

Penticton Indian Band
Consolidated Financial Statements
For the year ended March 31, 2017

Penticton Indian Band
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For the year ended March 31, 2017

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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.

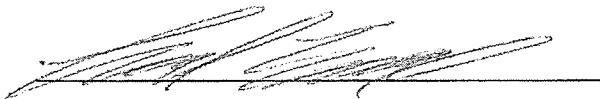
These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management 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.

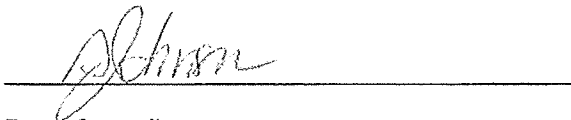
Penticton Indian Band is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. Council carries out this responsibility principally through its Finance Committee.

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



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BDO Canada LLP
100 Front Street, Unit 102
Penticton BC V2A 1H1 Canada

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, 2017, 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, 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.

Other Matters

Penticton Indian Band has also prepared another set of consolidated financial statements for the year ended March 31, 2017 in accordance with Canadian public sector accounting standards. However, those consolidated financial statements include unaudited supplementary schedules which present 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 September 27, 2017.

BDO Canada LLP

Chartered Professional Accountants

Penticton, British Columbia
September 27, 2017

Penticton Indian Band

Consolidated Statement of Financial Position

March 31	2017	(Restated) 2016
Financial assets		
Cash and cash equivalents (Note 3)	\$ 1,113,225	\$ 1,853,045
Short term investments (Note 3)	3,029,470	3,436,048
Accounts receivable (Note 5)	5,118,041	2,662,732
Debt Reserve Fund	434,812	428,875
Investment in Band owned entities	10,291,573	10,782,697
Funds held in trust (Note 4)	286,386	282,762
Loans receivable from band members (Note 6)	115,691	123,880
	<u>20,389,198</u>	<u>19,570,039</u>
Liabilities		
Accounts payable and accrued liabilities (Note 7)	5,497,093	4,682,374
Line of credit (Note 11)	185,000	250,000
Deferred revenue (Note 8)	9,333	18,611
Long-term debt (Note 13)	13,287,386	13,802,623
	<u>18,978,812</u>	<u>18,753,608</u>
Net financial assets	<u>1,410,386</u>	<u>816,431</u>
Non-financial assets		
Prepaid expenses	109,385	285,151
Tangible capital assets (Note 12)	39,784,503	40,173,962
	<u>39,893,888</u>	<u>40,459,113</u>
Accumulated surplus	<u>\$ 41,304,274</u>	<u>\$ 41,275,544</u>

Contingencies (Note 17)


Approved on behalf of Council



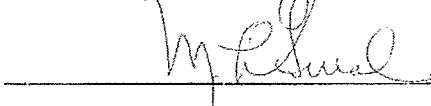
Chief



Band Councilor



Chief Financial Officer



Finance and Audit Committee

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Penticton Indian Band Consolidated Statement of Operations

For the year ended March 31	Budget	2017	(Restated) 2016
Revenues			
Federal Government			
Indigenous and Northern Affairs Canada	\$ 5,872,396	\$ 6,727,777	\$ 7,105,207
Canada Mortgage and Housing Corporation	198,060	223,225	275,765
Government of Canada	179,684	-	-
First Nations Health Authority	935,591	942,261	1,033,385
Provincial Government			
First Nations Education Steering Committee	517,755	508,956	230,726
Okanagan Training & Development Council	51,588	97,351	53,943
Province of British Columbia	1,464,611	989,258	524,340
Other			
Housing charges and rental	367,768	454,440	398,678
Interest and investment income	27,878	62,056	66,432
Other contracts and miscellaneous	329,803	1,979,910	6,701,334
Property taxes	1,073,291	942,731	744,613
Royalties	-	593,678	295,438
Total revenues for the year	11,018,425	13,521,643	17,429,861
Total expenditures for the year (Schedule)	12,531,541	14,198,794	13,902,993
Excess of revenue (deficiency) for the year	(1,513,116)	(677,151)	3,526,868
Net income from Band owned entities (Note 20)		705,881	1,947,534
Annual surplus (deficit)		28,730	5,474,402
Accumulated surplus, beginning of year as previously stated		41,427,166	35,801,142
Prior period adjustment (Note 2)		(151,622)	-
Accumulated surplus, beginning of year restated		41,275,544	35,801,142
Accumulated surplus, end of year		\$ 41,304,274	\$ 41,275,544

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Penticton Indian Band
Consolidated Statement of Operations

For the year ended March 31	Budget	2017	2016
Expenditures			
Administration	\$ 3,418,707	\$ 3,533,993	\$ 3,774,089
Community health	1,566,047	1,463,666	1,383,967
Economic development	-	329,886	324,653
Education	3,958,534	3,765,807	3,501,477
Forestry (recovery)	-	-	(8,174)
Housing	799,620	607,985	792,021
Land, estate and membership	276,366	972,333	934,728
PIBDC	362,600	338,491	391,011
Public works	754,393	1,197,080	821,858
O.N.T.E.H	-	574,839	551,262
Social development	1,395,274	1,414,714	1,436,101
Total expenditures for the year	\$ 12,531,541	\$ 14,198,794	\$ 13,902,993

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Penticton Indian Band
Consolidated Statement of Change in Net Financial Assets

For the year ended March 31	2017	(Restated) 2016
Annual surplus	\$ 28,730	\$ 5,474,402
Acquisition of tangible capital assets	(1,275,046)	(7,325,898)
Amortization of tangible capital assets	1,641,042	1,798,696
Disposal of tangible capital assets	23,463	315,936
	<u>389,459</u>	<u>(5,211,266)</u>
Disposition (acquisition) of prepaid expenses	175,766	(59,004)
Net change in net financial assets	593,955	204,132
Net financial assets, beginning of year	816,431	612,299
Net financial assets, end of year	\$ 1,410,386	\$ 816,431

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Penticton Indian Band Consolidated Statement of Cash Flows

For the year ended March 31	2017	2016
Cash flows from operating activities		
Cash received during the year	\$ 10,995,000	\$ 21,923,429
Cash paid to suppliers and employees	(11,100,176)	(16,241,925)
Interest paid	(467,091)	(484,351)
Interest received	62,056	66,432
	<u>(510,211)</u>	<u>5,263,585</u>
Cash flows from financing activities		
Decrease in line of credit	(65,000)	(25,000)
Repayment of long-term debt	(515,236)	(575,064)
Increase in FNFA debt reserve	(5,937)	(4,014)
	<u>(586,173)</u>	<u>(604,078)</u>
Cash flows from investing activities		
Purchase of tangible capital assets (net)	(1,251,583)	(7,009,962)
Decrease in member loans receivable	8,188	9,016
Decrease (increase) in investment in Band owned Entities	1,197,005	(1,646,574)
	<u>(46,390)</u>	<u>(8,647,520)</u>
Decrease in cash for the year	(1,142,774)	(3,988,013)
Cash and cash equivalents, beginning of year	5,571,855	9,559,868
Cash and cash equivalents, end of year	\$ 4,429,081	\$ 5,571,855
Represented by:		
Unrestricted (Note 3)	\$ 1,196,725	\$ 1,945,861
Restricted (Note 3)	2,945,970	3,343,232
	<u>4,142,695</u>	<u>5,289,093</u>
Trust funds (Note 4)	286,386	282,762
	<u>\$ 4,429,081</u>	<u>\$ 5,571,855</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Penticton Indian Band

Notes to the Consolidated Financial Statements

March 31, 2017

1. Summary of Significant Accounting Policies

Nature of Business	<p>Penticton Indian Band provides services and support to its band members.</p> <p>Penticton Indian Band is an Indian Band and, as such, is exempt from income tax under section 87 of the Indian Act.</p>
Basis of Accounting	<p>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.</p>
Reporting Entity	<p>The Penticton Indian Band reporting entity includes the Penticton Indian Band government and all related entities that are controlled by the First Nation.</p>
Principles of Consolidation	<p>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.</p> <p>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:</p> <p><i>Okanagan Nations Family Intervention Services Society (O.N.T.E.H.)</i> <i>Penticton Indian Band Development Corporation Ltd. (PIBDC)</i> <i>Penticton Indian Band Utilities Limited Partnership (PIBULP)</i></p> <p>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:</p> <p><i>Coyote Cruises Limited Partnership</i> <i>Westhills Aggregates Limited Partnership</i> <i>snpinktn FORESTRY LIMITED PARTNERSHIP</i> <i>Skaha Hills Development Limited Partnership</i> <i>West Riverside Construction Limited</i></p>
Asset Classification	<p>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.</p>

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2017

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

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.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Interest Income

Interest income on loans receivable and on funds held in trust are recorded as revenue when received by the Band.

Revenue Recognition

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.

The property taxation period is based on the calendar year January through December. Taxation revenue is billed in June and is due in July each year.

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.

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.

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.

Penticton Indian Band

Notes to the Consolidated Financial Statements

March 31, 2017

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, and are detailed in the Schedule of Segmented Operations.

Administration Services

The Administration Services program provides administration support to other band operated programs and services.

Social Development

The Social Development program provides financial benefits and services to individuals and families, resident on reserve, who are in need.

Education

The Education program provides services to eligible First Nations students enrolled in elementary/secondary education programs and eligible post-secondary education programs.

Forestry

The Forestry program is a management initiative that includes monitoring and enhancement projects.

Community Health

The Band provides health programs and services under an agreement with First Nations Health Authority, and the Province of British Columbia.

Housing

The Housing program provides on-reserve housing to eligible members under the CMHC housing programs for First Nations.

Land, Estates and Memberships Program

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, 2017

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, 2017

2. Prior Period Adjustment

During the year errors were discovered in the underlying data used in the calculation of the property tax accrual for the 2016 fiscal year, this resulted in property tax revenues and accounts receivable being overstated in 2016 by \$151,622. The comparative figures have been corrected to decrease revenue and accounts receivable by \$151,622. As a result net income for the year ended March 31, 2016 and accumulated surplus as at March 31, 2016 also decreased by \$151,622.

3. Cash and Short-term Investments

	2017	2016
Consists of:		
Cash	\$ 1,113,225	\$ 1,853,045
Term deposits	106,171	105,249
Mutual funds	2,923,299	3,330,799
	<u>\$ 4,142,695</u>	<u>\$ 5,289,093</u>
Restricted		
Ottawa trust funds	\$ 22,670	\$ 12,434
Social housing reserves	1,019,016	1,010,094
Band capital trust funds	687,384	436,817
Band revenue trust funds	552,158	1,222,862
Capital contingency fund	529,235	526,276
Stabilization fund	135,507	134,749
	<u>2,945,970</u>	<u>3,343,232</u>
Unrestricted	<u>1,196,725</u>	<u>1,945,861</u>
	<u>\$ 4,142,695</u>	<u>\$ 5,289,093</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 2017 (0.95% at March 31, 2017).

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 up to ten percent (10%) of the annual gross taxes.

Penticton Indian Band

Notes to the Consolidated Financial Statements

March 31, 2017

4. Funds Held in Trust

As at March 31, 2017, funds were held for Penticton Indian Band as follows:

	2017	2016
Cedar Law Law Corporation, Barristers and Solicitors	\$ 286,386	\$ 282,762

Peace Hills Trust (Minors Trust) holds \$77,433 (2016 - \$76,599) on deposit in a Minors Trust fund for minor band members.

The Band holds \$- (2016 - \$36,396) as a GIC in trust for a Band member.

5. Accounts Receivable

	2017	(Restated) 2016
Operating Fund		
Indigenous and Northern Affairs Canada	\$ 508,615	\$ -
Other	4,269,829	2,367,014
Property taxes	296,830	230,525
Social Housing Fund		
Accounts receivable (Net of allowance of \$272,086)	38,545	43,692
O.N.T.E.H. Fund	-	2,336
PIBDC	1,795	5,239
PIBULP	2,427	13,926
Net accounts receivable	\$ 5,118,041	\$ 2,662,732

6. Loans Receivable from Band Members

	2017	2016
Members' loans receivable	\$ 115,691	\$ 123,880

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

7. Accounts Payable and Accrued Liabilities

	2017	2016
Trade payables	\$ 5,057,328	\$ 4,016,232
Accrued liabilities	115,566	123,992
INAC Funding Surplus	-	37,939
Accrued salaries and employee benefits payable	324,199	504,211
	\$ 5,497,093	\$ 4,682,374

Penticton Indian Band

Notes to the Consolidated Financial Statements

March 31, 2017

8. Deferred Revenue

	2017	2016
Operating fund		
Other	\$ 9,333	\$ 13,611
O.N.T.E.H	-	5,000
	<u>\$ 9,333</u>	<u>\$ 18,611</u>

9. Collections for Other Governments

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

	2017	2016
BC Assessment Authority	\$ 19,622	\$ 17,483
Regional District Okanagan-Similkameen	50,391	46,676
Hospital	72,005	65,092
Sewer	32,536	32,536
Library	42,912	56,311
Fire protection	151,802	149,475
	<u>\$ 369,268</u>	<u>\$ 367,573</u>

10. Property Taxes

	2017	(Restated) 2016
Gross property taxation revenue	\$ 1,242,905	\$ 1,046,595
Less: Home owner grants	(289,322)	(267,481)
Net property taxation revenue	<u>\$ 953,583</u>	<u>\$ 779,114</u>

11. Line of Credit

Penticton Indian Band Development Corporation has a line of credit for up to \$300,000 with a variable interest rate of 3.2% per annum at March 31, 2017, which has been guaranteed by the Band. Required monthly payments consist of interest only. At March 31, 2017, the balance owing was \$185,000.

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, 2017, the balance owing was \$683,657.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2017

12. Tangible Capital Assets

	Automotive Equipment	Buildings	Equipment	Land and Land Improvements	Roads	Water, Sewer, Drainage	Electrical	Work in Process	Social Housing	ONTEH	PIBDC	PIBULP	2017 Total
Cost, beginning 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	\$ 236,875	\$ 20,136	\$ -	\$ 54,813,666
Additions	72,924	57,480	108,509	231,241	311,635	256,748	-	253,659	-	4,364	-	3,100	1,299,660
Disposals	(9,990)	(158,750)	(52,426)	-	-	-	-	-	-	(6,009)	-	-	(227,175)
Transfers	-	-	-	-	-	-	-	(24,614)	-	-	-	-	(24,614)
Cost, end of year	911,471	17,868,837	1,738,362	1,755,382	13,063,644	13,130,755	285,917	831,437	6,017,266	235,230	20,136	3,100	55,861,537
Accumulated amortization, beginning 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
Amortization	51,352	541,859	185,691	27,582	316,176	274,661	7,148	-	208,580	25,840	603	1,550	1,641,042
Disposals	(1,249)	(152,594)	(43,860)	-	-	-	-	-	-	(6,009)	-	-	(203,712)
Write- downs/transfe rs	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated amortization, end of year	647,804	5,683,003	905,797	1,022,098	2,891,291	2,766,124	20,939	-	1,943,274	177,257	17,897	1,550	16,077,034
Net carrying amount, end of year	\$ 263,667	\$ 12,185,834	\$ 832,565	\$ 733,284	\$ 10,172,353	\$ 10,364,631	\$ 264,978	\$ 831,437	\$ 4,073,992	\$ 57,973	\$ 2,239	\$ 1,550	\$ 39,784,503

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2017

	2016												
	Automotive Equipment	Buildings	Equipment	Land and Land Improvements	Roads	Water, Sewer, Drainage	Electrical	Work in Process	Social Housing	ONTEH	PIBDC	PIBULP	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	236,875	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/transfe rs	-	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, 2017

13. Long-term Debt

	<u>2017</u>	<u>2016</u>
Operating Fund		
Term loan - repayable at \$4,238 monthly, including interest at 3.78% per annum, maturing March 2019.	\$ 387,298	\$ 422,829
Capital Fund		
Demand loan - repaid during the year	-	5,744
Term loan - repayable at \$530 monthly, including interest at 4.07% per annum, maturing March 2018, secured by specific asset.	5,690	11,680
Term loan - repayable at \$350 monthly, including interest at prime plus 1% per annum, maturing December 2017, secured by specific asset.	34,267	-
Term loan - repayable at \$3,894 monthly, including interest at 3.84% per annum, due on demand, maturing March 2020.	132,089	172,881
Term loan - repayable at \$500 monthly, including interest at 4.95% per annum, maturing June 2017, secured by specific asset.	12,207	17,463
Term loan - repayable at \$565 monthly, including interest at 4.95% per annum, maturing July 2017, secured by specific asset.	2,275	8,764
Term loan - repayable at \$927 monthly, including interest at 4.25% per annum, maturing March 2018, secured by specific asset.	10,850	21,272
Term loan - repayable at \$10,275 monthly, including interest at 3.97% per annum, maturing October 2018.	1,558,687	1,618,796
Term loan - repayable at \$39,113 monthly, including interest at 3.79% per annum, maturing June 2024.	7,993,849	8,154,706
Social Housing Fund		
Mortgage - repayable at \$2,767 monthly, including interest at 1.83% per annum, maturing November 2019.	86,360	117,683
Mortgage - repayable at \$2,721 monthly, including interest at 1.11% per annum, maturing January 2021.	122,482	153,494
Balance carried forward	<u>\$ 10,346,054</u>	<u>\$ 10,705,312</u>

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2017

13. Long-term Debt (continued)

Balance brought forward	\$ 10,346,054	\$ 10,705,312
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Social Housing Fund (continued)

Mortgage - repayable at \$1,409 monthly, including interest at 1.82% per annum, maturing June 2026.	143,855	158,019
Mortgage - repayable at \$2,390 monthly, including interest at 1.04% per annum, maturing October 2025.	235,382	261,473
Mortgage - repayable at \$1,244 monthly, including interest at 1.31% per annum, maturing December 2031.	195,423	207,128
Mortgage - repayable at \$2,552 monthly, including interest at 1.65% per annum, maturing May 2028.	312,163	337,437
Mortgage - repayable at \$2,246 monthly, including interest at 0.94% per annum, maturing September 2035.	457,647	480,205
Mortgage - repayable at \$7,914 monthly, including interest at 2.40% per annum, maturing October 2038.	1,596,862	1,653,049

Penticton Indian Band Development Corporation

Term loan repaid during the year	-	-
	\$ 13,287,386	\$ 13,802,623

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:

2018	\$ 2,534,553
2019	401,389
2020	400,816
2021	383,623
2022	366,757
Thereafter	9,200,248
	\$ 13,287,386

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2017

14. Housing Reserves

	<u>2017</u>	<u>2016</u>
Replacement reserve	\$ 479,328	\$ 451,530
Operating reserve	<u>772,662</u>	<u>724,135</u>
	<u>\$ 1,251,990</u>	<u>\$ 1,175,665</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.

15. 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, 2017 was \$201,941 (2016 - \$194,479).

16. 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 \$371,449 (2016 -\$295,438) from Westhills Aggregates Limited Partnership
- (b) Purchases for services of \$459,927 (2016 - \$1,266,628) 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, 2017

17. 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.

18. Economic Dependence

Penticton Indian Band receives approximately 50% (2016 - 40%) of its revenues pursuant to a funding arrangement with Indigenous and Northern Affairs Canada (INAC).

19. 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, 2017 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 \$484,589 was available at March 31, 2017.

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, 2017 \$3,207,983 is available to be drawn on the credit agreement, the Band's portion of which is \$641,597.

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.

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2017

20. Band Owned Entities

	2017				2016
	Real Estate	Resources	Tourism	Other	Total
Assets					
Current	\$ 9,930,003	\$ 6,137,270	\$ 152,582	\$ -	\$16,219,855
Non-current	3,165,827	2,529,769	76,687	-	5,772,283
	<u>\$13,095,830</u>	<u>\$ 8,667,039</u>	<u>\$ 229,269</u>	<u>\$ -</u>	<u>\$21,992,138</u>
Liabilities					
Current	\$10,088,793	\$ 602,307	\$ 18,664	\$ 12,786	\$10,722,550
Non-current	-	590,316	-	585	590,901
	<u>10,088,793</u>	<u>1,192,623</u>	<u>18,664</u>	<u>13,371</u>	<u>11,313,451</u>
Equity (deficit)	<u>3,007,037</u>	<u>7,474,416</u>	<u>210,605</u>	<u>(13,371)</u>	<u>10,678,687</u>
	<u>\$13,095,830</u>	<u>\$ 8,667,039</u>	<u>\$ 229,269</u>	<u>\$ -</u>	<u>\$21,992,138</u>
Revenue	\$ 5,061,529	\$ 9,757,433	\$ 281,796	\$ -	\$15,100,758
Expenditures	3,918,173	9,333,417	227,479	1,123	13,480,192
Total income	<u>\$ 1,143,356</u>	<u>\$ 424,016</u>	<u>\$ 54,317</u>	<u>\$ (1,123)</u>	<u>\$ 1,620,566</u>
Allocation	<u>\$ 228,671</u>	<u>\$ 424,016</u>	<u>\$ 54,317</u>	<u>\$ (1,123)</u>	<u>\$ 705,881</u>
	<u>\$ 1,947,534</u>				

Penticton Indian Band

Notes to the Consolidated Financial Statements

March 31, 2017

20. Band Owned Entities (continued)

Nature of Business	Real Estate
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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.	
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Resources	
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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.	
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Tourism	
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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.	
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Other	
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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.	
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21. 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, 2017, the Plan had total net assets of \$1,172,582 (2016 \$965,598).

During the year, the Band paid \$153,614 (2016 - \$129,917) to the Plan on behalf of its employees.

22. Comparative Figures

Certain 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, 2017

23. Budget

The Band Council Budget Resolution adopted by Council on March 29, 2016 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 29, 2016 with adjustments as follows:

	<u>2017</u>
Budget Bylaw deficit for the year	\$ -
Add:	
Capital expenditures	3,169,289
Admin expenses	407,943
Internal rent charges	62,200
Less:	
Budgeted transfers from accumulated surplus	(4,328,268)
Admin revenue	(41,018)
Bank loan proceeds	<u>(783,262)</u>
Budget deficit per statement of operations	<u>\$ (1,513,116)</u>

Penticton Indian Band
Notes to the Consolidated Financial Statements

March 31, 2017

24. Statement of Expenditures by Object

	2017	(Restated -Note 22) 2016
Administration	\$ -	\$ 22,040
Advertising and promotion	3,310	33,387
Amortization	1,641,042	1,798,696
Bad debts (recovery)	121,962	139,059
Bank charges	58,556	48,089
Collections on behalf of other governments	371,046	369,790
Contract services	743,056	644,582
Community outreach	50,272	22,666
Direct social assistance	817,603	818,298
Honoraria	227,938	174,076
Insurance	151,542	144,699
Interest on long-term debt	467,091	484,351
Loan and lease payments	54,798	47,288
Materials, supplies and services	491,909	419,751
Office	135,099	375,892
Professional fees	1,244,298	1,212,050
Rental of facilities and equipment	68,605	17,639
Repairs and maintenance	219,234	233,197
Salaries and benefits	4,896,786	4,513,542
Student allowances and tuition	1,574,922	1,637,039
Telephone	73,014	75,861
Travel and meetings	220,054	251,542
Utilities	254,422	157,976
Vehicle	60,519	47,276
Workshops, seminars and training	251,716	214,202
Total expenditure for the year	\$ 14,198,794	\$ 13,902,988

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

For the year ended March 31

2017

	Admin.	Social Development	Education	Forestry	Community Health	Housing	Public Works	Lands, Estates and Memberships	Economic Development	PIB Development Corporation	ONTEH	Total
Revenue												
INAC	\$ 510,802	\$ 1,067,622	\$ 3,204,394	\$ -	\$ -	\$ -	\$ 917,068	\$ 348,573	\$ -	\$ 54,066	\$ 625,252	\$ 6,727,777
CMHC	-	-	-	-	-	201,941	21,284	-	-	-	-	223,225
FNESC	-	-	508,956	-	-	-	-	-	-	-	-	508,956
FNHA	536	-	1,600	-	940,125	-	-	-	-	-	-	942,261
Taxation	942,731	-	-	-	-	-	-	-	-	-	-	942,731
Province of B.C.	-	78,072	192,480	-	340,614	-	-	378,093	-	-	-	989,259
Miscellaneous	1,475,282	32,131	308,568	-	152,605	383,301	144,012	570,562	29,329	19	91,625	3,187,434
	2,929,351	1,177,825	4,215,998	-	1,433,344	585,242	1,082,364	1,297,228	29,329	54,085	716,877	13,521,643
Expenditure												
Administrative	813,503	2,417	43,998	-	164,807	167,787	385,663	323,607	319,194	178,442	17,406	2,416,824
Amortization	1,404,469	-	-	-	-	208,580	1,550	-	-	603	25,840	1,641,042
Direct	-	-	-	-	-	-	-	-	-	-	-	-
Assistance	-	817,603	-	-	-	-	-	-	-	-	-	817,603
Lease	-	-	-	-	-	-	-	-	-	-	-	-
payments	14,174	613	9,566	-	12,473	-	-	5,276	10,692	-	2,004	54,798
Materials,	-	-	-	-	-	-	-	-	-	-	-	-
supplies,	-	-	-	-	-	-	-	-	-	-	-	-
utilities	206,190	68,990	181,379	-	159,694	6,894	209,731	44,468	-	21,299	107,053	1,005,698
Operations and	47,526	25,761	86,825	-	72,077	114,622	452,368	208,278	-	8,540	14,899	1,030,896
maintenance	-	20,000	1,554,921	-	-	-	-	-	-	-	-	1,574,921
Student costs	-	-	-	-	-	-	-	-	-	-	-	-
Transportation	89,920	79,983	96,537	-	142,102	3,197	30,631	41,551	-	19,241	29,127	532,289
costs	-	-	-	-	-	-	-	-	-	-	-	-
Wages and	958,211	399,347	1,792,581	-	912,513	106,905	117,137	349,153	-	110,366	378,510	5,124,723
benefits	-	-	-	-	-	-	-	-	-	-	-	-
	3,533,993	1,414,714	3,765,807	-	1,463,666	607,985	1,197,080	972,333	329,886	338,491	574,839	14,198,794
Excess (deficiency)												
of revenue												
for the year	\$ (604,642)	\$ (236,889)	\$ 450,191	\$ -	\$ (30,322)	\$ (22,743)	\$ (114,716)	\$ 324,895	\$ (300,557)	\$ (284,406)	\$ 142,038	\$ (677,151)

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

(Restated)
2016

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	\$ 537,615	\$ 1,186,582	\$ 3,050,542	\$ -	\$ -	\$ -	\$ 1,473,209	\$ 284,445	\$ -	\$ 42,349	\$ 530,465	\$ 7,105,207
CMHC	-	-	-	-	-	194,479	81,285	-	-	-	-	275,764
FNESC	-	-	230,726	-	-	-	-	-	-	-	-	230,726
FNHA	-	-	-	-	907,815	-	125,570	-	-	-	-	1,033,385
Taxation	744,613	-	-	-	-	-	-	-	-	-	-	744,613
Province of B.C.	-	83,958	114,792	5,050	256,505	-	-	49,035	15,000	-	-	524,340
Miscellaneous	5,965,656	57,794	225,539	-	132,809	444,627	167,475	418,758	10,821	4,120	88,227	7,515,826
	7,247,884	1,328,334	3,621,599	5,050	1,297,129	639,106	1,847,539	752,238	25,821	46,469	618,692	17,429,861
Expenditure												
Administrative	962,158	6,117	45,634	-	142,328	142,087	127,891	465,200	327,563	216,532	17,956	2,453,466
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	434,835	78,450	125,121	-	176,463	10,203	112,430	18,872	-	22,403	73,369	1,052,146
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	895,418
Student costs	-	33,595	1,603,444	-	-	-	-	-	-	-	-	1,637,039
Transportation costs	90,837	82,738	94,171	-	108,617	3,759	28,734	27,841	41	27,935	48,348	513,021
Wages and benefits	863,977	406,340	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	821,858	934,728	324,653	391,011	551,262	13,902,993
Excess (deficiency) of revenue for the year	\$ 3,473,795	\$ (107,767)	\$ 120,122	\$ 13,224	\$ (86,838)	\$ (152,915)	\$ 1,025,681	\$ (182,490)	\$ (298,832)	\$ (344,542)	\$ 67,430	\$ 3,526,868