

Lower Kootenay Band
Financial Statements
For the year ended March 31, 2017

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Management's Responsibility for Financial Reporting

The accompanying financial statements of the Lower Kootenay Band are the responsibility of management and have been approved by Chief and Council.

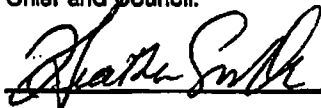
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

The Lower Kootenay Band maintains systems of internal accounting and administrative controls of high quality, consistent with reasonable costs. Such systems are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and the First Nation's assets are appropriately accounted for and adequately safeguarded.

The Lower Kootenay Band is responsible for ensuring that the management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

Chief and Council, composed of Band members, reviews the Lower Kootenay Band's financial statements and recommends their approval. The Council meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy themselves that each party is properly discharging their responsibilities, and to review the financial statements and the external auditor's report. Chief and Council reports its findings for consideration when approving the financial statements for issuance to the members. Chief and Council also considers, for review and approval by the members, the engagement of the external auditors.

The financial statements have been audited by BDO Canada LLP in accordance with Canadian generally accepted auditing standards on behalf of the members. BDO Canada LLP have full and free access to Chief and Council.



Director of Operations



Director of Finance



Independent Auditor's Report

To the Members of the Lower Kootenay Band

We have audited the accompanying financial statements of the Lower Kootenay Band, which comprise the statement of financial position as at March 31, 2017, and the statements of financial activity, change 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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



Independent Auditor's Report (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Lower Kootenay Band as at March 31, 2017, and the results of its operations, change in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

BDO Canada LLP

Chartered Professional Accountants

Cranbrook, British Columbia
July 28, 2017

Lower Kootenay Band Statement of Financial Position

March 31	2017	2016
Financial Assets		
Cash (Note 2)	\$ 5,598,831	\$ 4,116,411
Restricted cash (Note 3)	68,981	50,633
Temporary investments (Note 4)	290,750	302,672
Accounts receivable (Note 5)	820,813	495,316
Due from related entities (Note 6)	1,304,361	1,804,476
Long-term investments (Note 7)	60,023	60,023
Investment in business partnerships and enterprises (Note 8)	8,513,919	7,880,728
Ottawa Trust Funds (Note 16)	69,243	66,736
	<u>16,726,921</u>	<u>14,776,995</u>
Financial Liabilities		
Accounts payable and accrued liabilities (Note 9)	373,155	449,445
Deferred revenue (Note 10)	507,865	178,967
Long-term debt (Note 11)	8,780,608	8,709,280
	<u>9,661,628</u>	<u>9,337,692</u>
Net Financial Assets	7,065,293	5,439,303
Non-Financial Assets		
Tangible capital assets (Note 12)	8,139,715	8,597,380
Prepaid expenses	70,842	34,930
	<u>8,210,557</u>	<u>8,632,310</u>
Accumulated Surplus (Note 13)	<u>\$ 15,275,850</u>	<u>\$ 14,071,613</u>

Approved on behalf of the Band Council

 Chief

 Councillor

Lower Kootenay Band Statement of Financial Activity

For the year ended March 31	<i>Budget</i>	2017	2016
			(Note 22)
Revenue			
Indigenous and Northern Affairs Canada	\$ 1,306,417	\$ 2,024,139	\$ 1,468,959
First Nation Education Steering Committee Funding	38,500	208,240	47,585
Health Canada	213,283	284,551	254,240
Province of British Columbia	1,110,931	1,210,603	977,141
Rental income	157,600	165,674	162,813
Other income	1,013,063	933,294	3,092,739
Income from business partnerships and enterprises	42,500	689,191	1,073,286
CMHC revenue	29,903	178,720	32,089
	<u>3,912,197</u>	<u>5,694,412</u>	<u>7,108,852</u>
Expenses (Note 17)			
Administration	609,444	596,756	481,043
Social Development	308,675	330,542	333,186
Health	212,722	138,071	223,138
Education	1,492,556	1,449,572	1,116,833
Social Housing	214,260	317,065	167,261
Infrastructure and Land Management	701,192	756,435	653,772
Economic Development	66,928	130,307	52,293
Operations and Maintenance	245,200	270,093	172,409
Capital Fund	-	501,334	457,934
	<u>3,850,977</u>	<u>4,490,175</u>	<u>3,657,869</u>
Annual surplus	61,220	1,204,237	3,450,983
Accumulated surplus, beginning of year	14,071,613	14,071,613	10,620,630
Accumulated surplus, end of year	<u>\$ 14,132,833</u>	<u>\$ 15,275,850</u>	<u>\$ 14,071,613</u>

Lower Kootenay Band
Statement of Change in Net Financial Assets

For the year ended March 31	<i>Budget</i>	2017	2016
Annual surplus	\$ 61,220	\$ 1,204,237	\$ 3,450,983
Acquisition of tangible capital assets (Note 12)	-	(100,316)	(1,808,499)
Amortization of tangible capital assets (Note 12)	-	557,981	513,062
Change in prepaid expenses	-	(35,912)	(34,930)
Net change in net financial assets	61,220	1,625,990	2,120,616
Net financial assets, beginning of year	5,439,303	5,439,303	3,318,687
Net financial assets, end of year	\$ 5,500,523	\$ 7,065,293	\$ 5,439,303

Lower Kootenay Band Statement of Cash Flows

For the year ended March 31	2017	2016
Cash flows provided by (used in) operating activities		
Cash receipts customers	\$ 5,697,815	\$ 6,960,579
Cash paid to employees and suppliers	<u>(4,044,395)</u>	<u>(2,599,727)</u>
	<u>1,653,420</u>	<u>4,360,852</u>
Cash flows used in capital activities		
Purchase of tangible capital assets	<u>(100,316)</u>	<u>(1,808,498)</u>
Cash flows used in investing activities		
Investment in business partnership and enterprises	(633,191)	(6,584,977)
Proceeds from sale (purchase) of short term temporary investments	<u>11,921</u>	<u>(2,091)</u>
	<u>(621,270)</u>	<u>(6,587,068)</u>
Cash flows provided by (used in) financing activities		
Loans and advances with related parties	500,114	(1,224,577)
Issuance (repayment) of long-term debt	<u>71,326</u>	<u>8,305,354</u>
	<u>571,440</u>	<u>7,080,777</u>
Net Increase (decrease) in cash	1,503,274	3,046,063
Cash, beginning of year	<u>4,233,780</u>	<u>1,187,717</u>
Cash, end of year	<u>\$ 5,737,054</u>	<u>\$ 4,233,780</u>
Represented by		
Cash	\$ 5,598,830	\$ 4,116,411
Ottawa Trust Funds	69,243	66,736
Restricted cash	<u>68,981</u>	<u>50,633</u>
	<u>\$ 5,737,054</u>	<u>\$ 4,233,780</u>

Lower Kootenay Band

Summary of Significant Accounting Policies

March 31, 2017

Basis of Presentation	It is the policy of the Lower Kootenay Band (the "First Nation") to follow accounting principles generally accepted for First Nations in the Province of British Columbia. They have been prepared using guidelines issued by the Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants Canada (CPA Canada). The First Nation provides services such as band government, public works, social development, community health, economic development, land and resources, housing and a community school.
Reporting Entity	The First Nation reporting entity includes the Lower Kootenay Band Council and all related entities which are accountable for the administration of their financial affairs and resources to the First Nation and are either owned or controlled by the First Nation.
Government Business Partnerships and Enterprises	These financial statements include the following organizations on a modified equity: - Ainsworth Hot Springs Ltd. - Ainsworth Hot Springs Limited Partnership - Ka'amaknala Development Corporation - Ktunaxa Holdings Limited Partnership - Lower Kootenay Development Corporation - Lower Kootenay Guide Outfitters Ltd. - Lower Kootenay Development Limited Partnership - Nupika wu'u GP Ltd.
Long-term Investments	Long-term investments in entities in which the First Nation does not hold a significant influence are recorded at cost. If there has been permanent decline in the value of these investments, it is written down to its net realizable value.
Fund Accounting	The First Nation is segregated into various funds for accounting and financial reporting purposes. Each fund is treated as a separate entity with responsibility for stewardship of the assets allocated to it. The funds of the First Nation are as follows: - Lower Kootenay Band Operations Fund - The Property, Plant and Equipment Assets Fund - The Trust Fund
Temporary Investments	Temporary investments are stated at the lower of cost and market value.

Lower Kootenay Band

Summary of Significant Accounting Policies

March 31, 2017

Leased Assets	Leases entered into, that transfer substantially all the benefits and risks associated with ownership, are recorded as the acquisition of a tangible capital asset and the incurrence of an obligation. The asset is amortized in a manner consistent with tangible capital assets owned by the First Nation, and the obligation, including interest thereon, is liquidated over the term of the lease. All other leases are accounted for as operating leases, and the rental costs are expensed as incurred.								
Government Transfers	Government transfers, which include legislative grants, are recognized in the financial statements in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amount can be made.								
Budget Figures	The budget figures are approved annually by Chief and Council. They have been reallocated to conform to PSAB financial statement presentation. Subsequent amendments have been made by the Chief and Council to reflect changes in the budget as required.								
Tangible Capital Assets	Tangible capital assets are recorded at cost. Cost includes all costs directly attributable to acquisition or construction of the tangible capital asset including transportation costs, installation costs, design and engineering fees, legal fees and site preparation costs. Contributed tangible capital assets are recorded at fair value at the time of the donation, with a corresponding amount recorded as revenue. Amortization is recorded using the declining balance method commencing once the asset is available for productive use as follows. The following rates are used to amortize each category of tangible capital asset: <table><tr><td>Buildings</td><td>1% - 4%</td></tr><tr><td>Community infrastructure</td><td>4%</td></tr><tr><td>Equipment</td><td>20% - 30%</td></tr><tr><td>Assets under construction</td><td>nil</td></tr></table>	Buildings	1% - 4%	Community infrastructure	4%	Equipment	20% - 30%	Assets under construction	nil
Buildings	1% - 4%								
Community infrastructure	4%								
Equipment	20% - 30%								
Assets under construction	nil								
Impairment of Long Lived Assets	In the event that facts and circumstances indicate that the First Nation's long lived assets may be impaired, an evaluation of recoverability would be performed. Such an evaluation entails comparing the estimated future undiscounted cash flows associated with the asset to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. The First Nation considers that no circumstances exist that would require such an evaluation.								

Lower Kootenay Band

Summary of Significant Accounting Policies

March 31, 2017

Revenue Recognition

Government funding is recognized as it becomes receivable under the terms of applicable funding agreements. Revenue received under funding agreements which relates to a subsequent fiscal period is recognized as revenue in the period in which the resources are used for the purpose or purposes specified.

Rental revenue is recognized as it becomes receivable under the terms of the rental agreement.

Income from partnerships and business enterprises is recognized based on the modified equity pick-up basis.

Sales of service and other revenue is recognized on an accrual basis.

All other revenue is recognized as it is earned.

Deferred Revenue

Funds received for specific purposes which are externally restricted by legislation, regulation or agreement and are not available for general purposes are accounted for as deferred revenue on the statement of financial position. The revenue is recognized in the statement of financial activity in the year in which it is used for the specified purpose.

Financial Instruments

The First Nation recognizes and measures financial assets and financial liabilities on the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. All transactions related to financial instruments are recorded on a trade date or settlement date basis. All financial instruments are measured at fair value on initial recognition. Financial instruments are subsequently measured at amortized cost as the First Nation has not entered into any derivative contracts. Since no financial instruments are measured at fair value after initial recognition, a Statement of Remeasurement Gains and Losses has not been presented in these financial statements

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Lower Kootenay Band Notes to Financial Statements

March 31, 2017

1. Economic Dependence

The First Nation receives a portion of its revenue pursuant to funding arrangements with Indigenous and Northern Affairs Canada ("INAC"), as detailed by a comprehensive funding agreement.

2. Cash and Investment Deposits

The First Nation maintains all of its cash and investment balances with two financial institutions in British Columbia. The Canada Deposit Insurance Corporation (CDIC) insures each of these accounts up to \$100,000. The aggregate funds held in each institution may exceed the CDIC insured limit from time to time and specific funds held by the institution may not be covered by CDIC insurance. Management does not anticipate any material effect on the financial position of the First Nation as a result of this concentration.

3. Restricted Cash

	<u>2017</u>	<u>2016</u>
Social Housing Operations - Replacement reserve	\$ 68,981	\$ 50,633

4. Temporary Investments

The First Nation's investments are comprised of guaranteed investment certificates ("GIC's") and a money market fund.

	<u>2017</u>	<u>2016</u>
Money market fund, Municipal Finance Authority	\$ 290,750	\$ 285,187
GIC's, matured	-	17,484
	<u>\$ 290,750</u>	<u>\$ 302,671</u>

5. Accounts Receivable

	<u>2017</u>	<u>2016</u>
Due from INAC	\$ 200,000	\$ 33,366
Trade accounts receivable	834,885	665,272
Band member receivables	91,242	92,811
Legal decision receivable	24,250	25,000
Allowance for doubtful accounts	<u>(329,564)</u>	<u>(321,133)</u>
	<u>\$ 820,813</u>	<u>\$ 495,316</u>

Lower Kootenay Band Notes to Financial Statements

March 31, 2017

6. Due From Related Entities

	<u>2017</u>	<u>2016</u>
Lower Kootenay Guide Outfitters Ltd.	\$ 450,166	\$ 448,220
Lower Kootenay Development Corporation	39,135	39,135
Lower Kootenay Development Limited Partnership	12,000	-
Ainsworth Hot Springs Ltd.	1,308,636	1,308,636
Ainsworth Hot Springs Resort Limited Partnership	(506,817)	8,236
Nupika wu'u GP Ltd.	1,197	249
Ka'amaknala Development Corporation	44	-
	<u>\$ 1,304,361</u>	<u>\$ 1,804,476</u>

The amounts due from related parties bear no interest and have no fixed terms of repayment. The transactions have occurred in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

7. Long-term Investments

	<u>2017</u>	<u>2016</u>
All Nations Trust Company, 90,000 Class A common shares, at cost	\$ 60,000	\$ 60,000
Nupqu Development Corporation 20% beneficial interest in one common share, at cost	1	1
SEM Holdings Ltd. 20% beneficial interest in one common share, at cost	20	20
SEM Resort Ltd. 20% of 33% beneficial interest in common shares, at cost	1	1
Sunlife Financial Inc., at cost (fair market value - \$55,266)	1	1
	<u>\$ 60,023</u>	<u>\$ 60,023</u>

Lower Kootenay Band Notes to Financial Statements

March 31, 2017

8. Investment in Business Partnerships and Enterprises

	<u>2017</u>	<u>2016</u>
Ainsworth Hot Springs Ltd., wholly-owned owned by the First Nation	\$ 5,663,997	\$ 5,663,997
Ainsworth Hot Springs Limited Partnership, 99.99% owned by the First Nation	956,558	709,050
Ka'amaknala Development Corporation, wholly-owned by the First Nation	1	1
Ktunaxa Holdings Limited Partnership, 20% owned by the First Nation	148,551	99,145
Lower Kootenay Development Limited Partnership, 99.99% owned by the First Nation	1,744,809	1,408,532
Lower Kootenay Development Corporation, wholly-owned by the First Nation	1	1
Lower Kootenay Guide Outfitters Ltd., wholly-owned by the First Nation	1	1
Nupika wu'u GP Ltd., wholly-owned by the First Nation	1	1
	<u>\$ 8,513,919</u>	<u>\$ 7,880,728</u>

The following summary discloses the condensed financial information of the business partnerships and enterprises:

(a) Summary of Financial Position

	<u>2017</u>	<u>2016</u>
Assets		
Cash and short term investments	\$ 1,565,739	\$ 1,729,525
Accounts receivable	168,229	218,052
Inventory	174,204	167,261
Prepays and other assets	60,345	25,924
Long-term investments	639,754	588,805
Due from related parties	130,315	128,598
Intangible asset	280,000	280,000
Tangible capital assets	4,568,296	4,368,737
Total Assets	<u>7,586,882</u>	<u>7,506,902</u>
Liabilities		
Accounts payable and accrued liabilities	475,203	522,301
Due to related parties	1,433,425	1,935,834
Total Liabilities	<u>1,908,628</u>	<u>2,458,135</u>
Net Assets	<u>\$ 5,678,254</u>	<u>\$ 5,048,767</u>

Lower Kootenay Band
Notes to Financial Statements

March 31, 2017

8. Investment in Business Partnerships and Enterprises (continued)

(b) Summary of Financial Activities	<u>2017</u>	<u>2016</u>
Total Revenues	\$ 4,739,454	\$ 4,378,345
Total Expenses	<u>4,043,032</u>	<u>3,309,471</u>
Income for the year	<u>\$ 696,422</u>	<u>\$ 1,068,874</u>

Included in income from the year as shown above are net losses of \$1,822 (2016 - \$4,412) relating to investments in business partnerships and enterprises which are already recorded at a nominal value of \$1 each. These losses are not included in the income from business partnerships and enterprises that is reported on the statement of financial activities.

9. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are the following amounts owing to INAC:

	<u>2017</u>	<u>2016</u>
Capital Projects:		
Emergency Preparedness	\$ 25,000	\$ -
Program Funding:		
National Child Benefit	3,085	-
Basic Needs 2015	11,403	11,403
Child Out of Home	14,935	8,601
Special Needs	814	-
In Home Care	1,471	-
Special Services	<u>5,757</u>	<u>-</u>
	<u>\$ 62,465</u>	<u>\$ 20,004</u>

10. Deferred Revenue

	<u>2017</u>	<u>2016</u>
Deferred revenue is comprised of the following:		
Deferred land leases	\$ 104,419	\$ 118,754
INAC capital funding	<u>403,446</u>	<u>60,213</u>
	<u>\$ 507,865</u>	<u>\$ 178,967</u>

Lower Kootenay Band
Notes to Financial Statements

March 31, 2017

11. Long-term Debt

	<u>2017</u>	<u>2016</u>
Lower Kootenay Band		
Bank of Montreal - demand loan, repayable in monthly installments of \$8,854, including interest at prime plus 1.0%, secured by general security agreement	\$ 1,493,685	\$ 1,123,631
Bank of Montreal - demand loan to finance purchase of investment, repayable in monthly installments of \$42,921, including interest at prime plus 0.5%, secured by general security agreement	6,959,790	7,247,630
Scotiabank - repayable in monthly installments of \$361 interest free, maturing November 2017	3,253	7,589
TD Auto Finance - repayable in monthly installments of \$555 including interest at 1.49% per annum, maturing November 2017	4,961	11,500
John Deere - repayable in semi-annual installments of \$5,663, interest free, secured by tractors, maturing 2021	56,634	-
Lower Kootenay Band - Social Housing Operations		
All Nations Trust Company - Phase 8 mortgage repayable in monthly installments of \$1,186 including interest at 2.35% per annum, maturing July 2018	18,702	32,353
All Nations Trust - Phase 10 mortgage repayable in monthly installments of \$1,190 including interest at 1.14% per annum, maturing July 2021	60,426	73,919
All Nations Trust Company - Phase 11 mortgage repayable in monthly installments of \$1,692 including interest at 1.71% per annum, maturing June 2022	102,030	120,456
All Nations Trust Company - Phase 12 mortgage repayable in monthly installments of \$1,073 including interest at 2.11% per annum, maturing December 2023	81,127	92,202
	<u>\$ 8,780,608</u>	<u>\$ 8,709,280</u>

Lower Kootenay Band
Notes to Financial Statements

March 31, 2017

11. Long-term Debt (continued)

Principal repayments on long-term debt for the next five years and thereafter are as follows, assuming mortgages are renewed on similar terms:

2018	\$ 383,461
2019	378,592
2020	386,833
2021	400,317
2022	405,017
Thereafter	<u>6,826,388</u>
	<u>\$ 8,780,608</u>

Lower Kootenay Band
Notes to Financial Statements

March 31, 2017

12. Tangible Capital Assets

	2017					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 298,842	\$ 6,802,821	\$ 6,033,428	\$ 588,081	\$ 1,595,424	\$ 15,318,596
Additions	-	15,697	-	84,619	-	100,316
Asset transfers	-	1,595,424	-	-	(1,595,424)	-
Cost, end of year	298,842	8,413,942	6,033,428	672,700	-	15,418,912
Accumulated amortization, beginning of year	-	3,840,570	2,375,112	505,534	-	6,721,216
Amortization	-	291,823	230,416	35,742	-	557,981
Accumulated amortization, end of year	-	4,132,393	2,605,528	541,276	-	7,279,197
Net carrying amount, end of year	\$ 298,842	\$ 4,281,549	\$ 3,427,900	\$ 131,424	\$ -	\$ 8,139,715

Lower Kootenay Band
Notes to Financial Statements

March 31, 2017

12. Tangible Capital Assets (continued)

	2016					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 298,842	\$ 5,695,762	\$ 6,033,428	\$ 588,081	\$ 893,984	\$ 13,510,097
Additions	-	213,075	-	-	1,595,424	1,808,499
Asset transfers	-	893,984	-	-	(893,984)	-
Cost, end of year	298,842	6,802,821	6,033,428	588,081	1,595,424	15,318,596
Accumulated amortization, beginning of year	-	3,598,845	2,144,296	465,013	-	6,208,154
Amortization	-	241,725	230,816	40,521	-	513,062
Accumulated amortization, end of year	-	3,840,570	2,375,112	505,534	-	6,721,216
Net carrying amount, end of year	\$ 298,842	\$ 2,962,251	\$ 3,658,316	\$ 82,547	\$ 1,595,424	\$ 8,597,380

Lower Kootenay Band
Notes to Financial Statements

March 31, 2017

13. Accumulated Surplus

The First Nation segregates its accumulated surplus into the following categories:

	<u>2017</u>	<u>2016</u>
Equity in investments (Note 7)	\$ 60,023	\$ 60,023
Equity in business partnerships and enterprises (Note 8)	8,513,919	7,880,728
Replacement reserve balance (Note 14)	56,418	51,641
Equity in tangible capital assets (Note 15)	6,318,900	7,135,730
Equity in Ottawa Trust Funds (Note 16)	69,243	66,736
Internally restricted	2,621,046	2,529,607
Unrestricted operating equity (deficit)	<u>(2,363,699)</u>	<u>(3,652,852)</u>
	\$ 15,275,850	\$ 14,071,613

14. Replacement Reserve

	<u>2017</u>	<u>2016</u>
Balance, beginning of year	\$ 51,641	\$ 40,242
Add:		
Current year allocation	18,339	18,339
Less:		
Approved expenditures	<u>13,562</u>	<u>6,940</u>
Balance, end of year	56,418	51,641
Funded balance (Note 3)	<u>68,981</u>	<u>50,633</u>
Underfunded (overfunded) balance	\$ (12,563)	\$ 1,008

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Replacement Reserve account is to be credited annually in the amount of \$18,339. These funds, along with accumulated interest, must be held in separate bank accounts and/or invested only in accounts or instruments insured by Canada Deposit Insurance Corporation, or as may otherwise be approved by Canada Mortgage and Housing Corporation. Withdrawals are credited to interest first and then principal.

Lower Kootenay Band
Notes to Financial Statements

March 31, 2017

15. Equity in Tangible Capital Assets

	<u>2017</u>	<u>2016</u>
Balance, beginning of the year	\$ 7,135,730	\$ 6,898,017
Add:		
Purchases of tangible capital assets	100,316	1,808,499
Debt repayment	73,838	65,907
	<u>174,154</u>	<u>1,874,406</u>
Less:		
Amortization of tangible capital assets	557,981	513,062
Proceeds from new debt issuance	433,003	1,123,631
	<u>990,984</u>	<u>1,636,693</u>
	<u>\$ 6,318,900</u>	<u>\$ 7,135,730</u>

16. Equity in Ottawa Trust Funds

Trust funds on deposit with the Indigenous and Northern Affairs Canada consist of the following:

	<u>Revenue</u>	<u>Capital</u>	<u>2017 Total</u>	<u>2016 Total</u>
Balance, beginning of year	\$ 27,448	\$ 39,288	\$ 66,736	\$ 65,497
Add:				
Interest on trust balances	2,507	-	2,507	1,239
Balance, end of year	<u>\$ 29,955</u>	<u>\$ 39,288</u>	<u>\$ 69,243</u>	<u>\$ 66,736</u>

The Ottawa Trust Funds relate to capital or revenue sources outlined in Section 62 of the Indian Act. These funds are held in trust in the consolidated revenue fund of the Government of Canada and are subject to audit by the office of the Auditor General of Canada. The management of these funds is primarily governed by Sections 63 to 69 of the Indian Act.

Lower Kootenay Band
Notes to Financial Statements

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17. Expenses By Object

	<i>Budget</i>	2017	2016
Advertising	\$ 2,500	\$ 3,149	\$ 3,963
Amortization	54,003	557,981	513,062
Bad debts	2,000	8,431	275
CMHC approved expenditures	-	13,562	6,940
Consulting	79,000	192,031	97,296
Insurance	52,000	52,759	44,743
Interest on long-term debt	258,146	299,525	254,052
Interest and bank charges	9,800	7,669	22,934
Miscellaneous	14,825	26,655	15,303
Office	113,317	67,325	80,567
Professional fees	93,500	119,708	96,876
Program expenses	878,433	934,667	872,299
Rent	55,874	62,274	59,801
Repairs and maintenance	440,800	527,820	167,202
Supplies	51,000	34,065	53,280
Telephone and utilities	29,256	34,732	30,918
Training and workshops	33,000	113,556	47,630
Travel	48,900	29,066	40,068
Vehicle	16,944	22,561	17,795
Wages and benefits	1,617,679	1,382,639	1,232,865
Total expenses for the year	\$ 3,850,977	\$ 4,490,175	\$ 3,657,869

Lower Kootenay Band

Notes to Financial Statements

March 31, 2017

18. Segmented Information

Lower Kootenay Band is a diversified municipal government entity in the province of British Columbia that provides a wide range of services to its citizens. Certain functional areas have been combined and separately disclosed in the segmented information. The segments and the services they provide are as follows:

	Administration	Social Development	Health	Education	Social Housing	Capital	Total 2017 Actual	Total 2017 Budget
Revenues								
Aboriginal Affairs and Northern Development Canada	\$ 527,326	\$ 366,319	\$ 249,933	\$ 680,561	\$ -	\$ 200,000	\$ 2,024,139	\$ 1,308,417
Rental Income	-	-	-	-	165,674	-	165,674	157,600
Province of British Columbia	444,475	-	-	766,128	-	-	1,210,603	1,110,931
First Nation Education Steering Committee	-	-	-	208,240	-	-	208,240	38,500
Health Canada	-	-	284,551	-	-	-	284,551	213,283
Business partnerships/enterprises income	689,191	-	-	-	-	-	689,191	42,500
CMHC revenue	-	-	-	-	178,720	-	178,720	29,903
Other	891,014	-	189	41,390	701	-	933,294	1,013,063
	<u>2,552,006</u>	<u>366,319</u>	<u>534,673</u>	<u>1,696,319</u>	<u>345,095</u>	<u>200,000</u>	<u>5,694,412</u>	<u>3,912,197</u>
Expenses								
Purchases	1,325,534	276,787	54,138	664,365	215,169	-	2,535,993	2,179,295
Payroll	428,057	53,755	83,933	785,207	31,687	-	1,382,639	1,617,679
Amortization	-	-	-	-	56,647	501,334	557,981	54,003
CMHC approved expenditures	-	-	-	-	13,562	-	13,562	-
	<u>1,753,591</u>	<u>330,542</u>	<u>138,071</u>	<u>1,449,572</u>	<u>317,085</u>	<u>501,334</u>	<u>4,490,175</u>	<u>3,850,977</u>
Surplus (deficit) for the year	<u>\$ 798,415</u>	<u>\$ 35,777</u>	<u>\$ 396,602</u>	<u>\$ 246,747</u>	<u>\$ 28,030</u>	<u>\$ (301,334)</u>	<u>\$ 1,204,237</u>	<u>\$ 61,220</u>

	Administration	Social Development	Health	Education	Social Housing	Capital	Total 2016 Actual	Total 2016 Budget
Revenues								
Aboriginal Affairs and Northern Development Canada	\$ 380,097	\$ 328,015	\$ 215,183	\$ 730,064	\$ -	\$ -	\$ 1,653,359	\$ 1,251,735
Rental Income	-	-	-	-	162,813	-	162,813	136,261
Province of British Columbia	326,210	-	-	650,931	-	-	977,141	1,012,545
First Nation Education Steering Committee	-	-	-	47,585	-	-	47,585	78,500
Health Canada	-	-	39,057	-	-	-	39,057	327,381
Business partnerships/enterprises income	1,073,286	-	-	-	-	-	1,073,286	-
CMHC revenue	-	-	-	-	32,089	-	32,089	-
Other	3,119,419	-	572	3,482	49	-	3,123,522	360,772
	<u>4,899,012</u>	<u>328,015</u>	<u>254,812</u>	<u>1,432,062</u>	<u>194,951</u>	<u>-</u>	<u>7,108,852</u>	<u>3,165,194</u>
Expenses								
Purchases	948,331	265,215	79,145	546,086	66,225	-	1,905,002	1,621,432
Payroll	411,186	67,971	143,993	570,747	38,968	-	1,232,865	1,474,153
Amortization	-	-	-	-	55,128	457,934	513,062	62,149
CMHC approved expenditures	-	-	-	-	6,940	-	6,940	-
	<u>1,359,517</u>	<u>333,186</u>	<u>223,138</u>	<u>1,116,833</u>	<u>167,281</u>	<u>457,934</u>	<u>3,657,869</u>	<u>3,157,734</u>
Surplus (deficit) for the year	<u>\$ 3,539,495</u>	<u>\$ (5,171)</u>	<u>\$ 31,674</u>	<u>\$ 315,229</u>	<u>\$ 27,690</u>	<u>\$ (457,934)</u>	<u>\$ 3,450,983</u>	<u>\$ 7,460</u>

Lower Kootenay Band Notes to Financial Statements

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18. Segmented Information (continued)

Lower Kootenay Band is First Nation community of over 200 members located in the Creston Valley in south eastern British Columbia. The First Nation provides a variety of services to community members, and receives funding from various federal and provincial government agencies to support the delivery of these services. Segmented reporting by program is used to account for the scope and significance of each service.

Administration

This program includes revenues and expenses relating to governance activities undertaken by Chief and Council, band membership activities, administrative services of the First Nation, and finance and accounting activities for the band and its business ventures. The operation of the economic development, operations and maintenance and infrastructure and land management activities are also facilitated by this program.

Social Development

This program includes the revenue and expenses relating to the delivery of social assistance programs to Lower Kootenay Band members, and the delivery of cultural activities in the community. Certain social development activities are funded through agreements with Indigenous and Northern Affairs Canada and have specific eligibility criteria.

Health

The Health program provides a variety of health services to the community pursuant to a funding agreement with First Nations Health Authority and other external funders. The Health program also includes revenues and expenses relating to recreation activities for community members.

Education

The Education program includes the revenues and expenses relating to the operation and maintenance of the community school located on the reserve lands of the First Nation.

Social Housing Program

This program includes the revenues and expenses relating to the operation of the First Nation housing rental units and the provision of various housing services to Lower Kootenay Band members. This program also includes the revenues and expenses relating to the operation of the First Nation's CMHC Social Housing Units, including individual houses and multi family units.

Capital Fund

This program includes the revenue and expenses relating to the construction, maintenance and operation of community infrastructure and buildings, and the provision of community services to Lower Kootenay Band members.

Lower Kootenay Band

Notes to Financial Statements

March 31, 2017

19. Financial Instrument Risk Management

The First Nation holds various forms of financial instruments. The nature of these instruments and the First Nation's operations expose the First Nation to credit and liquidity risks. The First Nation manages its exposure to these risks by operating in a manner that minimizes its exposure to the extent practical.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The First Nation is exposed to credit risk resulting from the possibility that a counterparty to a financial instrument defaults on their financial obligations and from concentration of transactions carried out with the same counterparty.

20. Contingencies and Commitments

The First Nation entered into multiple lease agreements for the purpose of leasing office equipment. The lease obligation under these leases have aggregate minimum payments inclusive of taxes as follows:

2018	\$	7,260
2019		7,260
2020		5,445
	\$	19,965

21. Funds Held in Trust

Funds held in trust and administered by the First Nation are as follows:

	2017	2016
Band members - land settlement	\$ 98,499	\$ 98,499

The First Nation holds and administers the above amount in trust relating to deposits and other cash amounts on hand relating to other parties. At March 31, 2017 the liabilities which relate to these funds held in trust are fully funded.

22. Comparative Information

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation. These restatements had no effect on the annual or accumulated surpluses.