

# LOWER KOOTENAY BAND

## FINANCIAL STATEMENTS

For the year ended March 31, 2016

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## Management's Responsibility for Financial Reporting

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

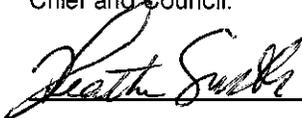
The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it 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



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## Independent Auditor's Report

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### 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, 2016, 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.



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## Independent Auditor's Report (continued)

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### 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, 2016, and the results of its operations, changes in net financial assets and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*BDO Canada LLP*

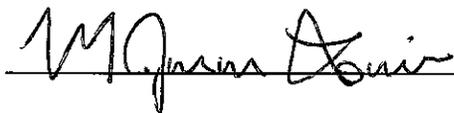
Chartered Professional Accountants

Cranbrook, British Columbia  
July 26, 2016

**LOWER KOOTENAY BAND**  
**Statement of Financial Position**

March 31	2016	2015
<b>Financial Assets</b>		
Cash (Note 2)	\$ 4,116,411	\$ 1,071,612
Restricted cash (Note 3)	50,633	50,608
Temporary investments (Note 4)	302,672	300,580
Accounts receivable (Note 5)	495,316	275,635
Refundable deposit	-	366,250
Due from related entities (Note 6)	1,804,476	582,206
Long-term investments (Note 7)	60,023	60,023
Investment in business partnerships and enterprises (Note 8)	7,880,728	1,293,444
Ottawa Trust Funds (Note 16)	66,736	65,497
	<b>14,776,995</b>	<b>4,065,855</b>
<b>Financial Liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	449,445	194,609
Deferred revenue (Note 10)	178,967	148,633
Long-term debt (Note 11)	8,709,280	403,926
	<b>9,337,692</b>	<b>747,168</b>
<b>Net Financial Assets</b>	<b>5,439,303</b>	<b>3,318,687</b>
<b>Non-Financial Assets</b>		
Tangible capital assets (Note 12)	8,597,380	7,301,943
Prepaid expenses	34,930	-
	<b>8,632,310</b>	<b>7,301,943</b>
<b>Accumulated Surplus (Note 13)</b>	<b>\$ 14,071,613</b>	<b>\$ 10,620,630</b>

Approved on behalf of the Band Council

 Chief

 Councilor

**LOWER KOOTENAY BAND**  
**Statement of Financial Activity**

<b>For the year ended March 31</b>	<i>Budget</i>	<b>2016</b>	<b>2015</b>
			(Note 22)
<b>Revenue</b>			
Aboriginal Affairs and Northern Development Canada \$	1,251,735	\$ 1,468,959	\$ 1,481,135
First Nation Education Steering Committee Funding	76,500	47,585	106,574
Health Canada	327,381	254,240	179,961
Province of British Columbia	1,012,545	977,141	686,473
Rental income	136,261	162,813	145,825
Other income	360,772	3,092,739	1,340,263
Income from business partnerships and enterprises	-	1,073,286	150,422
CMHC revenue	-	32,089	32,574
	<u>3,165,194</u>	<u>7,108,852</u>	<u>4,123,227</u>
<b>Expenses (Note 17)</b>			
Administration	667,084	508,790	691,352
Social Development	322,588	333,185	339,757
Health	177,833	223,138	160,142
Education	1,402,402	1,116,832	1,050,486
Social Housing	103,617	174,761	180,730
Infrastructure and Land Management	343,635	601,168	289,269
Economic Development	22,428	69,652	55,595
Operations and Maintenance	118,147	172,409	135,551
Capital Fund	-	457,934	489,997
	<u>3,157,734</u>	<u>3,657,869</u>	<u>3,392,879</u>
<b>Annual surplus</b>	7,460	3,450,983	730,348
<b>Accumulated surplus, beginning of year</b>	<u>10,620,630</u>	<u>10,620,630</u>	<u>9,890,282</u>
<b>Accumulated surplus, end of year</b>	<u>\$ 10,628,090</u>	<u>\$ 14,071,613</u>	<u>\$ 10,620,630</u>

**LOWER KOOTENAY BAND**  
**Statement of Change in Net Financial Assets**

<b>For the year ended March 31</b>	<i>Budget</i>	<b>2016</b>	<b>2015</b>
<b>Annual surplus</b>	\$ 7,460	\$ 3,450,983	\$ 730,348
Acquisition of tangible capital assets (Note 12)	-	(1,808,499)	(997,092)
Amortization of tangible capital assets (Note 12)	62,149	513,062	494,356
Change in prepaid expenses	-	(34,930)	-
<b>Net change in net financial assets</b>	<i>69,609</i>	<b>2,120,616</b>	227,612
<b>Net financial assets</b> , beginning of year	<i>3,318,687</i>	<b>3,318,687</b>	3,091,075
<b>Net financial assets</b> , end of year	\$ 3,388,296	\$ 5,439,303	\$ 3,318,687

**LOWER KOOTENAY BAND**  
**Statement of Cash Flows**

<b>For the year ended March 31</b>	<b>2016</b>	<b>2015</b>
<b>Cash flows provided by (used in) operating activities</b>		
Cash receipts customers	\$ 6,960,579	\$ 4,600,060
Cash paid to employees and suppliers	<u>(2,599,727)</u>	<u>(3,628,732)</u>
	<u>4,360,852</u>	971,328
<b>Cash flows used in capital activities</b>		
Purchase of tangible capital assets	<u>(1,808,498)</u>	(997,091)
<b>Cash flows used in investing activities</b>		
Investment in business partnership and enterprises	(6,584,977)	199,565
Proceeds from sale (purchase) of short term temporary investments	<u>(2,091)</u>	<u>343,605</u>
	<u>(6,587,068)</u>	543,170
<b>Cash flows provided by (used in) financing activities</b>		
Loans and advances with related parties	(1,224,577)	(101,385)
Issuance (repayment) of long-term debt	<u>8,305,354</u>	<u>(119,777)</u>
	<u>7,080,777</u>	(221,162)
<b>Net increase (decrease) in cash</b>	<b>3,046,063</b>	296,245
<b>Cash, beginning of year</b>	<u>1,187,717</u>	891,472
<b>Cash, end of year</b>	<b>\$ 4,233,780</b>	<b>\$ 1,187,717</b>
<b>Represented by</b>		
Cash	\$ 4,116,411	\$ 1,071,612
Ottawa Trust Funds	66,736	65,497
Restricted cash	<u>50,633</u>	<u>50,608</u>
	<b>\$ 4,233,780</b>	<b>\$ 1,187,717</b>

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## LOWER KOOTENAY BAND

### Summary of Significant Accounting Policies

**March 31, 2016**

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<b>Basis of Presentation</b>	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 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.
<b>Reporting Entity</b>	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.
<b>Government Business Partnerships and Enterprises</b>	<p>These financial statements include the following organizations on a modified equity:</p> <ul style="list-style-type: none"><li>- Ainsworth Hot Springs Ltd.</li><li>- Ainsworth Hot Springs Limited Partnership</li><li>- Ka'amaknala Development Corporation</li><li>- Ktunaxa Holdings Limited Partnership</li><li>- Lower Kootenay Development Corporation</li><li>- Lower Kootenay Guide Outfitters Ltd.</li><li>- Lower Kootenay Development Limited Partnership</li><li>- Nupika wu'u GP Ltd.</li></ul>
<b>Long-term Investments</b>	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.
<b>Fund Accounting</b>	<p>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.</p> <p>The funds of the First Nation are as follows:</p> <ul style="list-style-type: none"><li>- Lower Kootenay Band Operations Fund</li><li>- The Property, Plant and Equipment Assets Fund</li><li>- The Trust Fund</li></ul>
<b>Temporary Investments</b>	Temporary investments are stated at the lower of cost and market value.

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## LOWER KOOTENAY BAND

### Summary of Significant Accounting Policies

**March 31, 2016**

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**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:

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.

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## LOWER KOOTENAY BAND

### Summary of Significant Accounting Policies

**March 31, 2016**

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<b>Revenue Recognition</b>	<p>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.</p> <p>Rental revenue is recognized as it becomes receivable under the terms of the rental agreement.</p> <p>Income from partnerships and business enterprises is recognized based on the modified equity pick-up basis.</p> <p>Sales of service and other revenue is recognized on an accrual basis.</p> <p>All other revenue is recognized as it is earned.</p>
<b>Deferred Revenue</b>	<p>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.</p>
<b>Financial Instruments</b>	<p>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</p>
<b>Use of Estimates</b>	<p>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.</p>

**LOWER KOOTENAY BAND**  
Notes to Financial Statements

March 31, 2016

**1. Economic Dependence**

The First Nation receives a portion of its revenue pursuant to funding arrangements with Aboriginal Affairs and Northern Development Canada ("AANDC"), 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**

	2016	2015
Social Housing Operations - Replacement reserve	<b>\$ 50,633</b>	\$ 50,608

**4. Temporary Investments**

The First Nation holds guaranteed investment certificates ("GIC's") and a money market fund with the following terms:

	2016	2015
Money market fund, Municipal Finance Authority	<b>\$ 285,187</b>	\$ 283,095
GIC's, interest paid on maturity at 2.50% due July 8, 2016	<b>14,362</b>	14,362
GIC's, interest paid on maturity at 1.30% due April 5, 2016	<b>3,123</b>	3,123
	<b>\$ 302,672</b>	\$ 300,580

**5. Accounts Receivable**

	2016	2015
Due from AANDC	<b>\$ 33,366</b>	\$ 82,958
Trade accounts receivable	<b>665,272</b>	404,855
Band member receivables	<b>92,811</b>	108,680
Legal decision receivable	<b>25,000</b>	-
Allowance for doubtful accounts	<b>(321,133)</b>	(320,858)
	<b>\$ 495,316</b>	\$ 275,635

**LOWER KOOTENAY BAND**  
Notes to Financial Statements

March 31, 2016

**6. Due From Related Entities**

	<b>2016</b>	<b>2015</b>
Lower Kootenay Guide Outfitters Ltd.	\$ 448,220	\$ 447,993
Lower Kootenay Development Corporation	39,135	36,236
Ainsworth Hot Springs Ltd.	1,308,636	-
Ainsworth Hot Springs Resort Limited Partnership	8,236	97,977
Nupika wu'u GP Ltd.	249	-
	<b>\$ 1,804,476</b>	<b>\$ 582,206</b>

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**

	<b>2016</b>	<b>2015</b>
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
	<b>\$ 60,023</b>	<b>\$ 60,023</b>

**LOWER KOOTENAY BAND**  
Notes to Financial Statements

March 31, 2016

**8. Investment in Business Partnerships and Enterprises**

	<b>2016</b>	<b>2015</b>
Ainsworth Hot Springs Ltd., wholly-owned owned by the First Nation	<b>\$ 5,663,997</b>	\$ -
Ainsworth Hot Springs Limited Partnership, 99.99% owned by the First Nation	<b>709,050</b>	10
Ka'amaknala Development Corporation, wholly-owned by the First Nation	<b>1</b>	1
Ktunaxa Holdings Limited Partnership, 20% owned by the First Nation	<b>99,145</b>	66,547
Lower Kootenay Development Limited Partnership, 99.99% owned by the First Nation	<b>1,408,532</b>	1,226,883
Lower Kootenay Development Corporation, wholly-owned by the First Nation	<b>1</b>	1
Lower Kootenay Guide Outfitters Ltd., wholly-owned by the First Nation	<b>1</b>	1
Nupika wu'u GP Ltd., wholly-owned by the First Nation	<b>1</b>	1
	<b>\$ 7,880,728</b>	\$ 1,293,444

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

(a) Summary of Financial Position

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash and short term investments	<b>\$ 1,729,525</b>	\$ 589,340
Accounts receivable	<b>218,052</b>	68,385
Inventory	<b>167,261</b>	-
Prepays and other assets	<b>25,924</b>	-
Long-term investments	<b>588,805</b>	584,672
Due from related parties	<b>128,598</b>	128,598
Intangible asset	<b>280,000</b>	280,000
Tangible capital assets	<b>4,368,737</b>	117,337
<b>Total Assets</b>	<b>7,506,902</b>	1,768,332
<b>Liabilities</b>		
Accounts payable and accrued liabilities	<b>522,301</b>	10,892
Due to related parties	<b>1,935,834</b>	612,828
<b>Total Liabilities</b>	<b>2,458,135</b>	623,720
<b>Net Assets</b>	<b>\$ 5,048,767</b>	\$ 1,144,612

**LOWER KOOTENAY BAND**  
Notes to Financial Statements

March 31, 2016

**8. Investment in Business Partnerships and Enterprises** (continued)

(b) Summary of Financial Activities	2016	2015
Total Revenues	<b>\$ 4,378,345</b>	\$ 204,751
Total Expenses	<b>3,309,471</b>	65,434
Income for the year	<b>\$ 1,068,874</b>	\$ 139,317

Included in income from the year as shown above are losses of \$4,412 (2015 - \$11,107) 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.

During the year the shares of Ainsworth Hot Springs Ltd. were acquired on April 22, 2015 for cash consideration of \$6,290,778. Land where the resort is situated was purchased for cash consideration of \$498,923 from the previous shareholders. The carrying amount of assets and liabilities was \$3,821,437 and \$837,032 respectively in Ainsworth Hot Springs at April 22, 2015.

**9. Accounts Payable and Accrued Liabilities**

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

	2016	2015
Capital Projects:		
ACRES 2011	\$ -	\$ 30,513
ACRS 2014 Group 2	-	5,757
Program Funding:		
Basic Needs 2015	<b>11,403</b>	-
Basic Needs 2014	-	33,284
Child Out of Home	<b>8,601</b>	288
Environmental Site Assessment	-	375
Local Education Agreements	-	35,794
	<b>\$ 20,004</b>	\$ 106,011

**10. Deferred Revenue**

	2016	2015
Deferred revenue is comprised of the following:		
Deferred land leases	<b>\$ 118,754</b>	\$ 133,089
AANDC capital funding	<b>60,213</b>	15,544
	<b>\$ 178,967</b>	\$ 148,633

**LOWER KOOTENAY BAND**  
Notes to Financial Statements

March 31, 2016

**11. Long-term Debt**

	<b>2016</b>	2015
Lower Kootenay Band		
Bank of Montreal - demand loan, interest only payments during construction, payable monthly at prime plus 2%, secured by general security agreement	<b>\$ 1,123,631</b>	\$ -
Bank of Montreal - demand loan to finance purchase of investment, repayable in monthly installments of \$43,400, including interest at prime plus 0.5%, secured by general security agreement	<b>7,247,630</b>	-
Scotiabank - repayable in monthly installments of \$361 interest free, maturing November 2017	<b>7,589</b>	11,925
TD Auto Finance - repayable in monthly installments of \$555 including interest at 1.49% per annum, maturing November 2017	<b>11,500</b>	17,942
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	<b>32,353</b>	45,687
All Nations Trust Company - Phase 10 mortgage repayable in monthly installments of \$1,228 including interest at 2.37% per annum, maturing July 2021	<b>73,919</b>	86,769
All Nations Trust Company - Phase 11 mortgage repayable in monthly installments of \$1,692 including interest at 1.71% per annum, maturing June 2022	<b>120,456</b>	138,564
All Nations Trust Company - Phase 12 mortgage repayable in monthly installments of \$1,073 including interest at 2.11% per annum, maturing December 2023	<b>92,202</b>	103,039
	<b>\$ 8,709,280</b>	\$ 403,926

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**LOWER KOOTENAY BAND**  
**Notes to Financial Statements**

March 31, 2016

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**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:

2017	<b>\$ 1,463,822</b>
2018	<b>348,137</b>
2019	<b>341,567</b>
2020	<b>348,071</b>
2021	<b>361,686</b>
Thereafter	<b><u>5,845,997</u></b>
	<b><u>\$ 8,709,280</u></b>

**LOWER KOOTENAY BAND**  
**Notes to Financial Statements**

**March 31, 2016**

**12. Tangible Capital Assets**

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

**LOWER KOOTENAY BAND**  
**Notes to Financial Statements**

**March 31, 2016**

**12. Tangible Capital Assets (continued)**

	2015					
	Land	Buildings	Community infrastructure	Equipment	Assets under construction	Total
Cost, beginning of year	\$ 298,842	\$ 5,639,128	\$ 6,033,428	\$ 484,973	\$ 56,634	\$ 12,513,005
Additions	-	-	-	103,108	893,984	997,092
Asset transfers	-	56,634	-	-	(56,634)	-
Cost, end of year	298,842	5,695,762	6,033,428	588,081	893,984	13,510,097
Accumulated amortization, beginning of year	-	3,372,543	1,913,347	427,908	-	5,713,798
Amortization	-	226,302	230,949	37,105	-	494,356
Accumulated amortization, end of year	-	3,598,845	2,144,296	465,013	-	6,208,154
Net carrying amount, end of year	\$ 298,842	\$ 2,096,917	\$ 3,889,132	\$ 123,068	\$ 893,984	\$ 7,301,943

**LOWER KOOTENAY BAND**  
Notes to Financial Statements

March 31, 2016

**13. Accumulated Surplus**

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

	<u>2016</u>	<u>2015</u>
Equity in investments (Note 7)	\$ 60,023	\$ 60,023
Equity in business partnerships and enterprises (Note 8)	633,098	1,293,444
Replacement reserve balance (Note 14)	51,641	40,242
Equity in tangible capital assets (Note 15)	7,135,730	6,898,017
Equity in Ottawa Trust Funds (Note 16)	66,736	65,497
Internally restricted	2,529,607	-
Unrestricted operating equity (deficit)	3,594,778	2,263,407
	<u>\$ 14,071,613</u>	<u>\$ 10,620,630</u>

**14. Replacement Reserve**

	<u>2016</u>	<u>2015</u>
Balance, beginning of year	\$ 40,242	\$ 37,698
Add:		
Current year allocation	18,339	18,339
Less:		
Approved expenditures	6,940	15,795
Balance, end of year	51,641	40,242
Funded balance (Note 3)	50,633	50,608
Underfunded (overfunded) balance	<u>\$ 1,008</u>	<u>\$ (10,366)</u>

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, 2016

**15. Equity in Tangible Capital Assets**

	<b>2016</b>	2015
Balance, beginning of the year	<b>\$ 6,898,017</b>	\$ 6,308,004
Add:		
Purchases of tangible capital assets	<b>1,808,499</b>	997,092
Debt repayment	<b>65,907</b>	87,277
	<b>1,874,406</b>	1,084,369
Less:		
Amortization of tangible capital assets	<b>513,062</b>	494,356
Proceeds from new debt issuance	<b>1,123,631</b>	-
	<b>1,636,693</b>	494,356
	<b>\$ 7,135,730</b>	\$ 6,898,017

**16. Equity in Ottawa Trust Funds**

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

	<b>Revenue</b>	<b>Capital</b>	<b>2016 Total</b>	2015 Total
Balance, beginning of year	\$ 26,209	\$ 39,288	\$ <b>65,497</b>	\$ 62,481
Add:				
Interest on trust balances	1,239	-	<b>1,239</b>	3,016
Balance, end of year	\$ 27,448	\$ 39,288	\$ <b>66,736</b>	\$ 65,497

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

March 31, 2016

**17. Expenses By Object**

	<i>Budget</i>	<b>2016</b>	2015
Advertising	\$ 9,500	\$ 3,963	\$ 12,416
Amortization	62,149	513,062	494,357
Bad debts (recovery)	5,000	275	(12,242)
CMHC approved expenditures	-	6,940	15,795
Consulting	81,000	97,296	79,482
Insurance	48,000	44,743	38,607
Interest on long-term debt	-	232,979	8,338
Interest and bank charges	6,775	44,007	8,937
Miscellaneous	42,000	7,802	30,026
Office	81,650	80,567	82,983
Professional fees	92,500	96,876	99,960
Program expenses	897,913	872,011	883,202
Rent	7,000	59,801	58,022
Repairs and maintenance	198,900	166,677	167,882
Supplies	78,100	53,280	69,610
Telephone and utilities	-	30,918	43,891
Training and workshops	6,250	40,023	57,545
Travel	42,400	40,357	46,866
Vehicle	24,444	17,795	15,126
Wages and benefits	1,474,153	1,248,497	1,192,076
<b>Total expenses for the year</b>	<b>\$ 3,157,734</b>	<b>\$ 3,657,869</b>	<b>\$ 3,392,879</b>

# LOWER KOOTENAY BAND

## Notes to Financial Statements

March 31, 2016

### 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 2016 Actual	Total 2016 Budget
<b>Revenues</b>								
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	76,500
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>
<b>Expenses</b>								
Purchases	925,201	265,214	79,145	546,085	73,725	-	1,889,370	1,621,432
Payroll	426,818	67,971	143,993	570,747	38,968	-	1,248,497	1,474,153
Amortization	-	-	-	-	55,128	457,934	513,062	62,149
CMHC approved expenditures	-	-	-	-	6,940	-	6,940	-
	<u>1,352,019</u>	<u>333,185</u>	<u>223,138</u>	<u>1,116,832</u>	<u>174,761</u>	<u>457,934</u>	<u>3,657,869</u>	<u>3,157,734</u>
<b>Surplus (deficit) for the year</b>	<b>\$ 3,546,993</b>	<b>\$ (5,170)</b>	<b>\$ 31,674</b>	<b>\$ 315,230</b>	<b>\$ 20,190</b>	<b>\$ (457,934)</b>	<b>\$ 3,450,983</b>	<b>\$ 7,460</b>

	Administration	Social Development	Health	Education	Social Housing	Capital	Total 2015 Actual	Total 2015 Budget
<b>Revenues</b>								
Aboriginal Affairs and Northern Development Canada	\$ 415,320	\$ 344,031	\$ 135,937	\$ 623,760	\$ 15,424	\$ 82,600	\$ 1,617,072	\$ 1,293,225
Rental Income	-	-	-	-	145,825	-	145,825	105,000
Province of British Columbia	211,318	-	-	475,155	-	-	686,473	563,276
First Nation Education Steering Committee	-	-	-	106,574	-	-	106,574	71,678
Health Canada	-	-	44,024	-	-	-	44,024	322,309
Business partnerships/enterprises income	150,422	-	-	-	-	-	150,422	-
CMHC revenue	-	-	-	-	32,574	-	32,574	-
Other	1,273,770	-	17,829	48,579	85	-	1,340,263	299,299
	<u>2,050,830</u>	<u>344,031</u>	<u>197,790</u>	<u>1,254,068</u>	<u>193,908</u>	<u>82,600</u>	<u>4,123,227</u>	<u>2,654,787</u>
<b>Expenses</b>								
Purchases	640,078	286,200	51,062	570,080	110,932	49,644	1,707,996	1,383,133
Payroll	531,690	53,557	109,080	480,405	-	-	1,174,732	648,146
Amortization	-	-	-	-	54,003	440,353	494,356	-
CMHC approved expenditures	-	-	-	-	15,795	-	15,795	-
	<u>1,171,768</u>	<u>339,757</u>	<u>160,142</u>	<u>1,050,485</u>	<u>180,730</u>	<u>489,997</u>	<u>3,392,879</u>	<u>2,031,279</u>
<b>Surplus (deficit) for the year</b>	<b>\$ 879,062</b>	<b>\$ 4,274</b>	<b>\$ 37,648</b>	<b>\$ 203,583</b>	<b>\$ 13,178</b>	<b>\$ (407,397)</b>	<b>\$ 730,348</b>	<b>\$ 623,508</b>

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## LOWER KOOTENAY BAND

### Notes to Financial Statements

March 31, 2016

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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 Aboriginal Affairs and Northern Development 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.

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**LOWER KOOTENAY BAND**  
**Notes to Financial Statements**

March 31, 2016

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**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.

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**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:

2017	\$	7,260
2018		7,260
2019		7,260
2020		5,445
		<hr/>
	\$	<b>27,225</b>

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**LOWER KOOTENAY BAND**  
**Notes to Financial Statements**

**March 31, 2016**

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**21. Funds Held in Trust**

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

	<u>2016</u>		<u>2015</u>
Band members - land settlement	<b>\$ 98,499</b>	\$	69,714

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, 2016 the liabilities which relate to these funds held in trust are fully funded.

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**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.