

Consolidated Financial Statements of

PIIKANI NATION

Year ended March 31, 2011



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Independent Auditors' Report

To the Members of the Piikani Nation

We were engaged to audit the accompanying consolidated financial statements of Piikani Nation (the "Nation"), which comprise the consolidated statement of financial position as at March 31, 2011, the consolidated statements of operations and accumulated surplus, change in net financial assets (debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on conducting the audit in accordance with Canadian generally accepted auditing standards. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide the basis for an audit opinion.

Basis for Disclaimer of Opinion

There are serious deficiencies in the accounting records related to the lack of financial information for the Piikani Investment Corporation, an entity controlled by the Nation, and its subsidiary corporations. Further, the Nation not included the net assets and results of operations of the Settlement Fund in these consolidated financial statements. As these entities are controlled by the Nation and are components of the government reporting entity, Canadian public sector accounting standards require that the net assets, results of operations and cash flows be reported in the consolidated financial statements. It is impractical to provide this information in the auditors' report.

Further, the Nation's interest in the Oldman River Hydro Joint Venture, accounted for using the equity method, is carried at \$7,415,556 on the statement of financial position as at March 31, 2011 and the Entity's share of earnings of \$1,040,856 is included in the excess of revenue over expenses reported on the statement of operations and the components of net cash flow from operations reported in the statement of cash flows for the year ended March 31, 2011. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of the Entity's interest in the joint venture as at March 31, 2011 and the Entity's share of earnings for the year then ended as the underlying information generated by the Joint Venture Operator was not subject to independent audit. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.



Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the consolidated financial statements.

KPMG LLP

Chartered Accountants

July 25, 2011
Lethbridge, Canada

PIIKANI NATION


Consolidated Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
		(Restated - note 2)
Financial assets:		
Cash	\$ 5,512,713	\$ 4,306,179
Restricted cash	313,202	205,756
Investments (note 4)	8,250,460	8,455,542
Accounts receivable (note 5)	3,966,854	3,414,572
Trust funds (note 6)	3,000,700	3,214,260
Other	177,986	131,624
Inventory	1,805,349	777,237
Notes receivable	241,973	--
	23,269,237	20,505,170
Financial liabilities:		
Cheques issued in excess of funds on deposit	365,054	173,571
Bank indebtedness (note 10)	180,000	130,000
Accounts payable and accrued liabilities	4,093,530	4,272,580
Deferred revenue (note 8)	4,430,316	3,624,199
Long-term debt (note 11)	10,552,624	14,729,318
Advances from settlement trust (note 9)	3,242,512	628,914
	22,864,036	23,558,582
Net financial assets (debt)	405,201	(3,053,412)
Non-financial assets:		
Tangible capital assets (note 7)	41,457,398	39,300,286
Prepaid expenses	415,555	128,896
Inventory under development	12,041	--
Alberta Electrical Connection Operator's License	53,000	--
	41,937,994	39,429,182
Economic dependence (note 13)		
Contingent liabilities (note 17)		
Commitments (note 20)		
Accumulated surplus (note 12)	\$ 42,343,195	\$ 36,375,770

See accompanying notes to consolidated financial statements.

On behalf of the Nation:



PIIKANI NATION

Consolidated Statement of Operations and Accumulated Surplus

Year ended March 31, 2011, with comparative figures for 2010

	Budget (unaudited - note 18)	2011	2010 (Restated - note 2)
Revenue:			
Indian and Northern Affairs Canada (note 14):			
Base funding	\$ 16,848,634	\$ 17,655,003	\$ 16,164,598
Canadian Economic Action Plan funding	2,460,000	2,618,250	1,825,459
Revenue on trust funds	830,778	4,189,059	5,785,404
Other	14,828,605	17,568,708	18,060,640
	34,968,017	42,031,020	41,836,101
Deferred revenue, beginning of year	1,121,213	3,624,199	5,627,348
Deferred revenue, end of year	--	(4,430,316)	(3,624,199)
	1,121,213	(806,117)	2,003,149
	36,089,230	41,224,903	43,839,250
Expenses:			
Salaries, wages and benefits	4,625,211	9,185,169	8,302,241
Chief and council honourariums and travel	737,778	653,232	788,413
Energy purchases	119,342	239,308	168,147
Per capita distribution	--	1,351,888	1,020,257
Interest on long-term debt	1,330,000	823,362	1,355,421
Insurance	214,000	316,128	209,735
Social assistance	2,720,936	2,692,094	2,935,520
Professional fees	585,426	1,007,294	930,025
Utilities and telephone	201,458	303,998	305,116
Travel, meetings and conferences	489,043	795,656	658,813
Projects and programs	14,688,035	8,304,045	10,017,365
Office and administration	892,499	963,485	654,213
Interest and bank charges	19,500	57,094	56,319
Committee expenses	50,000	88,810	92,463
Repairs and maintenance	1,387,672	1,539,586	398,623
Settlement fund distribution	--	1,218,218	861,932
Other	2,200,928	3,284,460	5,146,645
Amortization	--	2,433,651	2,304,139
	30,261,828	35,257,478	36,205,387
Excess of revenue over expenses	5,827,402	5,967,425	7,633,863
Accumulated surplus, beginning of year	36,375,770	36,375,770	28,741,907
Accumulated surplus, end of year	\$ 42,203,172	\$ 42,343,195	\$ 36,375,770

See accompanying notes to consolidated financial statements.

PIIKANI NATION

Consolidated Statement of Change in Net Financial Assets (Debt)

Year ended March 31, 2011, with comparative figures for 2010

	Budget (unaudited - note 18)	2011	2010 (Restated - note 2)
Excess of revenue over expenses	\$ 5,827,402	\$ 5,967,425	\$ 7,633,863
Acquisition of tangible capital assets	--	(5,612,191)	(6,280,219)
Amortization of tangible capital assets	--	2,433,651	2,304,139
Loss (gain) on disposal of tangible capital assets	--	30,761	(14,846)
Proceeds on sale of tangible capital assets	--	136,899	142,742
Purchase of Alberta Electrical Connection Operator's License	--	(53,000)	--
Change in inventory for development	--	(12,041)	--
Transfer of tangible capital assets to inventory	--	827,571	--
Write down of tangible capital assets	--	26,196	--
Change in prepaid expenses	--	(286,658)	(35,766)
	--	(2,508,812)	(3,883,950)
Change in net financial assets (debt)	5,827,402	3,458,613	3,749,913
Net financial assets (debt), beginning of year	(3,053,412)	(3,053,412)	(6,803,325)
Net financial assets (debt), end of year	\$ 2,773,990	\$ 405,201	\$(3,053,412)

See accompanying notes to consolidated financial statements.

PIIKANI NATION

Consolidated Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010 (Restated - note 2)
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	\$5,967,425	\$ 7,633,863
Items not involving cash:		
Amortization	2,433,651	2,304,139
Gain (loss) on disposal of tangible capital assets	30,761	(14,846)
Gross revenue earned on trust funds	(4,189,059)	(5,785,404)
Equity earnings in Oldman River Hydro Joint Venture	(1,030,447)	(950,496)
Write down on tangible capital assets	26,196	--
Change in non-cash operating assets and liabilities:		
Inventory	(1,028,112)	110,316
Accounts receivable	(552,282)	(777,352)
Notes receivable	(241,973)	--
Accounts payable and accrued liabilities	(179,050)	291,936
Deferred revenue	806,117	(2,124,199)
Inventory under development	(12,041)	--
Other	(46,362)	(10,574)
Prepaid expenses	(286,658)	(35,486)
	1,698,166	641,897
Capital activities:		
Acquisition of tangible assets	(5,612,191)	(6,280,219)
Transfer of tangible capital assets to inventory for resale	827,571	--
Proceeds on long-term debt	142,812	307,784
Payments on long-term debt	(4,319,506)	(303,628)
Proceeds on disposal of tangible capital assets	136,899	86,983
Acquisition of Alberta Electrical Connection Operator's License	(53,000)	--
Increase in restricted funds	(107,446)	(35,592)
	(8,984,861)	(6,224,672)
Investing activities:		
(Increase) decrease in investments	(100,971)	237,631
Due to (from) other Piikani entities	2,613,598	(1,828,707)
Trust funds disbursed	4,402,619	4,825,007
Distributions - Oldman River Hydro Joint Venture	1,336,500	1,212,750
	8,251,746	4,446,681
Increase (decrease) in cash	965,051	(1,136,094)
Cash, beginning of year	4,002,608	5,138,702
Cash, end of year	\$ 4,967,659	\$ 4,002,608
Cash consists of the following:		
Cash and cash equivalents	\$ 5,512,713	\$ 4,306,179
Cheques issued in excess of funds on deposit	(365,054)	(173,571)
Bank indebtedness	(180,000)	(130,000)
	\$ 4,967,659	\$ 4,002,608

See accompanying notes to consolidated financial statements.

PIIKANI NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2011

Piikani Nation is an aboriginal organization that represents Piikani Members in Southern Alberta.

1. Significant accounting policies:

The financial statements of Piikani Nation (the "Nation") are prepared by management in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants. Significant accounting policies adopted by the Nation are as follows:

(a) Reporting Entity:

The Piikani Nation reporting Nation includes the Piikani Nation government and all related entities that are accountable to the First Nation and are either owned or controlled by the Piikani Nation.

The consolidated financial statements include the assets, liabilities and results of operations for the following entities:

Piikani Administration	AAKOM-KIYII Health Services
Ky-Naak-Ku-Kan Housing Corporation	Piikani Lands Department
Piikani Human Resource Development and Employment Services	Piikani Traditional Knowledge Services
Piikani Public Works	Piikani Housing Authority and Rentals
Peigan Board of Education	Piikani Social Development
Piikani Child and Family Services	Peigan Indian Rural Electrification Association
Piikani Child Care Centre	Oldman Irrigation Ltd.
Piikani Resource Development Ltd. 1559725 Alberta Ltd.	

Information related to Piikani Investment Corporation and its related controlled entities, was not available and accordingly is not included in these consolidated financial statements.

(b) Basis of accounting:

The Nation follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

1. Significant accounting policies (continued):

(c) Revenue recognition:

Government transfers:

Government transfers are the transfer of assets from senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are the result of a direct financial return.

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfers occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return and requirements, and reasonable estimates of the amounts can be determined.

Indian and Northern Affairs Canada ("INAC"):

Program revenue received from INAC is recognized as it becomes receivable under the terms of the applicable funds transfer agreements. Funding received under funding arrangements that relate to a subsequent fiscal period is reflected as deferred revenue on the balance sheet in the year of receipt.

Canada Mortgage and Housing Corporation ("CMHC"):

CMHC revenue is recognized as it becomes receivable under the terms of the applicable funding agreements. Funding received under funding arrangements that relate to a subsequent fiscal period are reflected as deferred revenue on the balance sheet in the year of receipt.

Residential Rehabilitation Assistance Program ("RRAP"):

RRAP provides five year, non-interest bearing, and forgivable loans for low-income homeowners whose homes require major renovations. All funds received during the fiscal year are recorded as revenue earned in that year. Any funds, which must be repaid because the homeowner did not comply with the terms of the assistance program, is recognized as an expense in the year funds are repaid.

Treaty 7 Economic Development Corporation ("Treaty 7"):

Treaty 7 provides funding for specific purposes. Funds allocated to a specific purpose, which have not been expended for that purpose by the fiscal year end of the entity, are recorded as deferred revenue and appear as a liability on the balance sheet. These funds are reported as revenues in the year the specific expenditures are incurred.

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

1. Significant accounting policies (continued):

(d) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

(e) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(f) Employee future benefits:

The Nation and its employees participate in a multi-employer defined benefit pension plan. These contributions are expensed as incurred.

(g) Investments:

Investments, comprising a 25% interest in the Oldman River Hydro Joint Venture is recorded on the equity basis. All other investments are recorded at cost.

(h) Non-financial capital assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

1. Significant accounting policies (continued):

(h) Non-financial capital assets (continued):

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life - years
Residential buildings	20-40
Buildings and improvements	20
Infrastructure, distribution systems and engineering structures	20-33
Automotive, machinery and equipment	3-5
Furniture and equipment	5
Computer equipment	3

Annual amortization is charged in the year of acquisition. Assets under construction are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

(iv) Interest capitalization

The Nation does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

(v) Leased tangible capital assets

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

PIIKANI NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2011

1. Significant accounting policies (continued):

(l) Inventory held for resale:

Housing inventory is measured at the lower of cost or net realizable value using the specific item basis. Costs consist of the cost of raw materials and other costs bring the housing units to marketable condition.

Inventories of agricultural product are valued at the lower of cost and estimated net realizable value.

The actual amount that will be realized for the inventories may be more or less than this value.

When circumstances exist where the estimated amounts that will be realized from the inventory is less than cost it is written down to the estimated net realizable value. When circumstances which previously resulted in inventories to be written down no longer exist the previous impairment is reversed.

(j) Asset retirement obligation:

The Nation is subject to regulations requiring the repair, removal and disposal of friable asbestos. The obligation, under these regulations meets the definition of a conditional asset retirement obligation.

As a result of the longevity of the Nation's facilities, due in part to the Nation's maintenance procedures, and the fact that the Nation does not have plans for major changes that would require the removal of asbestos, the timing of the removal of asbestos in the Nation's facilities is indeterminable at year end. As a result, the Nation is currently unable to estimate the fair value of its asbestos removal and disposal obligation. Therefore, expenditures are recorded in accounts as they are incurred.

(k) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period.

Actual results could differ from these estimates.

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

2. Restatement of prior years financial information:

i) Correction of prior period years financial information:

- a) The financial statements have been corrected, with retrospective effect, to reflect the Entity's interest in the Piikani Oldman Hydro Limited Partnership. The Nation and its subsidiary, Piikani Resource Development Ltd., are the partners in the limited partnership, with the Nation being the limited partner and Piikani Resource, Development Ltd., being the general partner. The partnership is recorded using the proportionate consolidation method.
- b) The financial statements have been adjusted, with retrospective effect, to correct the recorded amount of interest expense at March 31, 2010. The effective of the correction was to decrease interest expense by \$684,786, increase cash by \$409,146, decrease accounts payable and accrued liabilities by \$275,640, and as a result increase accumulated surplus by \$684,786.
- c) The financial statements have been adjusted, with retrospective effect, to correct any overstatements of accounts payable and capital assets. The effect of the correction was to decrease accounts payable at March 31, 2010 by \$219,608 and decrease tangible capital assets by \$219,608. As a result the capital component of accumulated surplus decreased by \$219,608 and the operating component increased by \$219,608 resulting in no overall effect on accumulated surplus.

ii) Recast of prior years information:

During the year, it was determined that certain business entities no longer meet the definition of a government business entity and as such the comparative information was recast to reflect these entities on a consolidated basis.

The effect of this correction on the comparative information for the year ended March 31, 2010 is as follows:

Accumulated surplus at April 2010, as previously reported	\$ 33,824,987
Piikani CY Ranch contributed surplus	155,000
Oldman Hydro Limited Partnership	1,068,629
Peigan Utility Corporation	637,700
Piikani Housing Authority and Rentals	684,786
Other	4,668
Accumulated surplus, as restated	<u>\$36,375,770</u>

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

2. Restatement of prior years financial information (continued):

Annual surplus at April 2010:

Excess of revenue over expenses, as previously reported	\$ 6,641,828
Share of earnings in Oldman River Hydro Joint Venture	950,496
Expenses related to Piikani Oldman River Hydro Partnership	(643,247)
Piikani Housing Authority and Rentals	684,786

Annual surplus, as restated	\$ 7,633,863
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3. Recent accounting pronouncements:

The Public Sector Accounting Board recently announced the following accounting pronouncements:

i) Liability for contaminated sites:

This accounting pronouncement establishes standards on how to account for and report a liability associated with the remediation of contaminated sites. It is effective for fiscal years beginning on or after April 1, 2014, with early adoption encouraged.

ii) Government transfers:

This accounting pronouncement establishes standards on how to account for and report government transfers to individuals, organizations, and other governments from both a transferring government and a recipient government perspective. It is effective for Fiscal years beginning on or after April 1, 2012, with early adoption encouraged.

iii) Financial instruments:

This accounting pronouncement establishes standards on how to account and report all types of financial instruments including derivatives. Financial instruments include primary instruments and derivative instruments. It is effective for fiscal years beginning on or after April 1, 2015 for governments and for fiscal years beginning on or after April 1, 2012 for government organizations, with early adoption encouraged.

iv) Foreign currency translation:

This accounting pronouncement establishes standards on how to account and report transactions that are denominated in a foreign currency in government financial statements. It is effective for fiscal years beginning on or after April 1, 2015 for governments and for fiscal years beginning on or after April 1, 2012 for government organizations, with early adoption encouraged.

Management has indicated that the impact of the adoption of these standards is being evaluated and it not known or reasonably estimable at this time.

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

4. Investments:

Investments comprise of the following:

	2011		2010	
	Cost	Market	Cost	Market
Investment in Oldman River Hydro Joint Venture	\$7,415,556	\$ --	\$7,647,453	\$ --
Piikani Child and Family Investment portfolio:				
Bank of Montreal	464,284	461,341	457,049	454,304
Children's Special Allowance	203,100	203,100	200,000	200,000
Bond portfolio	135,778	143,069	131,919	137,552
Other	31,742	31,742	19,121	19,121
	\$8,250,460	\$839,252	\$8,455,542	\$810,977

The Piikani Child and Family Investment portfolio consist of fixed income investments.

The market value of the investment in Oldman River Hyrdo Joint Venture is not readily available and is not disclosed in the financial statements. *Return to m*

5. Accounts receivable:

	2011	2010
Indian and Northern Affairs Canada	\$ 2,324,967	\$ 1,600,294
Treaty 7	87,901	155,771
Alberta Human Resource Development	113,850	160,769
Canada Housing and Mortgage Corporation	105,453	213,349
First Nations Development Foundation	223,213	621,947
Other	1,111,470	662,742
	\$ 3,966,854	\$ 3,414,572

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

6. Trust funds:

The trust funds arise from monies derived from capital or revenue sources as outlined in Section 62 of the Indian Act. These funds are held in trust in the consolidated revenue fund of the Government of Canada. The management of these funds is primarily governed by Section 63 and Section 69 of the Indian Act. These funds can be accessed by the Piikani Nation with the approval of Indian and Northern Affairs Canada. The trust funds include the following:

	2011	2010
Capital fund	\$ 275,391	\$ 890,369
Land replacement – capital account	2,115,000	2,115,000
Land replacement – revenue account	210,490	124,023
Per capita account	14,414	13,878
Revenue fund account	385,405	70,990
	\$ 3,000,700	\$ 3,214,260

7. Tangible capital assets:

Cost	2010	Additions	Disposals	Transfers	2011
Land	\$ 7,499	\$ 945,000	\$ --	\$ --	\$ 952,499
Buildings and improvements	41,336,997	1,181,433	(134,400)	1,624,868	44,008,898
Distribution systems	10,511,534	1,227,449	--	--	11,738,983
Engineering structures	3,111,592	--	--	--	3,111,592
Furniture and equipment	2,897,027	54,888	(295,653)	--	2,656,262
Computer equipment	471,854	49,023	--	--	520,877
Automotive machinery and equipment	5,109,193	796,155	(610,664)	--	5,294,684
Assets under construction	1,866,938	1,358,243	--	(2,452,439)	772,742
Total	\$65,312,634	\$ 5,612,191	\$(1,040,717)	\$ (827,571)	\$ 69,056,537

During the year, tangible capital assets with a net book value of \$827,571 were transferred to inventory.

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

7. Tangible capital assets (continued):

Accumulated amortization	2010	Amortization expense	Disposals	2011
Land	\$ --	\$ --	\$ --	\$ --
Buildings and improvements	15,592,447	1,450,137	(50,400)	16,992,184
Distributions systems	3,446,421	320,132	--	3,766,553
Engineering structures	1,251,279	100,326	--	1,351,605
Furniture and equipment	2,499,039	112,326	(269,458)	2,341,907
Computer equipment	399,431	38,148	--	437,579
Automotive, machinery and equipment	2,823,731	412,582	(527,002)	2,709,311
Assets under construction	--	--	--	--
Total	\$ 26,012,348	\$ 2,433,651	\$ (846,860)	\$ 27,599,139

Net book value	2011	2010
Land	\$ 952,499	\$ 7,499
Buildings and improvements	27,016,714	25,744,550
Distribution systems	7,972,430	7,065,113
Engineering structures	1,759,987	1,860,313
Furniture and equipment	314,355	397,988
Computer equipment	83,298	72,423
Automotive, machinery and equipment	2,585,373	2,285,462
Assets under construction	772,742	1,866,938
Total	\$ 41,457,398	\$ 39,300,286

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

8. Deferred revenue:

	2011	2010
Piikani Administration	\$ 1,235,102	\$ 895,691
Piikani Child and Family Services	1,179,927	1,121,213
Piikani Human Resource Development and Employment Services	837,851	579,522
Ky-Naak-Ku-Kan Housing Corporation	--	151,367
Piikani Public Works	263,822	225,733
Piikani Social Development	65,144	236,302
Piikani Lands Department	183	--
Piikani Traditional Knowledge Services	10,634	276,550
AAKOM-KIYII Health Services	--	16,771
Oldman Irrigation Ltd.	121,050	121,050
Piikani Housing Authority and Rentals	716,603	--
	<u>\$ 4,430,316</u>	<u>\$ 3,624,199</u>

9. Advances from Settlement Trust:

The amounts advanced from the Settlement Trust are unsecured, non-interest bearing and repayable on demand.

10. Bank indebtedness:

At March 31, 2011, the Nation had an operating line of credit totaling \$300,000 of which \$180,000 (2010 - \$130,000) was drawn. This line of credit is collateralized by a general security agreement. This line of credit bears interest at prime plus 1.75% and revolves in increments of \$10,000. Interest is payable monthly. Prime rate as at March 31, 2011 is 3.00% (2010 - 2.25%).

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Notes to Consolidated Financial Statements

Year ended March 31, 2011

11. Long-term debt:

	2011	2010
Piikani Housing Authority and Rentals:		
Housing loans payable to various financial institutions in monthly instalments of \$83,091 including interest at rates from 2.86% to 6.95%, secured by postponements and guarantees by parties within the reporting entity, an assignment of settlement trust interest revenues and specific assets owned by the Nation. Maturing at various dates to December, 2013	\$ 4,057,765	\$ 5,686,966
Piikani Administration:		
Loans payable in monthly instalments of \$11,400, including interest at 8%, secured by a demand promissory note for \$1,463,000, a Band Council Resolution authorizing the borrowing, assignment of lease payments of the related building and an assignment of insurance	1,213,298	1,252,155
CNH Equipment loans payable in annual installments of \$14,557 including interest at rates from 0% to 0.64%, secured by specific equipment maturing at various dates to February, 2016	67,053	36,197
BMO equipment loan with interest rates at prime plus 2%, payable in monthly installments of \$783 plus interest, secured by specific and due on demand	45,432	--
Indian Equity Foundation	--	32,000
Piikani Administration and Piikani Resource Development Ltd. 8% loan to Piikani Settlement Fund, the terms of this loan are discussed below	5,169,076	7,722,000
	<u>\$ 10,552,624</u>	<u>\$ 14,729,318</u>

The loan to Piikani Settlement fund is payable to Piikani Energy Corporation but ultimately to the Settlement fund of the Piikani Nation through the Piikani Oldman Hydro Limited Partnership.

The loan was arranged under the guidance of the Trust Agreement created by the Settlement Agreement signed between the Piikani Nation, the Government of Canada and the Province of Alberta. The Settlement Agreement is the result of ongoing negotiations to settle claims and disputes relating to the Oldman River, The Lethbridge Northern Irrigation Headworks and the Oldman River Dam between the Federal Government of Canada and the Provincial Government of Alberta. Through the Settlement Agreement, the Piikani Nation has resolved land and water claim issues as well as has access to financial resources in the development of the Piikani Nation for the benefit of its members.

During the year, the Nation failed to make regular scheduled payments on certain mortgages, as well the Nation did not properly renew certain mortgages with the respective financial institutions. As a result certain mortgages are in default.

PIIKANI NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2011

12. Accumulated surplus:

	Operating	Trust funds	CMHC Reserve	Capital	Total 2011	Total 2010 (Restated – note 2)
Balance, beginning of year	\$ 69,707	\$ 3,214,260	\$ 751,140	\$32,340,663	\$36,375,770	\$ 28,741,907
Excess of revenue over expenses	5,967,425	--	--	--	5,967,425	7,633,863
Amortization of tangible capital assets	2,433,651	--	--	(2,433,651)	--	--
Acquisition of tangible capital assets	(5,612,191)	--	--	5,612,191	--	--
Net book value of assets disposed	139,709	--	--	(139,709)	--	--
Transfer to reserve	(40,000)	--	40,000	--	--	--
Gross revenue earned on trust funds	(4,189,059)	4,189,059	--	--	--	--
Trust funds disbursed	4,402,619	(4,402,619)	--	--	--	--
Principal payments on long-term debt related to capital assets	(1,757,743)	--	--	1,757,743	--	--
Transfer of tangible capital assets to inventory held for resale	827,571	--	--	(827,571)	--	--
Funds borrowed to purchase tangible capital assets	91,121	--	--	(91,121)	--	--
	\$ 2,332,810	\$ 3,000,700	\$ 791,140	\$36,218,545	\$42,343,195	\$ 36,375,770

PIIKANI NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2011

13. Economic dependence:

Piikani Nation receives a significant portion of its revenue pursuant to a funding agreement with Indian and Northern Affairs Canada, Health Canada and other Federal and Provincial government departments.

14. Indian and Northern Affairs Canada revenue:

	2011	2010
Base:		
Piikani Administration	\$ 1,307,744	\$ 1,360,072
Piikani Child and Family Services	2,901,165	2,763,418
Piikani Human Resource Development and Employment Services	142,977	43,343
Piikani Housing Authority and Rentals	555,100	658,641
Piikani Lands Department	64,198	69,616
Piikani Public Works	3,533,947	2,244,974
Piikani Social Development	4,262,091	4,045,721
Peigan Board of Education	4,603,496	4,638,313
Piikani Child Care Centre	273,500	273,500
Piikani Traditional Knowledge Services	--	67,000
Piikani Social Development adjustment to 2009/2010 funding	10,785	--
	17,655,003	16,164,598
Canadian Economic Action Plan:		
Piikani Housing Authority and Rentals	2,618,250	1,825,459
	\$ 20,273,253	\$ 17,990,057

15. Financial instruments:

It is management's opinion that the Entity is not exposed to significant interest, currency or credit risk arising from its financial instruments.

Unless otherwise noted, the fair values of financial assets and liabilities approximate their carrying values due to the relatively short periods to maturity of the instruments.

PIIKANI NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2011

16. Honouraria, salaries and benefits disclosures:

Honourarium and travel expense paid to elected officials:

	Months	Honourarium	Travel	Total 2011	Total 2010
Chief Gayle Strikes					
with A Gun	3	\$ 13,319	\$ 2,948	\$ 16,267	\$ --
Andrew Provost	3	11,571	1,113	12,684	--
Angela Grier	3	11,571	1,113	12,684	--
Casey Scott	3	11,571	1,572	13,143	--
Clayton Small Legs	3	11,571	925	12,496	--
Eloise Provost	3	11,571	694	12,265	--
Fabian North Peigan	3	11,571	1,389	12,960	--
Rebecca Weasel					
Traveler	3	11,571	1,658	13,229	--
Kyle Grier	3	11,571	1,113	12,684	--
Maurice Little Wolf	3	11,571	1,113	12,684	--
Wesley Provost	3	11,571	1,113	12,684	--
Willard Yellow Face	3	11,571	1,113	12,684	--
Doane Crowshoe	12	59,746	6,755	66,501	67,030
Chief Reg Crowshoe	9	52,067	1,979	54,046	72,107
Adam North Peigan	9	46,400	2,100	48,500	66,376
Kevin Provost	9	46,900	1,574	48,474	66,243
Charles Yellow Face	9	23,731	150	23,881	61,890
Charles Red Young Man	9	44,533	1,233	45,766	66,748
Herman Many Guns	9	46,400	2,485	48,885	67,121
Jordan No Chief	9	46,400	2,323	48,723	66,751
Patsy English	9	46,400	2,103	48,503	66,401
Erwin Bastien	9	46,400	2,158	48,558	65,851
Lance Yellow Face	4	9,332	--	9,332	65,951
Alvin Prairie Chicken	5	5,599	--	5,599	55,944
		\$ 614,508	\$ 38,724	\$ 653,232	\$ 788,413

Salary and benefits of designated officers:

	Salary and benefits	Travel	Total 2011	Total 2010
Corbin Provost, Chief Executive Officer	\$ 82,257	\$ 12,822	\$ 95,079	\$ 97,793
Other managers	750,760	153,422	904,182	663,542
	\$ 833,017	\$ 166,244	\$ 999,261	\$ 761,335

PIIKANI NATION

Notes to Consolidated Financial Statements

Year ended March 31, 2011

17. Contingent liabilities:

The Nation has been named a defendant in various legal actions. Management is of the opinion that there is a strong defense against these claims. Accordingly, no provisions for losses have been reflected in the accounts.

18. Budget information:

The unaudited budget information presented in these financial statements is based upon the 2011 operating and capital budgets approved by the Board.

19. Comparative information:

Certain 2010 comparative information has been reclassified to conform with the financial statement presentation adopted per the current year.

20. Commitments:

The Nation has the following commitments:

- a) In the normal course of business, the Nation enters into commitments for both capital and operational leases. The estimated minimum aggregate annual payments are approximately \$65,000. These commitments have been budgeted for and are approved by Chief and Council.
- b) The Nation has not recognized a liability for certain legal obligations, primarily special handling for the removal and disposal of encapsulated asbestos from facilities and equipment. The fair value of these liabilities cannot be reasonably determined as the settlement dates are not known.
- c) The Nation has entered into agreements with Zynxx (Utility Net) to assist in managing their electricity portfolio and back end processing including support and managing meter assets, power pool purchases, wire rate billing and management of customer accounts. The Nation pays \$4 per new member service and \$9 per member monthly.

21. Segmented disclosure:

The Entity discloses information on its segments in the following schedule. The Entity provides a range of services to the Nation Members, for each reported segment, revenues and expenses represent amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. The accounting policies used in these segments is consistent with those adopted by the Entity as a whole.

PIIKANI NATION

Consolidated Schedule of Segmented Disclosures

Year ended March 31, 2011, with comparative figures for 2010

	2011		2010	
	Revenues	Expenses	Excess (deficiency)	Excess (deficiency)
Piikani Administration	\$11,960,717	\$10,843,267	\$ 1,117,450	\$ 1,631,296
Piikani Social Development	4,485,298	4,163,056	322,242	(100,118)
Piikani Child Care	1,221,151	667,083	554,068	982,292
Piikani Lands Department	562,769	520,006	42,763	855
Piikani Traditional Knowledge Services	752,688	766,020	(13,332)	462,029
Piikani Housing Authority and Rentals	6,183,984	3,842,853	2,341,131	4,242,320
KY NAAK KU-KAN Housing Corporation	2,108,246	1,515,535	592,711	748,959
Piikani Human Resource Development and Employment Services	1,605,344	1,585,594	19,750	(39,116)
Piikani Public Works	3,674,829	2,793,642	881,187	(165,935)
Peigan Board of Education	5,322,535	5,750,470	(427,935)	(356,619)
Piikani Child and Family Services	3,385,936	3,429,453	(43,517)	--
Piikani Resource Development Ltd.	96,659	197,983	(101,324)	(91,315)
AAKOM-K'YII Health Services	2,700,733	2,808,404	(107,671)	145,936
Peigan Indian Rural Electrification Association	533,015	688,113	(155,098)	278,129
Oldman Irrigation Ltd.	--	--	--	(104,850)
15597125 Alberta Ltd.	945,000	--	945,000	--
	45,538,904	39,571,479	5,967,425	7,633,863
Net inter-departmental elimination	(4,314,001)	(4,314,001)	--	--
Total	\$41,224,903	\$35,257,478	\$ 5,967,425	\$ 7,633,863

Piikani Nation

Schedule of Federal Government Funding
For The Year Ended March 31, 2011

Federally Funded Programs and Service Directly / Indirectly Funded by the Government of Canada	Federal Funding Received	Unexpended Federal Funding, Beginning of Year	Adjustments/ Transfers	Total Federal Funding Available	Federal Funding Expended	Unexpended Federal Funding, End of Year
Indian and Northern Affairs Canada	\$ 4,603,496.00	\$ -	\$ -	\$ 4,603,496.00	\$ 4,603,496.00	\$ -
- Education	2,901,165	416,122	-	3,317,287	2,828,554	488,733
- Child and Family	3,533,947	150,733	-	3,684,680	3,495,858	188,822
- Public Works	1,307,744	-	-	1,307,744	1,307,744	-
- Administration	4,262,091	236,302	10,785	4,509,178	4,444,034	65,144
- Social Development	142,977	-	-	142,977	142,977	-
- Human Resources and Development	273,500	-	-	273,500	273,500	-
- Day Care	64,198	-	-	64,198	64,198	-
- Land Management	3,173,350	-	-	3,173,350	2,456,747	716,603
- Housing						
Health Canada	130,862	-	-	130,862	130,862	-
- Aboriginal Diabetes Initiative	196,331	-	-	196,331	196,331	-
- Brighter Futures	300,476	-	-	300,476	300,476	-
- Mental Health	65,650	-	-	65,650	65,650	-
- Youth Suicide Prevention	31,827	-	-	31,827	31,827	-
- Solvent Abuse	224,827	-	-	224,827	224,827	-
- Alcohol and Drug Abuse	163,266	-	-	163,266	163,266	-
- Head Start On-Reserve	3,500	-	-	3,500	3,500	-
- Pandemic	473,612	-	-	473,612	473,612	-
- Community Health	85,000	-	-	85,000	85,000	-
- Maternal Child Health	49,565	-	-	49,565	49,565	-
- Prenatal Nutrition Programs	107,657	-	-	107,657	107,657	-
- Management and Support	130,220	-	-	130,220	130,220	-
- Operations and Maintenance	35,000	-	-	35,000	35,000	-
- Strategic Funds	32,822	-	-	32,822	32,822	-
- Support Services	5,000	-	-	5,000	5,000	-
- Communicable Diseases	10,300	-	-	10,300	10,300	-
- Drinking Water						
- Medical Transportation (non-insurable benefits)	127,786	-	-	127,786	127,786	-
Home and Community Care	470,000	-	-	470,000	470,000	-
Canadian Mortgage and Housing Corporation	718,863	-	-	718,863	718,863	-
- Canadian Economic Action Plan	17,625	-	-	17,625	17,625	-
- Youth Internship						
- Residential Rehabilitation Assistance Program	48,000	-	-	48,000	48,000	-
- Rent Subsidy	475,889	-	-	475,889	475,889	-
- Other	11,141	-	-	11,141	11,141	-
Other						
- Children Special Allowance	115,759	300,285	-	416,044	40,300	375,744
- Agristability	51,456	-	-	51,456	51,456	-
- Miscellaneous	1,973	-	-	1,973	1,973	-

Piikani Nation

Schedule of Receipts and Expenditures of Indian Moneys
For the Year Ended March 31, 2011

Revenue Trust Moneys

Band Council Resolution		Receipt and Expenditure of Funds			
Band Council Resolution Number	Date Funds released	Purpose for Released of Funds	Unexpended Prior years Withdrawals from Trust Funds - Beginning of year	Amount Received from Trust Funds	Unexpended withdrawals from Trust funds - End of year
1201-03	December 08, 2009	Per Capita Distribution Supplemental	\$ 55,872	\$ -	\$ 55,872
2010-1117-01	December 01, 2010	Per Capita Distribution Supplemental	-	1,450,000	1,296,016
2010-1117-02	December 09, 2010	Governance	-	250,000	-
		Piikani Housing Authority	-	775,000	775,000
		Legal Fees	-	250,000	25,000
		Piikani Elections	-	10,000	10,000
		Communications	-	50,000	50,000
		Appeals - Advisory Services	-	10,000	10,000
		Norwegian Petroleum	-	213,000	213,000
		Industry Canada	-	192,000	192,000
2010-0914-01	January 04, 2011	Tower Payments	-	7,100	7,100
		Housing Corporation	-	28,396	28,396
		Governance	-	13,345	13,345
2010-1214-01	February 21, 2011	Legal Fees	-	86,580	86,580
		Resource Development	-	53,050	53,050
		Emergency/ Donation	-	8,370	8,370
					153,984

Capital Trust Moneys

Band Council Resolution		Receipt and Expenditure of Funds			
Band Council Resolution Number	Date Funds released	Purpose for Released of Funds	Unexpended Prior years Withdrawals from Trust Funds - Beginning of year	Amount Received from Trust Funds	Unexpended withdrawals from Trust funds - End of year
2010-0608-02	September 01, 2010	Chief and Council Governance and Administration	\$ -	\$ 755,778	\$ 405,778
					\$ 350,000



Indian and Northern
Affairs Canada

Affaires indiennes
et du Nord Canada

First Nation Relations Treaty 7 - Alberta Region
Suite 300, 9911 Chiila Blvd
Tsuu T'ina, Alberta
T2W 6H6

March 29, 2011

Chief and Council
PIIKANI NATION
Box 70
BROCKET, Alberta
T0K 0H0

Your file/Votre reference

Our file Notre reference

30-0005-10.11
CIDM #955286

Dear Chief and Council:

2010/2011 Fiscal Year End – Confirmation of Auditor

The end of the 2010/2011 fiscal year, March 31st, is fast approaching. It is important to establish the process related to completing the 2010/2011 consolidated audited financial statements.

To enable INAC to provide auditors with the required confirmations of funds transferred, it is vital that you confirm the name and address of the firm that will undertake the audit review for the 2010/2011 fiscal year.

Our records indicate the auditor for **PIIKANI NATION** for the previous fiscal year was **KPMG LLP**. If this information is still valid for the upcoming 2010/2011 fiscal year, please sign this letter (below) and mail or fax back to our office.

Name: SHELIA BAD EAGUS

Signature: _____

Position: CFO

If you have appointed a new audit firm for the 2010/2011 fiscal year, please provide the firm's name, address, and contact person to our office along with a copy of any applicable Band Council Resolution. Your response **by Friday, April 25th** is much appreciated. The confirmation of the auditor should be sent to:

Chris Piper, Field Manager
First Nations Relations, Treaty 7
Indian and Northern Affairs Canada, Alberta Region
Suite 300, 9911 Chiila Blvd
TSUU T'INA, AB T2W 6H6
Phone : (403) 292-6169 FAX : (403) 292-6903
Email: chris.piper@inac.gc.ca

Canada

The attached **Appendix A** outlines some of the content that is important to include in the Audit Engagement Letter signed between the organization being audited and its auditor firm.

You may consider asking your auditor to make a preliminary visit to the office to assist your staff in making sure that all the financial records are current, easily accessible and the various supporting documentation (interim financial statements, funding arrangements, BCRs and other documentation related to Indian Moneys approvals and releases, unpaid invoices, etc.) is in place. Please refer to **Appendix B**.

The "Year-end Reporting Handbook" (YERH), will be provided shortly. The YERH details INAC specific reporting and schedule requirements. It is advisable that the format and display specifics are adhered to as identified in the YERH. Consolidation and the submission of the various schedules remain essential. To this end, the band entities should be advised. With regard to the accounting standards, the Canadian Institute of Chartered Accountants (CICA) Public Sector Accounting and Auditing Handbook continues to apply.

In closing, a reminder that although the audited financial statements for the fiscal year ending March 31, 2011 are due **Friday, July 29, 2011**. It is essential that every effort be made to complete and provide the 2010/2011 audited package as soon as possible. Late submission of the audited financial statements will impact the transfer of funds.

Should you have any questions, please do not hesitate to contact the Field Manager noted above.

Sincerely,



Grant Britton, Director
First Nations Relations, Treaty 7
Indian and Northern Affairs Canada, Alberta Region
630 Canada Place, 9700 Jasper Avenue
EDMONTON, AB T5J 4G2

Enclosure

cc:

Appendix A

The **Audit Engagement Letter** signed by the First Nation and the auditor, to formalize the arrangements made normally includes the following:

- that the auditor is engaged by, and reports to the First Nation;
- a general description of the purpose and nature of the audit;
- the scope of the audit examination, addressing in particular, the entities¹ to be included and the reports to be issued;
- the terms and conditions for additional services to be provided, audit or otherwise; and
- the completion of specific reporting requirements and the date required so that the First Nation has timely information and copies can be provided to funding agencies and other relevant parties.

The **Audit Objectives** established by the First Nation must fully meet the reporting requirements contained in the **Year-end Reporting Handbook (YERH)**.

The purpose of the YERH is to outline the year-end reporting requirements for recipients who were funded by the Government of Canada.

DIAND depends on the information described in this handbook to determine whether:

- funds (*Parliamentary Appropriations and Band Trust Funds*) have been used for the purposes intended;
- the terms and conditions of the funding arrangements have been met; and,
- the recipient's management and financial situation is sufficiently strong to assure the continued delivery of essential services.

¹ The reporting entity (the First Nation of First Nation organization) should be comprised of the organizations that are accountable for the administration of their financial affairs and resources to a local government council and are owned or controlled by the government (i.e. incorporated and unincorporated business operations, not-for-profit organizations etc.)

Appendix B

This appendix outlines some primary accounting activities, which, if addressed by the First Nation staff prior to the arrival of the auditor, should lead a timely and cost-effective audit process.

The verification of these items will serve to help test that First Nation's readiness to the upcoming audit cycle and help reduce bookkeeping costs that many organizations incur, unnecessarily, during the audit cycle.

<u>Item</u>	<u>Assigned to</u>	<u>Completed (Yes/No)</u>
Books of Accounts: (whether manual or electronic) should be completed up to March 31, 2011	The Bookkeeper	
All Source Documents: One source document for every cheque, filed in cheque number order or by supplier/subject		
All Cheque Book Stubs: In numerical order		
All Bank Deposit Books: In order, and identifying the source of funds		
All Receipt Books: In order, and identifying the source/purpose of funds		
All Cheque Requisitions: In chronological order, received from DIAND, FNIHB and other funding agencies		
Bank Statements: In monthly order. Please include March 2010 and April 2011		
Bank Reconciliations: In monthly order. Please include March 2010 and April 2011		
Budget for 2010-2011: Initial and final		
All Interim Financial Statements: In chronological order		
Financial Regulations and Procedures		
All Band Council Resolutions and/or meeting minutes: Related to financial decisions made, request for approval of expenditures from the Trust Accounts, filed in chronological order		
Funding Arrangements, Amendments, Contracts and Agreements: Received from DIAND, FNIHB and other funding agencies		
Deferred Revenues: A list identifying funding agency, program name and amounts		
Loans and Advances issued: A listing of all loans with interest rate, monthly payments and security held		
Loans and Advances obtained: Copies of loan agreements executed and lists of security assigned		
All Program Accounts Receivable: List of names, amounts and purposes		
All Accounts Payable (unpaid invoices): Filed by due date or by supplier / program		
Pre-paid expenses: List of names, amounts and purposes		
Salary, Honoraria and Travel and other remuneration schedules: Payroll records for Chief and Councillors and senior elected or appointed officials		
Fixed Assets: Listing of additions and disposals for each program / entity		