

Penticton Indian Band
Property Taxation
Financial Statements
For the year ended December 31, 2018

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Management's Responsibility for Financial Reporting

The accompanying financial statements of Penticton Indian Band - Property Taxation are the responsibility of management and have been approved by the Chief and a Band Councilor on behalf of the Band Council.

The financial statements have been prepared by management in accordance with the basis of accounting described in Note 1. Financial statements are not precise since they include certain amounts based on estimates and judgements. When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances, in order to ensure that the financial statements are presented fairly, in all material respects.

Penticton Indian Band - Property Taxation maintains systems of internal accounting and administrative controls of reasonable 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 - Property Taxation is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. Council carries out this responsibility principally through its Finance Committee.

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

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



Chief



Band Councilor



Tel: 250 492 6020
Fax: 250 492 8110
Toll-free: 800 279 3658
www.bdo.ca

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

Independent Auditor's Report

To the Chief and Council of Penticton Indian Band - Property Taxation

Opinion

We have audited the financial statements of Penticton Indian Band - Property Taxation (PIB-taxation), which comprise the statement of financial position as at December 31, 2018, and the statement of operations, change in net financial assets, and cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PIB-taxation as at December 31 2018, and the results of its operations, change in net financial assets, and cash flows for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of PIB-taxation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 1; this includes determining that the basis of accounting is an acceptable basis for the preparation of financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing PIB-taxation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate PIB-taxation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing PIB-taxation's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 PIB-taxation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on PIB-taxation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PIB-taxation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants

Penticton, British Columbia
June 27, 2019

**Penticton Indian Band - Property Taxation
Statement of Financial Position**

<u>December 31</u>	<u>2018</u>	<u>2017</u>
Financial assets		
Cash (Note 2)	\$ 517,397	\$ 643,834
Fixed income investments (Note 2)	1,093,431	1,080,463
Accounts receivable (Note 3)	61,770	116,133
	<u>1,672,598</u>	<u>1,840,430</u>
Liabilities		
Accounts payable and accrued liabilities	24,949	20,826
Due to Penticton Indian Band - Administration (Note 4)	3,940	338,593
	<u>28,889</u>	<u>359,419</u>
Accumulated surplus and net financial assets	\$ 1,643,709	\$ 1,481,011

Approved by Council



Chief



Band Councilor

The accompanying notes are an integral part of these financial statements.

Penticton Indian Band - Property Taxation Statement of Operations

For the year ended December 31	2018	2017
Revenues		
Property taxes (Note 6)	\$ 874,063	\$ 716,168
Arrears and other	24,140	26,142
Interest and investment income	28,454	13,160
	926,657	755,470
Expenditures		
Administration	675	540
Bad debts	55,104	6,483
Bank charges	3,583	2,552
Board of review	156	7,101
Contract services	27,957	12,234
Collections for internal government services	580,187	192,320
Dues and fees	800	1,002
Materials, supplies and services	432	1,415
Office	5,053	2,554
Professional fees	23,157	33,928
Rental of facilities	4,800	4,800
Salaries and benefits	57,768	67,487
Telephone and utilities	773	921
Travel and meetings	958	-
Utilities	2,556	925
	763,959	334,262
Annual surplus	162,698	421,208
Accumulated surplus, beginning of year	1,481,011	1,059,803
Accumulated surplus, end of year	\$ 1,643,709	\$ 1,481,011

The accompanying notes are an integral part of these financial statements.

**Penticton Indian Band - Property Taxation
Statement of Change in Net Financial Assets**

For the year ended December 31	2018	2017
Annual surplus	\$ 162,698	\$ 421,208
Net financial assets, beginning of year	1,481,011	1,059,803
Net financial assets, end of year	\$ 1,643,709	\$ 1,481,011

The accompanying notes are an integral part of these financial statements.

Penticton Indian Band - Property Taxation Statement of Cash Flows

For the year ended December 31	2018	2017
Cash flows from operating activities		
Cash received from rate payers	\$ 1,423,477	\$ 1,106,190
Cash paid to suppliers and employees	(1,230,747)	(731,998)
Interest received from investments	28,454	13,160
	<u>221,184</u>	<u>387,352</u>
Cash flows from financing activities		
Net increase (decrease) due to related parties	<u>(334,653)</u>	<u>(66,117)</u>
Cash flows from investing activities		
Purchase of fixed income investments	<u>(12,968)</u>	<u>(416,920)</u>
Decrease in cash flows	(126,437)	(95,685)
Cash, beginning of year	<u>643,834</u>	<u>739,519</u>
Cash, end of year	<u>\$ 517,397</u>	<u>\$ 643,834</u>

The accompanying notes are an integral part of these financial statements.

Penticton Indian Band - Property Taxation Notes to the Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies

Nature of Business	<p>The property taxation department of the Penticton Indian Band is responsible for the collection of property taxes from leased lands or lands occupied by non-band members for properties located on reserve lands.</p> <p>Penticton Indian Band is exempt from income tax under section 87 of the Indian Act.</p>
Basis of Accounting	<p>These financial statements have been prepared in accordance with the significant accounting policies set out below to assist Penticton Indian Band to comply with the financial administration law. The underlying framework is in accordance with Canadian public sector accounting standards, except for:</p> <ul style="list-style-type: none">(a) collection for internal government services have not been eliminated;(b) no budgeted figures have been presented; and(c) expenses are categorized by object, rather than functions on the statement of operations.
Reporting Entity and Principles	<p>The financial statements include the assets, liabilities and results of operations for the Property Taxation department of the Operating Fund.</p> <p>No inter-entity balances have been eliminated</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. The Property Taxation department does not hold any non-financial assets as at December 31, 2018.</p>
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>

Penticton Indian Band - Property Taxation Notes to the Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies (continued)

Interest Income	Interest income on funds held in investment accounts are recorded as revenue when received.
Revenue Recognition	<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 monthly</p>
Taxation Revenue	Taxes are recorded at estimated amounts when they meet the definition of an asset, have been authorized and the taxable event occurs. For property taxes, the taxable event is the period for which the tax is levied. As taxes recorded are initially based on management's best estimate of the taxes that will be received, it is possible that changes in future conditions, such as reassessments due to audits, appeals and court decisions, could result in a change in the amount of tax revenue recognized. Taxes receivable are recognized net of an allowance for anticipated uncollectable amounts.
Use of Estimates	The preparation of financial statements 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	Segment information has not been presented as this entity operates as one segment of Penticton Indian Band.
Collections for Other Governments	The Band collects taxation revenue on behalf of other government entities. Such levies, other revenues, expenses, assets and liabilities with respect to the operations of these entities are not reflected in these financial statements.

Penticton Indian Band - Property Taxation Notes to the Financial Statements

December 31, 2018

2. Cash and Short-term Investments

	2018	2017
Consists of:		
Cash	\$ 517,397	\$ 643,834
Fixed income investments	1,093,431	1,080,463
	\$ 1,610,828	\$ 1,724,297
Internally restricted:		
Capital fund	\$ 815,027	\$ 805,367
Contingency fund	278,404	275,096
	1,093,431	1,080,463
Unrestricted	517,397	643,834
	\$ 1,610,828	\$ 1,724,297

The Contingency 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 Contingency fund is currently overfunded by \$5,880.

The Capital fund is designed to be used as designated by Chief and Council from time to time for capital expenditures for the Penticton Indian Band. The Capital fund is currently underfunded by \$363,126.

Fixed income investments are comprised of money market mutual funds held at RBC Dominion Securities Inc.

3. Accounts Receivable

	2018	2017
Property taxes receivable	\$ 97,818	\$ 140,240
Allowance for doubtful accounts	(36,048)	(24,107)
	\$ 61,770	\$ 116,133

Penticton Indian Band - Property Taxation Notes to the Financial Statements

December 31, 2018

4. Due to Related Party

	2018	2017
Due to Penticton Indian Band	\$ 3,940	\$ 338,593

Balances due to related parties are non interest bearing, unsecured, and have no fixed terms of repayment.

5. 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.

During the year, the Band paid \$2,525 (2017 - \$2,503) to the Plan on behalf of its employees in this department.

6. Property Taxes

	2018	2017
Gross property taxation revenue	\$ 1,704,850	\$ 1,456,699
Less: Home owner grants	(359,875)	(324,875)
Less: Collections for other governments (Note 8)	(470,912)	(415,656)
Net property taxation revenue	\$ 874,063	\$ 716,168

Penticton Indian Band - Property Taxation Notes to the Financial Statements

December 31, 2018

7. Accumulated Surplus (Surplus and Reserves)

Reserves are non-statutory reserves which represent an appropriation of surplus for specific purposes and are comprised of the following:

	Balance Dec. 31, 2017	Transfers to (from)	Surplus (Deficit)	Balance Dec. 31, 2018
Unrestricted surplus (deficit)	\$ 400,548	\$ (357,246)	\$ 149,730	\$ 193,032
Restricted reserves:				
Capital fund	870,367	298,126	9,660	1,178,153
Contingency fund	210,096	59,120	3,308	272,524
	<u>1,080,463</u>	<u>357,246</u>	<u>12,968</u>	<u>1,450,677</u>
	<u>\$ 1,481,011</u>	<u>\$ -</u>	<u>\$ 162,698</u>	<u>\$ 1,643,709</u>

8. Collections for Other Governments

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

	2018	2017
BC Assessment Authority	\$ 18,947	\$ 15,835
Regional District Okanagan-Similkameen	61,019	62,998
Hospital	87,936	92,528
Sewer	30,986	30,986
Library	28,545	22,935
Fire protection	243,479	190,374
	<u>\$ 470,912</u>	<u>\$ 415,656</u>

9. Comparative Figures

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