

**Penticton Indian Band
Consolidated Financial Statements
For the year ended March 31, 2016**

Penticton Indian Band
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For the year ended March 31, 2016

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Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Penticton Indian Band are the responsibility of management and have been approved by the Chief and another Band Councilor on behalf of the Band Council.

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. 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 consolidated financial statements are presented fairly, in all material respects.

Penticton Indian 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 Band's assets are appropriately accounted for and adequately safeguarded.

Penticton Indian Band is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council carries out this responsibility principally through its Finance Committee.

The Finance Committee reviews the Band's consolidated financial statements and recommends their approval to Council. The Committee 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 annual report, consolidated financial statements and external auditor's report. The Committee reports its findings to the Council for consideration when approving the consolidated financial statements for issuance to the members. The Committee also considers, for review by the Council, the engagement of the external auditors.

The consolidated 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 has full and free access to the Band Council.



Chief



Band Councilor

Independent Auditor's Report

To the Members
Penticton Indian Band

We have audited the accompanying consolidated financial statements of Penticton Indian Band, which comprise the consolidated statement of financial position as at March 31, 2016, the consolidated statements of operations, 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 consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 Penticton Indian Band as at March 31, 2016, 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.

Other Matters

Penticton Indian Band has also prepared another set of consolidated financial statements for the year ended March 31, 2014 in accordance with Canadian public sector accounting standards. However, those consolidated financial statements include unaudited supplementary schedules which preset detailed program revenues and expenditures prepared to assist management of Penticton Indian Band to meet the reporting requirements of various funding agencies. Our audit report on the other set of financial statements was issued to Chief and Council of Penticton Indian Band and was dated July 26, 2016.

BDO Canada LLP
Chartered Professional Accountants

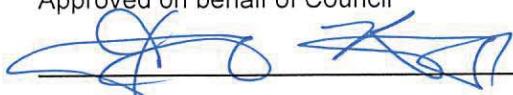
Penticton, British Columbia
July 26, 2016

Penticton Indian Band
Consolidated Statement of Financial Position

March 31	2016	2015
Financial assets		
Cash and cash equivalents (Note 2)	\$ 1,853,045	\$ 2,142,013
Short term investments (Note 2)	3,436,048	4,480,641
Accounts receivable (Note 4)	2,814,354	7,232,513
Debt Reserve Fund	428,875	424,861
Investment in Band owned entities	10,782,697	7,188,589
Funds held in trust (Note 3)	282,762	2,937,214
Loans receivable from band members (Note 5)	123,880	132,896
	<hr/>	<hr/>
	19,721,661	24,538,727
Liabilities		
Accounts payable and accrued liabilities (Note 6)	4,682,374	9,245,350
Line of credit (Note 10)	250,000	275,000
Deferred revenue (Note 7)	18,611	28,392
Long-term debt (Note 12)	13,802,623	14,377,686
	<hr/>	<hr/>
	18,753,608	23,926,428
Net financial assets	<hr/>	<hr/>
	968,053	612,299
Non-financial assets		
Prepaid expenses	285,151	226,148
Tangible capital assets (Note 11)	40,173,962	34,962,695
	<hr/>	<hr/>
	40,459,113	35,188,843
Accumulated surplus	<hr/>	<hr/>
	\$ 41,427,166	\$ 35,801,142

Contingencies (Note 16)

Approved on behalf of Council



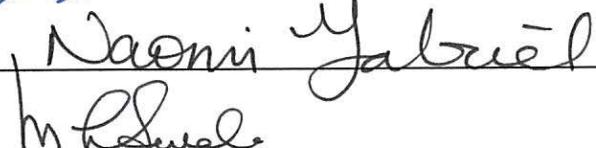
Chief

Band Councilor



Band Councilor

Chief Financial Officer



Finance and Audit Committee

Penticton Indian Band
Consolidated Statement of Operations

(Restated-
 Note 21)

<u>For the year ended March 31</u>	<u>Budget</u>	<u>2016</u>	<u>2015</u>
Revenues			
Federal Government			
Indigenous and Northern Affairs Canada	\$ 6,482,628	\$ 7,105,207	\$ 8,376,141
Canada Mortgage and Housing Corporation	198,060	275,765	303,968
Government of Canada	10,000	-	-
First Nations Health Authority	898,475	1,033,385	2,339,661
Provincial Government			
First Nations Education Steering Committee	164,745	230,726	187,627
Okanagan Training & Development Council	75,438	53,943	121,073
Province of British Columbia	1,582,970	524,340	5,526,108
Other			
Housing charges and rental	408,484	398,678	409,619
Interest and investment income	12,650	66,432	316,487
Other contracts and miscellaneous	501,135	6,701,334	1,571,957
Property taxes	1,073,291	896,235	778,959
Royalties	-	295,438	362,886
Total revenues for the year	11,407,876	17,581,483	20,294,486
Total expenditures for the year (Schedule)	10,794,919	13,902,993	13,646,335
Excess of revenue for the year	612,957	3,678,490	6,648,151
Net income from Band owned entities (Note 19)		1,947,534	214,014
Annual surplus		5,626,024	6,862,165
Accumulated surplus, beginning of year		35,801,142	28,938,977
Accumulated surplus, end of year	\$ 41,427,166	\$ 35,801,142	

Penticton Indian Band
Consolidated Statement of Operations

For the year ended March 31	Budget	2016	2015
Expenditures			
Administration	\$ 2,272,565	\$ 3,774,089	\$ 3,105,846
Community health	1,251,082	1,383,967	1,320,523
Economic development	-	324,653	252,294
Education	3,393,885	3,501,477	3,498,608
Forestry (recovery)	-	(8,174)	146,700
Housing	625,850	792,021	537,267
Land, estate and membership	422,941	934,728	634,631
PIBDC	373,404	391,011	370,036
Public works	516,006	821,858	1,162,804
O.N.T.E.H	554,500	551,262	583,922
Social development	1,384,686	1,436,101	2,033,704
Total expenditures for the year	\$ 10,794,919	\$ 13,902,993	\$ 13,646,335

Penticton Indian Band
Consolidated Statement of Change in Net Financial Assets

<u>For the year ended March 31</u>	<u>2016</u>	<u>(Restated) 2015</u>
Annual surplus	\$ 5,626,024	\$ 6,862,165
Acquisition of tangible capital assets	(7,325,898)	(10,436,915)
Amortization of tangible capital assets	1,798,696	1,395,783
Disposal of tangible capital assets	<u>315,936</u>	<u>1,660</u>
	(5,211,266)	(9,039,472)
Acquisition of prepaid expenses	(59,004)	(124,664)
Net change in net financial assets	355,754	(2,301,971)
Net financial assets, beginning of year	612,299	2,914,270
Net financial assets, end of year	\$ 968,053	\$ 612,299

Penticton Indian Band
Consolidated Statement of Cash Flows

<u>For the year ended March 31</u>	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Cash received during the year	\$ 21,923,429	\$ 14,203,146
Cash paid to suppliers and employees	(16,241,925)	(5,109,317)
Interest paid	(484,351)	(406,800)
Interest received	66,432	98,833
	<u>5,263,585</u>	<u>8,785,862</u>
Cash flows from financing activities		
Decrease in line of credit	(25,000)	(160,000)
Net proceeds (repayment) of long-term debt	(575,064)	8,702,609
Increase in FNFA debt reserve	(4,014)	(424,861)
	<u>(604,078)</u>	<u>8,117,748</u>
Cash flows from investing activities		
Purchase of tangible capital assets (net)	(7,009,962)	(10,435,255)
Decrease in member loans receivable	9,016	8,154
Decrease (increase) in investment in Enterprise Fund	(1,646,574)	13,031
	<u>(8,647,520)</u>	<u>(10,414,070)</u>
Increase (decrease) in cash flows for the year	(3,988,013)	6,489,540
Cash and cash equivalents, beginning of year	9,559,868	3,070,328
Cash and cash equivalents, end of year	\$ 5,571,855	\$ 9,559,868
Represented by:		
Unrestricted (Note 2)	\$ 1,945,861	\$ 3,226,466
Restricted (Note 2)	3,343,232	3,396,188
	<u>5,289,093</u>	<u>6,622,654</u>
Trust funds (Note 3)	282,762	2,937,214
	<u>\$ 5,571,855</u>	<u>\$ 9,559,868</u>

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies

Nature of Business	Penticton Indian Band provides services and support to its band members. Penticton Indian Band is an Indian Band and, as such, is exempt from income tax under section 87 of the Indian Act.
Basis of Accounting	These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for governments, as recommended by the Public Sector Accounting Board.
Reporting Entity	The Penticton Indian Band reporting entity includes the Penticton Indian Band government and all related entities that are controlled by the First Nation.
Principles of Consolidation	All controlled entities are fully consolidated by the government reporting entity. Other business enterprises and partnerships which meet the definition of a government business enterprise or partnership are accounted for on the modified equity basis of accounting. Entities that fall under the consolidated basis of accounting are fully consolidated on a line-by-line basis with inter-organizational balances and transactions eliminated. The following entities are accounted for on a consolidation basis: <i>Okanagan Nations Family Intervention Services Society Penticton Indian Band Development Corporation Ltd. Penticton Indian Band Utilities Limited Partnership</i>
Asset Classification	Other entities that are accounted for on the modified equity basis of accounting includes the cost of the Penticton Indian Band's investment in the entities including the proportionate share of earnings. Under the modified equity basis of accounting inter-organizational balances are not eliminated. The following entities are accounted for on a modified equity basis: <i>Coyote Cruises Limited Partnership Westhills Aggregates Limited Partnership snpinktn FORESTRY Limited Partnership Skaha Hills Development Limited Partnership West Riverside Construction Limited</i> 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 provide resources to discharge existing liabilities but are employed to deliver government services, may be consumed in normal operations and are not for resale. Non-financial assets include tangible capital assets, and prepaid expenses.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents	Cash and cash equivalents consist of cash on hand, bank balances and investments in money market instruments with maturities of three months or less. Cash and cash equivalents on the Consolidated Statement of Cash Flows is represented by cash, short term investments and funds held in trust as disclosed on the Consolidated Statement of Financial Position.
Short-term Investments	Short-term investments include guaranteed investment certificates and mutual funds maturing at various times during the next fiscal year. These investments are recorded at cost.
Financial Instruments	<p>The Band carries a number of financial instruments. Unless otherwise noted, it is management's opinion that the Band is not exposed to significant interest, currency or credit risks arising from these financial instruments.</p> <p>The fair values of these financial instruments approximate their carrying values, unless otherwise noted.</p>
Interest Income	Interest income on loans receivable and on funds held in trust are recorded as revenue when received by the Band.
Revenue Recognition	<p>Revenue in the Operating Fund is recognized as it becomes receivable under the terms of applicable funding agreements. Revenue received under the funding arrangements which relates to a subsequent fiscal period is reflected as deferred revenue in the year of receipt and classified as such on the Summary Statement of Financial Position.</p> <p>The taxation period is based on the calendar year January through December. Taxation revenue is billed in June and is due at the end of July each year.</p> <p>Taxation arrears and interest revenue are recognized at the time of issuing overdue property tax notices to the rate payers for the fiscal year based on the time overdue.</p> <p>Rental revenue is recognized when the services are provided to tenants, and collection is reasonably assured. When rental payments are received in advance of contracted services, the Band records this as deferred revenue.</p> <p>Government transfers are recognized as revenues when the transfer is authorized and any eligibility criteria are met, except to the extent that transfer stipulations give rise to an obligation that meets the definition of a liability. Transfers are recognized as deferred revenue when the transfer stipulations give rise to a liability. Transfer revenue is recognized in the statement of operations as the stipulation liabilities are settled.</p>

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies (continued)

Use of Estimates	The preparation of financial statements in accordance with Canadian public sector accounting standards 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.
Segmented Information	Penticton Indian Band is a First Nation organization that provides a wide range of services to its members including social, education, health, housing, public works and economic activities. For management reporting purposes, the Band's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives with special regulations, restrictions or limitations. Services are provided by programs and their activities are reported in these funds. Certain programs have been separately disclosed in the segmented information, along with the services they provide, are detailed in the Schedule of Segmented Operations.
<i>Administration Services</i>	The Administration Services program provides administration support to other band operated programs and services.
<i>Social Development</i>	The Social Development program provides financial benefits and services to individuals and families, resident on reserve, who are in need.
<i>Education</i>	The Education program provides services to eligible First Nations students enrolled in elementary/secondary education programs and eligible post-secondary education programs.
<i>Forestry</i>	The Forestry program is a management initiative that includes monitoring and enhancement projects.
<i>Community Health</i>	The Band provides health programs and services under an agreement with First Nations Health Authority, and the Province of British Columbia.
<i>Housing</i>	The Housing program provides on-reserve housing to eligible members under the CMHC housing programs for First Nations.
<i>Land, Estates and Memberships Program</i>	The Land, Estates and Memberships program negotiates and implements land claim and self-government agreements on behalf of the Band.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2016

1. Summary of Significant Accounting Policies (continued)

Segmented Information (continued)

Public Works

The Public Works program is responsible for the construction and maintenance of public spaces within the community and includes the Penticton Indian Band Utilities Limited Partnership (PIBULP).

Economic Development Program

The Economic Development program provides planning and capacity development initiatives under agreements with the Province of British Columbia.

Okanagan Nation Family Intervention and Services Society (ONTEH)

The ONTEH program is a Band-run organization that operates a transition house.

Penticton Indian Band Development Corporation (PIBDC)

The PIBDC program is a Band-run organization that invests in development opportunities.

Tangible Capital Assets and Amortization

Tangible capital assets are valued at acquisition cost less accumulated amortization and are recorded in the Capital Fund. Purchase of tangible capital assets are recorded as an addition to the assets of the Capital Fund. Amortization is charged against capital assets based on the estimated useful life of the asset as follows:

Capital Fund

- Automotive equipment	- 20% straight line
- Buildings	- 5% straight line
- Equipment	- 20% - 50% straight line
- Land improvements	- 5 - 20% straight line

O.N.T.E.H. Fund

- Automotive equipment	- 30% declining balance
- Computer equipment	- 45 - 55% declining balance
- Leasehold improvements	- 5 years straight line
- Machinery and equipment	- 20% declining balance

PIBDC Fund

- Computer equipment	- 55% declining balance
- Machinery and equipment	- 20% declining balance

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2016

2. Cash and Short-term Investments

	2016	2015
Consists of:		
Cash	\$ 1,853,045	\$ 2,142,013
Term deposits	105,249	1,090,421
Mutual funds	<u>3,330,799</u>	3,390,220
	<u>\$ 5,289,093</u>	<u>\$ 6,622,654</u>
Restricted		
Ottawa trust funds	\$ 12,434	\$ 5,968
Social housing reserves	1,010,094	960,085
Band capital trust funds	436,817	442,299
Band revenue trust funds	1,222,862	1,330,670
Capital contingency fund	526,276	523,232
Stabilization fund	<u>134,749</u>	133,934
	<u>3,343,232</u>	<u>3,396,188</u>
Unrestricted	<u>1,945,861</u>	<u>3,226,466</u>
	<u>\$ 5,289,093</u>	<u>\$ 6,622,654</u>

In 2004, the Band removed their funds from the Ottawa trust funds and have set up a separate trust fund account administered by the Band Council. Any funds received from natural resources are restricted to capital expenditures, while other funds are not. The amount remaining in this fund represents the interest earned in the fiscal year that transfers to the Band on April 1 of each year.

Term deposits consist of three one-year cashable GICs at rates varying from 0.5-0.75% per annum, maturing June 2016 and December 2016 and a premium investment account with varying interest rates (0.95% at March 31, 2016).

The stabilization fund is designed to hold any surplus monies remaining in the taxation fund at the end of the fiscal year as specified in the Expenditure By-law Annual Budget Schedule, and may be applied towards the operation and administration costs for the next fiscal year.

The capital contingency fund is designed to be used as designated by Chief and Council from time to time for extraordinary capital expenditures which benefit or service rate payers and requires an annual contribution of ten percent (10%) of the annual gross taxes.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2016

3. Funds Held in Trust

As at March 31, 2016, funds were held for Penticton Indian Band as follows:

	2016	2015
Raymond J. Richardson, Barrister and Solicitor	\$ 282,762	\$ 282,762
Cedar Law Law Corporation, Barristers and Solicitors	- 2,654,452	
	\$ 282,762	\$ 2,937,214

Peace Hills Trust (Minors Trust) holds \$76,599 (2015 - \$83,818) on deposit in a Minors Trust fund for minor band members.

The Band holds \$36,396 (2015 - \$36,193) as a GIC in trust for a Band member.

4. Accounts Receivable

	2016	2015
Operating Fund		
Other	\$ 2,367,014	\$ 6,864,385
Property taxes	382,147	321,856
Social Housing Fund		
Accounts receivable (Net of allowance of \$230,524)	43,692	33,112
O.N.T.E.H. Fund	2,336	3,236
PIBDC Fund	5,239	9,924
PIBULP Fund	<u>13,926</u>	-
Net accounts receivable	\$ 2,814,354	\$ 7,232,513

5. Loans Receivable from Band Members

	2016	2015
Members' loans receivable	\$ 123,880	\$ 132,896

Loans receivable from Band Members are non interest bearing, unsecured, and due on demand.

6. Accounts Payable and Accrued Liabilities

	2016	2015
Trade payables	\$ 4,016,237	\$ 8,808,994
Accrued liabilities	123,992	118,769
INAC Funding Surplus	37,939	-
Accrued salaries and employee benefits payable	<u>504,206</u>	317,587
	\$ 4,682,374	\$ 9,245,350

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2016

7. Deferred Revenue

	2016	2015
Operating fund		
Other	\$ 13,611	\$ 18,392
O.N.T.E.H	<u>5,000</u>	<u>10,000</u>
	\$ 18,611	\$ 28,392

8. Collections for Other Governments

The Band collects taxation revenue on behalf of other entities for government services as follows:

	2016	2015
BC Assessment Authority	\$ 17,483	\$ 14,346
Regional District Okanagan-Similkameen	46,676	44,938
Hospital	65,092	62,676
Sewer	32,536	30,986
Library	56,311	58,119
Fire protection	<u>149,475</u>	<u>173,200</u>
	\$ 367,573	\$ 384,265

9. Property Taxes

	2016	2015
Gross property taxation revenue	\$ 1,220,058	\$ 1,046,440
Less: Home owner grants	<u>(289,322)</u>	<u>(267,481)</u>
Net property taxation revenue	\$ 930,736	\$ 778,959

10. Line of Credit

Penticton Indian Band Development Corporation has a line of credit with for up to \$300,000 with a variable interest rate of 3.2% per annum at March 31, 2016, which has been guaranteed by the Band. Required monthly payments consist of interest only. At March 31, 2016, the balance owing was \$250,000.

The Bank has also provided a line of credit to a maximum of \$400,000, bearing interest at the bank's prime rate plus 0.8% per annum and secured by a general security agreement providing a floating charge over band receivables.

The Bank has also provided Penticton Indian Band Development Corporation with a line of credit for up to \$1,000,000 with a variable interest rate of prime plus 0.5%, which has been guaranteed by the Band. Required monthly payments consist of interest only. At March 31, 2016, the balance owing was \$651,752.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2016

11. Tangible Capital Assets

2016

	Automotive Equipment	Buildings	Equipment	Land and Land Improvements	Roads	Water, Sewer, Drainage	Electrical	Work in Process	Social Housing	ONTEH	PIBDC	Total
Cost, beginning of year	\$ 821,455	\$ 21,420,932	\$ 2,823,357	\$ 1,356,284	\$ 5,055,670	\$ 11,743,622	\$ 265,719	\$ 2,923,441	\$ 6,912,959	\$ 238,000	\$ 20,136	\$ 53,581,575
Additions	133,444	887,543	416,476	167,857	7,696,339	1,213,876	20,198	2,048,718	-	6,907	-	12,591,358
Disposals	(106,362)	(4,338,368)	(1,557,554)	-	-	(83,491)	-	-	-	(8,032)	-	(6,093,807)
Transfers	-	-	-	-	-	-	-	(4,369,767)	(895,693)	-	-	(5,265,460)
Cost, end of year	848,537	17,970,107	1,682,279	1,524,141	12,752,009	12,874,007	285,917	602,392	6,017,266	238,875	20,136	54,813,666
Accumulated amortization, beginning of year	660,577	8,129,963	2,136,963	1,022,504	2,267,289	2,261,027	6,643	-	1,981,581	135,847	16,486	18,618,880
Amortization	43,486	532,046	177,745	25,128	307,826	268,454	7,148	-	410,126	25,929	808	1,798,696
Disposals	(106,362)	(4,025,284)	(1,550,742)	-	-	(38,018)	-	-	(657,013)	(4,350)	-	(6,381,769)
Write-downs/transfers	-	657,013	-	(53,116)	-	-	-	-	-	-	-	603,897
Accumulated amortization, end of year	597,701	5,293,738	763,966	994,516	2,575,115	2,491,463	13,791	-	1,734,694	157,426	17,294	14,639,704
Net carrying amount, end of year	\$ 250,836	\$ 12,676,369	\$ 918,313	\$ 529,625	\$ 10,176,894	\$ 10,382,544	\$ 272,126	\$ 602,392	\$ 4,282,572	\$ 79,449	\$ 2,842	\$ 40,173,962

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2016

	2015											
	Automotive Equipment	Buildings	Equipment	Land and Land Improvements	Roads	Water, Sewer, Drainage	Electrical	Work in Process	Social Housing	ONTEH	PIBDC	Total
Cost, beginning of year	\$ 719,051	\$ 17,465,999	\$ 2,625,103	\$ 1,318,719	\$ 3,216,192	\$ 8,027,411	-	\$ 2,652,177	\$ 6,912,959	\$ 234,751	\$ 20,136	\$ 43,192,498
Additions	102,404	3,954,933	242,492	37,565	1,839,478	3,716,211	265,719	2,923,441	-	6,849	-	13,089,092
Disposals	-	-	(44,238)	-	-	-	-	-	-	(3,600)	-	(47,838)
Transfers from WIP	-	-	-	-	-	-	-	(2,652,177)	-	-	-	(2,652,177)
Cost, end of year	821,455	21,420,932	2,823,357	1,356,284	5,055,670	11,743,622	265,719	2,923,441	6,912,959	238,000	20,136	53,581,575
Accumulated amortization, beginning of year	627,131	7,547,542	2,052,442	970,143	2,151,375	2,019,560	-	-	1,771,624	114,101	15,357	17,269,275
Amortization	33,446	582,421	127,759	52,361	115,914	241,467	6,643	-	209,957	24,686	1,129	1,395,783
Disposals	-	-	(43,238)	-	-	-	-	-	-	(2,940)	-	(46,178)
Accumulated amortization, end of year	660,577	8,129,963	2,138,963	1,022,504	2,267,289	2,261,027	6,643	-	1,981,581	135,847	16,486	18,618,880
Net carrying amount, end of year	\$ 160,878	\$ 13,290,969	\$ 686,394	\$ 333,780	\$ 2,788,381	\$ 9,482,595	\$ 259,076	\$ 2,923,441	\$ 4,931,378	\$ 102,153	\$ 3,650	\$ 34,962,695

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2016

12. Long-term Debt

	2016	2015
Operating Fund		
Term loan - repayable at \$4,238 monthly, including interest at 3.78% per annum, maturing March 2019.	\$ 422,829	\$ 456,820
Capital Fund		
Demand loan - repayable at \$1,921 monthly, including interest at 2.21% per annum, due on demand, maturing June 2016, secured by specific asset.	5,744	28,392
Term loan - repayable at \$530 monthly, including interest at 4.07% per annum, maturing March 2018, secured by specific asset.	11,680	17,432
Term loan - repayable at \$3,894 monthly, including interest at 3.84% per annum, due on demand, maturing March 2020.	172,881	212,122
Term loan - repayable at \$500 monthly, including interest at 4.95% per annum, maturing June 2017, secured by specific asset.	17,463	22,456
Term loan - repayable at \$565 monthly, including interest at 4.95% per annum, maturing July 2017, secured by specific asset.	8,764	14,941
Term loan - repayable at \$927 monthly, including interest at 4.25% per annum, maturing March 2018, secured by specific asset.	21,272	31,254
Term loan - repayable at \$10,275 monthly, including interest at 3.97% per annum, maturing October 2018.	1,618,796	1,676,580
Term loan - repayable at \$39,113 monthly, including interest at 3.79% per annum, maturing June 2024.	8,154,706	8,309,376
Social Housing Fund		
Mortgage - repayable at \$2,767 monthly, including interest at 1.83% per annum, maturing November 2019.	117,683	148,432
Mortgage - repayable at \$2,721 monthly, including interest at 1.11% per annum, maturing January 2021.	153,494	182,868
 Balance carried forward	 \$ 10,705,312	 \$ 11,100,673

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2016

12. Long-term Debt (continued)

Balance brought forward	<u>\$ 10,705,312</u>	\$ 11,100,673
Social Housing Fund (continued)		
Mortgage - repayable at \$1,409 monthly, including interest at 1.82% per annum, maturing June 2026.	158,019	171,915
Mortgage - repayable at \$2,390 monthly, including interest at 1.04% per annum, maturing October 2025.	261,473	286,209
Mortgage - repayable at \$1,244 monthly, including interest at 1.64% per annum, maturing December 2031.	207,128	218,559
Mortgage - repayable at \$2,552 monthly, including interest at 1.65% per annum, maturing May 2028.	337,437	362,273
Mortgage - repayable at \$2,246 monthly, including interest at 0.94% per annum, maturing September 2035.	480,205	501,093
Mortgage - repayable at \$7,914 monthly, including interest at 2.40% per annum, maturing October 2038.	1,653,049	1,707,734
Penticton Indian Band Development Corporation		
Term loan repaid during the year	-	29,230
	<u>\$ 13,802,623</u>	\$ 14,377,686

All Social Housing mortgages are secured by a ministerial guarantee from INAC.

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

2017	\$ 2,660,490
2018	390,990
2019	401,229
2020	400,707
2021	383,447
Thereafter	<u>9,565,760</u>
	<u>\$ 13,802,623</u>

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2016

13. Housing Reserves

	2016	2015
Replacement reserve	\$ 451,530	\$ 442,693
Operating reserve	<u>724,135</u>	<u>701,227</u>
	<u>\$ 1,175,665</u>	<u>\$ 1,143,920</u>

Under the terms of the agreement with CMHC, the Replacement Reserve account is to be credited in the amount of \$43,380 annually. 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 CDIC or as may otherwise be approved by CMHC. Withdrawals are credited to interest first and then principal.

Under the terms of the agreement with Canada Mortgage and Housing Corporation, the Operating Reserve account is to be credited with any surplus amount in phase 7 to 14, based on the minimum rent calculation.

14. Federal Assistance Payments

The Social Housing Fund receives federal assistance through CMHC, pursuant to Section 56.1 of the National Housing Act, to reduce mortgage interest expense to 2% to enable the project to provide housing to low income individuals. The amount of the assistance received for the year ended March 31, 2016 was \$194,479 (2015 - \$196,328).

15. Related Party Transactions

During the year, transactions with business entities which the Band owns and controls, and that are not disclosed separately in these financial statements are as follows:

- (a) Royalties revenue received of \$295,438 (2015 - \$362,886) from Westhills Aggregates Limited Partnership
- (b) Purchases for services of \$1,266,628 (2015 - \$1,341,825) from Westhills Aggregates Limited Partnership.

These transactions are in the normal course of operations and are measured at the exchange value, which is the amount of consideration established and agreed to by the related parties. The transactions not in the normal course of operations are recorded at the carrying amount.

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2016

16. Contingencies

The Band has sued the Canadian Pacific Railway and Canada for the return of land to reserve status that was taken from the Reserve for railway purposes and have now ceased to be used for that purpose. The Band is actively negotiating a settlement that would see most of the lands returned to the Band's Reserve.

INAC has provided ministerial loan guarantees to various financial institutions for certain loans to the Band and individual band members. The Band is contingently liable for these loans and has provided repayment agreements to INAC in the event of default.

17. Economic Dependence

Penticton Indian Band receives a major portion of its revenues pursuant to a funding arrangement with Indigenous and Northern Affairs Canada (INAC).

18. Loan Guarantees

The Penticton Indian Band has guaranteed a line of credit for Westhills Aggregates Limited Partnership for up to \$100,000 with an interest rate of prime + 1%. At March 31, 2016 the facility was unused.

The Band has guaranteed an additional revolving facility for Westhills Aggregates Limited Partnership for up to a maximum of \$500,000 which is available through a series of term loans with an interest rate of prime +1% of which \$424,650 was available at March 31, 2016.

In addition, the Penticton Indian Band has made general guarantees and postponement of claims in the amount of \$1,000,000 on behalf of Westhills Aggregates Limited.

The Band has also guaranteed an operating line of credit on behalf of Coyote Cruises Limited Partnership in the amount of \$50,000 and has also provided a general security agreement and postponement of debt for this amount.

Skaha Hill Limited Partnership has a credit facility in the amount of \$6,000,000, of which the Band has provided a guarantee in the amount of \$1,200,000 and has also provided a general security agreement and postponement of debt for this amount. At March 31, 2016 \$3,759,058 is available to be drawn on the credit agreement, the Band's portion of which is \$751,812.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2016

19. Band Owned Entities

					2016	2015	
		Real Estate	Resources	Tourism	Other	Total	Total
Assets							
Current		\$ 6,449,328	\$ 6,790,356	\$ 118,220	\$ 1,262	\$ 13,359,166	\$ 6,595,991
Non-current		916,769	2,141,529	62,703	-	3,121,001	2,700,271
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		\$ 7,366,097	\$ 8,931,885	\$ 180,923	\$ 1,262	\$ 16,480,167	\$ 9,296,262
Liabilities							
Current		\$ 5,502,416	\$ 514,239	\$ 24,635	\$ 12,786	\$ 6,054,076	\$ 450,623
Non-current		-	566,758	-	725	567,483	934,498
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Equity (deficit)		5,502,416	1,080,997	24,635	13,511	6,621,559	1,385,121
		1,863,681	7,850,888	156,288	(12,249)	9,858,608	7,911,141
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		\$ 7,366,097	\$ 8,931,885	\$ 180,923	\$ 1,262	\$ 16,480,167	\$ 9,296,262
Revenue							
Expenditures		\$ 4,677,808	\$ 9,845,591	\$ 263,840	\$ -	\$ 14,787,239	\$ 9,115,105
		3,815,529	8,485,357	242,402	(393,406)	12,149,882	8,161,224
Total income		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Allocation		\$ 862,279	\$ 1,360,234	\$ 21,438	\$ 393,406	\$ 2,637,357	\$ 953,881
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		\$ 172,456	\$ 1,360,234	\$ 21,438	\$ 393,406	\$ 1,947,534	\$ 1,189,186

Penticton Indian Band Notes to the Consolidated Financial Statements

March 31, 2016

19. Band Owned Entities (continued)

Nature of Business Real Estate

This is a Partnership that is established under the laws of British Columbia and is engaged in the business of land development. Penticton Indian Band has a 20% interest in the Partnership.

Resources

This line of business consists of two Partnerships that are both established under the laws of British Columbia. One of the partnerships is engaged in the operation of gravel sales and the other one is engaged in the sale of logs.

Tourism

This line of business is a Partnership that is established under the laws of British Columbia and is engaged in the business of recreational water sport activities.

Other

Includes four corporations that are incorporated under the laws of British Columbia. The individual operations of these companies are insignificant and are therefore shown together.

20. Pension Plan

The Band and certain of its employees contribute to the Penticton Indian Band Pension Plan (the "Plan"). The Plan is a defined contribution plan. Capri Insurance administers the Plan through Great West Life, including the payment of pension benefits on behalf of the employer and employees in accordance with the federal legislation.

Based on the most recent plan statement as of March 31, 2016, the Plan had total net assets of \$965,598 (2015 -\$1,133,550).

During the year, the Band paid \$129,917 (2015 - \$136,154) to the Plan on behalf of its employees.

21. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2016

22. Budget

The Band Council Budget Resolution adopted by Council on March 17, 2015 was not prepared on a basis consistent with that used to report actual results (Public Sector Accounting Standards). The budget was prepared on a modified accrual basis while Public Sector Accounting Standards now require a full accrual basis. The budget figures anticipated use of surpluses accumulated in previous years to reduce current year expenditures in excess of current year revenues to nil. In addition, the budget expensed all tangible capital expenditures rather than including amortization expense. As a result, the budget figures presented in the statements of operations and change in net financial assets represent the Budget adopted by Council on March 17, 2015 with adjustments as follows:

	2016
Budget Bylaw deficit for the year	\$ (261,050)
Add:	
Capital expenditures	4,186,215
Less:	
Budgeted transfers from accumulated surplus	(1,306,931)
Admin revenue	(264,862)
Bank loan proceeds	<u>(1,740,415)</u>
Budget surplus per statement of operations	<u>\$ 612,957</u>

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2016

23. Statement of Expenditures by Object

	(Restated -Note 21)	2016	2015
Administration	\$ 22,040	\$ -	
Advertising and promotion	33,387	30,410	
Amortization	1,798,696	1,395,782	
Bad debts (recovery)	139,059	(7,148)	
Bank charges	48,089	43,384	
Collections on behalf of other governments	369,790	385,920	
Contract services	644,582	1,658,231	
Community outreach	22,666	54,987	
Direct social assistance	818,298	869,538	
Honoraria	174,076	176,613	
Insurance	147,029	126,444	
Interest on long-term debt	484,351	407,223	
Loan and lease payments	47,288	50,175	
Materials, supplies and services	419,751	618,664	
Office	373,567	94,057	
Professional fees	1,212,050	941,243	
Rental of facilities and equipment	17,639	18,307	
Repairs and maintenance	233,197	149,267	
Salaries and benefits	4,513,542	4,243,360	
Student allowances and tuition	1,637,039	1,541,763	
Telephone	75,861	128,684	
Travel and meetings	238,354	274,133	
Utilities	171,164	136,246	
Vehicle	47,276	87,783	
Workshops, seminars and training	214,202	221,269	
Total expenditure for the year	\$ 13,902,993	\$ 13,646,335	

Penticton Indian Band
Notes to the Consolidated Financial Statements
Schedule of Segmented Operations

For the year ended March 31

2016

	Admin.	Social Development	Education	Forestry	Community Health	Housing	Public Works	Lands, Estates and Memberships	Economic Development	PIB Development Corporation	ONTEH	Total
Revenue												
INAC	\$ 537,615	\$ 1,186,582	\$ 3,050,542	\$ -	\$ -	\$ 194,479	\$ 1,473,209	\$ 284,445	\$ -	\$ 42,349	\$ 530,465	\$ 7,105,207
CMHC	-	-	-	-	-	-	81,285	-	-	-	-	275,764
FNESC	-	-	230,726	-	-	-	-	-	-	-	-	230,726
FNHA	-	-	-	-	907,815	-	125,570	-	-	-	-	1,033,385
Taxation	896,235	-	-	-	-	-	-	-	-	-	-	896,235
Province of B.C.	-	83,958	114,792	5,050	256,505	-	-	49,035	15,000	-	-	524,340
Miscellaneous	5,985,656	57,794	225,539	-	132,809	444,627	167,475	418,758	10,821	4,120	88,227	7,515,826
	7,399,506	1,328,334	3,621,599	5,050	1,297,129	639,106	1,847,539	752,238	25,821	46,469	618,692	17,581,483
Expenditure												
Administrative	962,158	6,117	45,634	-	142,328	142,087	127,891	465,200	327,563	216,532	20,286	2,455,796
Amortization	1,361,833	-	-	-	-	410,126	-	-	-	808	25,929	1,798,696
Direct Assistance	-	818,298	-	-	-	-	-	-	-	-	-	818,298
Lease payments	22,332	133	9,497	-	5,246	-	-	8,414	(3)	-	1,670	47,289
Materials, supplies, utilities	448,023	78,450	125,121	-	176,463	10,203	112,430	18,872	-	22,403	71,039	1,063,004
Operations and maintenance	38,117	10,430	80,584	(8,174)	71,743	125,037	431,903	114,101	2,250	17,072	12,355	885,418
Student costs	-	33,595	1,603,444	-	-	-	-	-	-	-	-	1,637,039
Transportation costs	77,649	82,738	94,171	-	108,617	3,759	28,734	27,841	41	27,935	48,348	499,833
Wages and benefits	863,977	408,340	1,543,026	-	879,570	100,809	120,900	300,300	(5,198)	106,261	371,635	4,687,620
	3,774,089	1,436,101	3,501,477	(8,174)	1,383,967	792,021	821,868	934,728	324,663	391,011	551,262	13,902,993
Excess (deficiency) of revenue for the year	\$ 3,625,417	\$ (107,767)	\$ 120,122	\$ 13,224	\$ (86,838)	\$ (152,915)	\$ 1,025,681	\$ (182,490)	\$ (298,832)	\$ (344,542)	\$ 67,430	\$ 3,678,490

Penticton Indian Band
Notes to the Consolidated Financial Statements
Schedule of Segmented Operations
(Restated)
2015

For the year ended March 31

	Admin.	Social Development	Education	Forestry	Community Health	Housing	Public Works	Lands, Estates and Memberships	Economic Development	PIB Development Corporation	ONTEH	Total
Revenue												
INAC	\$ 615,384	\$ 1,194,059	\$ 3,051,919	\$ -	\$ -	\$ 196,328	\$ 2,307,052	\$ 336,046	\$ 48,580	\$ 306,234	\$ 516,857	\$ 8,376,141
CMHC	-	-	-	-	-	-	107,639	-	-	-	-	303,967
FNESC	-	-	187,627	-	-	-	-	-	-	-	-	187,627
FNHA	-	100,000	-	-	839,661	-	1,400,000	-	-	-	-	2,339,661
Taxation	778,959	-	-	-	-	-	-	-	-	-	-	778,959
Province of B.C.	5,092,630	81,242	88,533	-	251,803	-	-	12,000	-	-	-	5,526,108
Miscellaneous	754,838	562,624	173,240	137,511	125,907	403,712	80,486	141,923	5,332	311,971	84,478	2,782,022
	7,241,711	1,937,925	3,501,319	137,511	1,217,371	600,040	3,895,187	489,969	53,912	618,205	601,335	20,294,485
Expenditure												
Administrative	715,482	30,007	38,329	-	88,028	138,047	145,941	264,839	252,294	228,645	12,857	1,912,470
Amortization	1,160,011	-	-	-	-	209,556	-	-	-	1,129	24,686	1,395,782
Direct Assistance	-	869,538	-	-	-	-	-	-	-	-	-	869,538
Lease payments	28,057	-	9,681	-	410	-	1	-	-	-	1,953	40,102
Materials, supplies, utilities	197,059	224,546	213,476	-	135,174	3,227	97,664	35,950	-	26,505	112,045	1,047,646
Operations and maintenance	93,895	449,741	106,936	146,700	98,934	89,346	770,914	47,891	-	11,187	10,261	1,825,805
Student costs	-	-	1,541,764	-	-	-	-	10,073	-	-	-	1,551,837
Transportation costs	69,279	129,555	69,663	-	146,102	6,716	40,359	39,206	-	13,338	48,764	583,182
Wages and benefits	842,063	330,317	1,498,559	-	851,874	91,975	107,925	236,672	-	87,232	373,356	4,419,973
	3,105,846	2,033,704	3,498,608	146,700	1,320,523	537,267	1,162,804	634,631	252,294	370,036	583,922	13,646,335
Excess (deficiency) of revenue for the year	\$ 4,135,865	\$ (95,779)	\$ 2,711	\$ (9,189)	\$ (103,152)	\$ 62,773	\$ 2,732,383	\$ (144,662)	\$ (198,382)	\$ 248,169	\$ 17,413	\$ 6,648,150