1,354,515
	100	1,142,589	1,352,545	2,495,234

The Nation's investment in Katzie Development Corporation Ltd. was established for the purpose of pursuing commercial activities 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, 2016</i>	<i>Katzie Development Corporation Ltd. As at March 31, 2015</i>
Assets		
Current assets	25,081	25,081
Due from related party	387,566	358,805
Property, plant and equipment	1,156,202	841,019
Total assets	1,568,849	1,224,905
Liabilities		
Current liabilities	387,566	358,805
Long-term liabilities	1,183,182	865,913
Total liabilities	1,570,748	1,224,718
Share capital	100	100
Equity	(1,999)	87
Total revenue	575,283	559,622
Total expenses	577,340	559,551
Net income (loss)	(2,057)	71

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Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

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

The Nation's investment in Katzie Development Limited Partnership was established for the purpose 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 Limited Partnership As at March 31, 2016</i>	<i>Katzie Development Limited Partnership As at March 31, 2015</i>
Assets		
Current assets	1,721,108	1,444,666
Property, plant and equipment	19,726	24,657
Total assets	1,740,834	1,469,323
Liabilities		
Accounts payable and accruals	23,784	69,131
Due to related party	387,527	358,769
Total liabilities	411,311	427,900
General partner's capital	(24,992)	(24,994)
Limited partner's capital	1,354,515	1,066,417
Total revenue	1,748,435	3,095,396
Total expenses	1,460,337	2,218,734
Net income	288,098	876,662

5. 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.

	2016	2015
Capital Trust		
Balance, end of year	6,320	6,320
Revenue Trust		
Balance, beginning of year	450,927	438,882
Interest	9,435	10,754
Special (BC)	1,312	1,291
Balance, end of year	461,674	450,927
	467,994	457,247

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, 2016, \$67,027 (2015 - \$65,845) 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 \$32,401 (2015 - \$32,105), to ensure replacement of buildings financed by CMHC. At March 31, 2016, \$46,802 (2015 - \$45,772) has been set aside to fund this reserve. The overfunded portion at March 31, 2016 was \$14,401 (2015 - \$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 unearned housing revenue and 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, 2016

9. Long-term debt

	2016	2015
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	2,696,564
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	20,860	30,236
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 and maturity date of August 1, 2020	135,738	164,649
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	113,512	131,613
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	131,664	147,138
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 and maturity date of August 1, 2020	66,827	81,061
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	88,783	92,803
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	299,678	309,895
Non-Profit Housing XII - All Nations Trust - C.M.H.C. mortgage #19360312004; payments of \$754 per month, including interest at 1.39% per annum; renewal date of June 1, 2020; maturity date of June 1, 2040	186,338	-
	3,739,964	3,653,959

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

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Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

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:

2017	109,754
2018	112,095
2019	114,487
2020	116,933
2021	119,433

10. Accumulated surplus

	2016	2015 (Restated)
Equity in Ottawa Trust Funds (Note 5)	467,994	457,247
Equity in CMHC replacement reserve (Note 7)	46,802	45,772
Equity in CMHC operating reserve (Note 6)	67,027	65,845
Equity in tangible capital assets	7,383,988	7,269,303
Deficit of Nation Enterprises	(373,092)	(415,917)
Restricted surplus (Note 12)	-	137,666
Unrestricted surplus	14,756,945	13,394,098
	22,349,664	20,954,014

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.

Foreign currency risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Nation is exposed to foreign currency risk through its portfolio investments denominated in U.S. currency.

Katzie First Nation
Notes to the Consolidated Financial Statements
For the year ended March 31, 2016

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:

	2016	2015
Sanitation System (CPMS 4814)	-	130,538
I.R. #3 Septic Malfunction	-	(4,900)
I.R. #1 Lot Preparation	-	11,224
Physical Development Plan	-	450
I.R. #2 Sewer Feasibility Study	-	354
	-	137,666

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 \$88,783 (2015 - \$92,958).

15. Gain on disposal of tangible capital asset

On March 4, 2015 a CMHC program house was destroyed by fire. Insurance proceeds of \$49,201 (2015 - \$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 ended's presentation.

18. Correction of an error

During the year, the First Nation determined that Earnings from Nation business entities for prior years was understated by \$196,857. For 2015, the impact of this correction has resulted in an increase in Earnings from Nation business entities by \$164,746 and an increase in accumulated surplus of \$32,111 and an increase in Investments in Nation Business entities of \$196,857.

Katzie First Nation
Schedule 1 - Consolidated Schedule of Tangible Capital Assets
For the year ended March 31, 2016

For the year ended March 31, 2014							
	Buildings	Housing projects	Equipment	Infrastructure	Roads	Bridges	Subtotal
Cost							
Balance, beginning of year	5,724,382	2,641,863	77,657	2,806,351	671,586	465,393	12,387,232
Acquisition of tangible capital assets	45,012	210,235	176,353	-	15,905	-	447,505
Construction-in-progress	262,162	-	-	-	-	-	262,162
Disposal of tangible capital assets	(212,268)	(4,909)	-	-	-	-	(217,177)
Balance, end of year	5,819,288	2,847,189	254,010	2,806,351	687,491	465,393	12,879,722
Accumulated amortization							
Balance, beginning of year	765,485	2,206,798	74,281	773,043	608,911	314,131	4,742,649
Annual amortization	83,702	113,888	14,528	56,127	32,001	11,635	311,881
Accumulated amortization on disposals	-	-	-	-	-	-	-
Balance, end of year	849,187	2,320,686	88,809	829,170	640,912	325,766	5,054,530
Net book value of tangible capital assets	4,970,101	526,503	165,201	1,977,181	46,579	139,627	7,825,192
2015							
Net book value of tangible capital assets	4,958,897	435,065	3,376	2,033,308	62,675	151,262	7,644,583

For the year ended March 31, 2016

(Restated)

Katzie First Nation
Schedule 2 - Schedule of Consolidated Expenses by Object
For the year ended March 31, 2016

	2016	2015
Consolidated expenses by object		
Administrative expenses	208,606	248,278
Amortization of tangible capital assets	314,068	238,353
Bank charges and short-term interest	30,975	34,804
Contracted services	622,334	494,353
Inter-program administration fees	(110,977)	(155,574)
Interest on long-term debt	19,993	20,761
Loss on loan guarantee	707,423	1,000,000
Materials, goods and utilities	814,206	739,809
Member Services and Benefits	1,898,678	1,786,167
Replacement Reserve	39,647	23,599
Salaries, wages and benefits	468,128	502,308
	5,013,081	4,932,858

**Katzie First Nation
Administration**

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

For the year ended March 31, 2016

	2016	2015 (Restated)
Revenue		
Indigenous and Northern Affairs Canada	253,474	251,059
Equity earnings (loss) from Nation business entities		
Katzie Development Limited Partnership (Note 18)	288,098	876,662
Katzie Development Corporation	(2,057)	71
Interest income	39,577	63,215
Administration fees	34,385	114,371
External revenue	635	1,600
Capital losses on trust investments	(38,495)	-
	575,617	1,306,978
Expenses		
Administration fees charged to other functions	(180,572)	(155,574)
Bad debts expense (recovery)	(6,475)	1,489
Benefits	34,734	30,662
Community celebrations	13,575	6,246
Consulting	7,700	7,700
Election	9,459	2,257
Funeral costs	5,570	300
Honoraria	129,166	150,597
Insurance	15,233	7,911
Materials and supplies	32,114	6,479
Meetings	7,638	8,067
Office supplies and expenses	58,593	44,458
Professional fees	122,921	67,066
Repairs and maintenance	232	4,743
Salaries and benefits	61,334	158,072
Storage	-	3,965
Telephone	264	192
Travel	11,214	12,465
Utilities	11,951	5,198
	334,651	362,293
Surplus before other items	240,966	944,685
Other expense		
Unrealized foreign exchange loss	(257,515)	-
Surplus (deficit) before transfers	(16,549)	944,685
Transfers between segments	10,951,782	28,860
Surplus	10,935,233	973,545
Accumulated surplus, beginning of year, as previously stated	950,863	142,065
Correction of an error (Note 18)	196,857	32,111
Accumulated surplus, beginning of year, as restated	1,147,720	174,176
Accumulated surplus, end of year	12,082,953	1,147,721

Katzie First Nation
Capital Projects

Schedule 4 - Consolidated Schedule of Revenue and Expenses and Accumulated Surplus

For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	10,235	9,100
C.M.H.C. subsidy	7,972	42,505
	18,207	51,605
Expenses		
Materials and supplies	-	9,110
Repairs and maintenance	10,235	73,515
	10,235	82,625
Surplus (deficit) before transfers	7,972	(31,020)
Transfers between segments	(168,143)	(4,900)
Deficit	(160,171)	(35,920)
Accumulated surplus, beginning of year	67,520	103,440
Accumulated surplus (deficit), end of year	(92,651)	67,520

Katzie First Nation

Economic Development and Employment

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

For the year ended March 31, 2016

	2016	2015
Revenue		
Province of B.C.	2,609,795	216,631
Indigenous and Northern Affairs Canada	112,774	13,264
Government of Canada	84,356	61,150
Investment income	46,348	47,503
First Nations Land Management Resource Ctr	39,500	37,500
B.C. Hydro	25,790	81,211
Rental income	21,225	-
Sto:lo Aboriginal Skills & Employment Training	16,114	16,639
First Nations Education Steering Committee	5,353	4,982
Ridge Meadows A.C.L.	5,000	5,000
Union of BC Municipalities	3,025	-
Vancity	-	12,500
Port Metro Vancouver	-	6,000
	2,969,280	502,380
Expenses		
Administration	36,711	1,078
Community benefits	14,872	28,928
Cultural workshops	-	1,100
Honoraria	675	1,800
Loss on guarantee	707,423	1,000,000
Materials and supplies	240,394	51,347
Office supplies and expenses	4,307	-
Outings	-	1,800
Professional fees	173,441	192,349
Repairs and maintenance	53,086	164,634
Salaries and benefits	31,152	60,650
Security	22,298	107,702
Training costs	14,476	26,257
Travel	4,081	5,008
Utilities	713	-
Wapato project	-	16,350
	1,303,629	1,659,003
Surplus (deficit) before transfers	1,665,651	(1,156,623)
Transfers between segments	(11,032,460)	(279,128)
Deficit	(9,366,809)	(1,435,751)
Accumulated surplus, beginning of year	14,237,602	15,673,353
Accumulated surplus, end of year	4,870,793	14,237,602

**Katzie First Nation
Education**

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

For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	752,905	733,645
First People's Heritage	18,500	-
Simon Fraser University	15,506	8,144
Surrey Schools	12,000	2,010
Prior year's recovery	-	10,439
New Relationship Trust	-	7,000
	798,911	761,238
Expenses		
Consulting	1,819	2,408
Contracted payments	13,436	3,815
Guidance and counselling	5,080	5,302
Honoraria	235	923
Materials and supplies	18,371	23,726
Preschool fees	880	6,010
Professional fees	16,975	-
Allocation	14,080	15,557
Student allowances and supplies	12,022	7,782
Travel	328	2,094
Tuition agreements	717,026	690,085
Salaries and benefits	15,258	-
	815,510	757,702
Surplus (deficit) before transfers	(16,599)	3,536
Transfers between segments	19,806	1,037
Surplus	3,207	4,573
Accumulated deficit, beginning of year	(52,456)	(57,029)
Accumulated deficit, end of year	(49,249)	(52,456)

**Katzie First Nation
Health and Social Programs**

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

For the year ended March 31, 2016

	2016	2015
Revenue		
First Nations Health Authority	1,055,212	2,089,837
Indigenous and Northern Affairs Canada	503,013	502,173
Fundraising and donations	1,617	8,830
External revenue	1,482	-
Prior year's recovery	-	28,613
Vehicle user fees	-	16,000
Ridge Meadows Child Development Centre	-	2,063
	1,561,324	2,647,516

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, 2016

	2016	2015
<i>(Continued from previous page)</i>	1,561,324	2,647,516
Expenses		
AIHC Service Delivery expense (recovery)	-	(7,167)
Administration	1,920	3,146
Adult in home care	48,351	47,784
Basic needs	346,585	296,210
Brighter futures	70,425	49,427
Building healthy communities	32,899	31,184
Capital facilities/operation and maintenance	105,836	-
Capital items reallocated	(68,991)	-
Child out of parental home	16,807	26,116
Childrens oral health initiative	4,975	4,716
Community health	75,257	71,334
Crisis response	20,010	-
Diabetes initiative	34,528	32,728
Drinking water safety	11,732	11,120
Education services	-	59
HIV/AIDS strategy	899	899
Head start on reserve	69,837	116,896
Healthy living	4,095	5,705
Home and community care	84,669	80,255
Honoraria	-	1,000
Management support	61,327	58,130
Mapping directions	9,562	-
Materials and supplies	2,534	11,467
NNADAP	46,105	43,701
National child benefit	63,572	63,729
Office supplies and expenses	541	-
Outings	-	254
Patient transportation services	22,607	22,607
Prenatal nutrition	9,807	9,296
Prevention projects	5,021	3,871
Professional fees	17,075	2,426
Repairs and maintenance	-	3,030
Salaries and benefits	19,721	15,347
Service delivery	42,424	42,424
Solvent abuse	7,148	6,775
Special needs	11,270	3,018
Transportation	5,779	-
Travel	-	34
	1,184,327	1,057,521
Surplus before transfers	376,997	1,589,995
Transfers between segments	518,312	(1,380,702)
Surplus	895,309	209,293
Accumulated surplus, beginning of year	1,895,627	1,686,334
Accumulated surplus, end of year	2,790,936	1,895,627

**Katzie First Nation
Housing**

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

For the year ended March 31, 2016

	2016	2015
Revenue		
Canada Mortgage and Housing Corporation	136,801	84,220
Indigenous and Northern Affairs Canada	50,000	20,319
Rental income	175,275	170,753
Administration fees	17,500	5,000
	379,576	280,292
Expenses		
Administration	23,576	20,521
Insurance	20,368	19,616
Garbage removal	18,750	18,800
Mortgage payments	19,993	20,761
Professional fees	54,992	9,400
Water and sewer	9,264	9,660
Replacement reserve expense	1,970	2,016
Repairs and maintenance	102,202	27,778
Utilities	6,529	4,685
Katzie First Nation services	11,783	-
Materials and supplies	4,600	-
	274,027	133,237
Surplus before transfers	105,549	147,055
Transfers between segments	10,104	(159,413)
Surplus (deficit)	115,653	(12,358)
Accumulated deficit, beginning of year	(262,150)	(249,792)
Accumulated deficit, end of year	(146,497)	(262,150)

Katzie First Nation
Aboriginal Rights and Title

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

For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	104,241	1,505,348
B.C. Treaty Commission - Contribution	1,320	124,840
Prior year's recovery	-	6,895
	105,561	1,637,083
Expenses		
Administration	1,755	30,092
Capital acquisitions	1,249	-
Equipment rental	-	5,320
Honoraria	10,000	-
Materials and supplies	12,042	7,322
Meetings	1,671	11,076
Professional fees	233,273	219,456
Salaries and benefits	108,208	51,902
Storage	8,727	6,197
Telephone	8,333	5,640
Travel and meetings	7,465	7,755
	392,723	344,760
Surplus (deficit) before transfers	(287,162)	1,292,323
Transfers between segments	(499,999)	-
Surplus (deficit)	(787,161)	1,292,323
Accumulated deficit, beginning of year	(507,823)	(1,800,146)
Accumulated deficit, end of year	(1,294,984)	(507,823)

**Katzie First Nation
Maintenance**

Schedule 10 - Consolidated Schedule of Revenue and Expenses and Surplus

For the year ended March 31, 2016

	2016	2015
Revenue		
Indigenous and Northern Affairs Canada	167,217	182,972
Prior year's recovery	-	9,740
Rental income	325	-
	167,542	192,712
Expenses		
ACRS - Special Services	-	15,785
Administration	-	21,138
Insurance	2,078	1,718
Materials and supplies	13,906	3,226
Meeting	1,703	-
Repairs and maintenance	158,499	125,379
Salaries and benefits	23,307	13,657
Utilities	7,959	2,069
	207,452	182,972
Surplus (deficit) before transfers	(39,910)	9,740
Transfers between segments	29,610	-
Surplus (deficit)	(10,300)	9,740
Accumulated surplus, beginning of year	9,741	1
Accumulated surplus (deficit), end of year	(559)	9,741

Katzie First Nation
Other

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

For the year ended March 31, 2016

	2016	2015
Revenue		
Interest income	10,465	11,761
Special distribution - Ottawa trust interest	1,312	1,291
	11,777	13,052
Expenses		
Amortization	312,623	221,019
Repairs and maintenance	37,677	21,584
	350,300	242,603
Deficit before other items	(338,523)	(229,551)
Other income		
Gain on disposal of capital assets	49,201	190,375
Deficit before transfers	(289,322)	(39,176)
Transfers between segments	101,392	1,581,856
Surplus (deficit)	(187,930)	1,542,680
Accumulated surplus, beginning of year	4,584,429	3,041,749
Accumulated surplus, end of year	4,396,499	4,584,429

Katzie First Nation
First Nation Enterprises

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

For the year ended March 31, 2016

	2016	2015
Revenue		
External revenue	28,577	63,214
Rental income	601	11,039
Investment income	73	-
	29,251	74,253
Expenses		
Administration	240	5,052
Amortization	1,445	17,335
Fuel	4,546	4,412
Insurance	13,698	4,318
Interest and bank charges	30,975	34,805
Materials and supplies	24,524	6,297
Professional fees	3,658	3,658
Property tax	5,832	-
Repairs and maintenance	19,356	11,897
Salaries and benefits	34,337	17,697
Telephone	935	-
Utilities	681	4,671
	140,227	110,142
Deficit before transfers	(110,976)	(35,889)
Transfers between segments	69,595	212,390
Surplus (deficit)	(41,381)	176,501
Accumulated deficit, beginning of year	(166,197)	(342,698)
Accumulated deficit, end of year	(207,578)	(166,197)