

Exercise 2-1 Statement of Financial Position

Part 1 – Categorize items into the following categories.

Financial Assets

Cash
Accounts receivable
Short-term investments
Trust funds held by federal government
Equity in commercial enterprises
Inventories for resale

Non-financial Assets

Tangible capital assets
Inventories of supplies
Prepaid expenses

Liabilities

Accounts payable
Deferred revenue
Long-term debt

Exercise 2-1 Statement of Financial Position

Part 2 – Recast the Statement of Financial Position in the proper format. (Provide categories and account titles only – no numbers.)

Financial Assets
Cash
Accounts receivable
Short-term investments
Trust funds held by federal government
Equity in commercial enterprises
Inventories for resale
Liabilities
Accounts payable
Deferred revenue
Long-term debt
Net Debt (financial assets – liabilities)
Non-financial assets
Tangible capital assets
Inventories of supplies
Prepaid expenses
Net Assets (All assets – liabilities)

Lone Pine First Nation
 Consolidated Statement of Financial Position*
 As at March 31, 200X

	200X	200W
FINANCIAL ASSETS		
Cash (Note 3)	2,488,888	1,223,639
Accounts receivable (Note 4)	823,698	438,459
Short-term investments (Note 5)	1,127,764	1,170,740
Trust funds held by federal government (Note 6)	346,947	330,465
Equity in commercial enterprises (Note 7)	3,913,793	3,879,612
Inventories for resale (Note 8)	151,269	143,708
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Total Financial Assets	8,852,359	7,186,623
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LIABILITIES		
Accounts payable (Note 9)	233,716	169,511
Deferred revenue (Note 10)	700,711	504,304
Long-term debt (Note 11)	6,645,256	6,485,876
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Total Liabilities	7,579,683	7,159,691
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NET DEBT	1,272,676	26,932
 NON-FINANCIAL ASSETS		
Tangible capital assets (Note 12)*	11,088,019	12,332,575
Inventories of supplies (Note 13)	57,441	56,761
Prepaid expenses (Note 14)	133,280	111,490
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Total Non-financial Assets*	11,278,740	12,500,826
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ACCUMULATED SURPLUS*	12,551,416	12,527,758

Contingencies (Note 15)

*** Tangible capital asset accounting is not in accordance with *Public Sector Accounting Handbook*, Section PS 3150. Therefore, balances for Tangible Capital Assets, Total Non-financial Assets and Accumulated Surplus are not correct.**

Exercise 2-2 Statement of Operations

What corrections need to be made to Lone Pine’s Statement of Revenues and Expenditures? Provide a list and indicate if you have enough information to make the necessary corrections.

(1) Should be titled a Statement of Operations
(2) Statement should include revenue and expenses NOT revenue and expenditures.
(3) Because expenditures should not be included in this statement, the “Capital” item should be removed from this statement.
(4) Amortization expense should be added in with other expenses. Note: this should be done by function (health, education, etc.) and should not be a separate line item. There is not enough information to make this correction.
(5) Need to reconcile to accumulated surplus/deficit at the beginning and end of the year.
(6) Because Lone Pine is not accounting for tangible capital assets in accordance with <i>PS 3150</i> , it is not possible to correct certain balances. There is not enough information to make this correction.
(7) Budget information for the current year needs to be included. There is not enough information to make this correction.

AFOA Workshop – Preparing Financial Statements Under the Common Government Reporting Model
Solutions to Exercises

Lone Pine First Nation
 Consolidated Statement of Operations
 For the year ended March 31, 200X

	200X Budget	200X Actual	200W Actual
REVENUE			
Federal Government:			
Indian and Northern Affairs	3,825,000	3,818,587	4,181,918
Health Canada	1,965,000	1,966,826	2,051,842
Human Resources and Social Development Canada	200,000	195,873	123,324
Canada Mortgage and Housing Corporation	78,000	74,156	104,960
Provincial government	300,000	299,741	246,301
Interest, rent and sundry	309,000	285,061	315,000
Trust funds held by federal government	16,000	16,482	15,963
Economic Activities	750,000	872,425	736,809
Net income from commercial enterprises	100,000	229,625	55,644
	<u>7,543,000</u>	<u>7,758,776</u>	<u>7,831,761</u>
EXPENSES*			
Education	1,430,000	1,452,077	1,443,400
Health	1,489,000	1,478,597	1,446,668
Economic development	780,000	804,599	770,899
Housing	945,000	954,197	949,152
Community services	305,000	470,187	454,682
Social services	913,000	954,265	943,576
Band government	750,000	771,514	799,040
Employment programs	140,000	128,927	123,452
Public works	100,000	102,785	108,700
Administration fees and technical services	135,000	138,426	143,987
Interest	400,000	402,560	413,705
Land claim	70,000	76,984	281,731
	<u>7,457,000</u>	<u>7,735,118</u>	<u>7,878,992</u>
ANNUAL SURPLUS (DEFICIT)*	86,000	23,658	(47,231)
ACCUMULATED SURPLUS AT BEGINNING OF YEAR*	<u>12,527,758</u>	<u>12,527,758</u>	<u>12,574,989</u>
ACCUMULATED SURPLUS AT END OF YEAR*	<u>12,613,758</u>	<u>12,551,416</u>	<u>12,527,758</u>

*** Tangible capital asset accounting is not in accordance with *Public Sector Accounting Handbook*, Section PS 3150. Therefore, balances for Expenses, Annual Surplus (Deficit), Accumulated Surplus at Beginning of Year and Accumulated Surplus at End of Year are not correct. Expenses only include amortization for the tangible capital assets that Lone Pine has recognized on the Statement of Financial Position.**

Exercise 2-3 Statement of Change in Net Debt

Lone Pine First Nation
 Consolidated Statement of Change in Net Debt
 For the year ended March 31, 200X

	200X Budget	200X Actual	200W Actual
ANNUAL SURPLUS/(DEFICIT)	86,000	23,658	(47,231)
Acquisition of tangible capital assets	(725,000)	(727,839)	(826,489)
Proceeds on sale of tangible capital assets	0	92,737	86,453
Amortization of tangible capital assets*	1,860,000	1,866,000	1,845,000
(Gain) Loss on sale of tangible capital assets	0	13,658	(5,289)
	<u>1,221,000</u>	<u>1,268,214</u>	<u>1,052,444</u>
Inventories of supplies	0	(680)	643
Prepaid expenses	0	(21,790)	13,542
	<u>0</u>	<u>(22,470)</u>	<u>14,185</u>
(INCREASE)/DECREASE IN NET DEBT	1,221,000	1,245,744	1,066,629
NET DEBT AT BEGINNING OF YEAR	<u>26,932</u>	<u>26,932</u>	<u>(1,039,697)</u>
NET DEBT AT END OF YEAR	<u>1,247,932</u>	<u>1,272,676</u>	<u>26,932</u>

* Tangible capital asset accounting is not in accordance with *Public Sector Accounting Handbook*, Section PS 3150. Therefore, balances for Amortization of Tangible Capital Assets are not correct.

Exercise 2-4 Statement of Cash Flows

Lone Pine First Nation Consolidated Statement of Cash Flows For the year ended March 31, 200X		
	200X	200W
Cash provided by (used for):		
OPERATING		
Annual Surplus/(Deficit)	23,658	(47,231)
Items not affecting cash		
(Gain) Loss on disposal of tangible capital assets	13,658	(5,289)
Amortization of tangible capital assets*	1,866,000	1,845,000
Net income from commercial enterprises	(229,625)	(55,644)
Changes in non-cash items on Statement of Financial Position		
(Increase) decrease in accounts receivable	(385,239)	(28,456)
(Increase) decrease in trust funds held by federal government	(16,482)	(15,963)
(Increase) decrease in inventories for resale	(7,561)	5,790
(Increase) decrease in inventories of supplies	(680)	643
(Increase) decrease in prepaid expenses	(21,790)	13,542
Increase (decrease) in accounts payable	64,205	(24,563)
Increase (decrease) in deferred revenue	196,407	(85,433)
Profit distributions from commercial enterprises	195,444	40,644
	1,697,995	1,643,040
CAPITAL		
Proceeds from disposal of tangible capital assets	92,737	86,453
Purchase of tangible capital assets	(727,839)	(826,489)
	(635,102)	(740,036)
INVESTING		
Proceeds from redemption of short-term investments	1,170,740	1,106,388
Purchase of short-term investments	(1,127,764)	(1,170,740)
	42,976	(64,352)
FINANCING		
Acquisition of long-term debt	408,875	386,452
Payment of long-term debt	(249,495)	(248,869)
	159,380	137,583
 Increase (decrease) in cash for the year	 1,265,249	 976,235
Cash, beginning of the year	1,223,639	247,404
Cash, end of the year	2,488,888	1,223,639

*** Tangible capital asset accounting is not in accordance with *Public Sector Accounting Handbook*, Section PS 3150. Therefore, balances for Amortization of Tangible Capital Assets are not correct.**

Exercise 3-1 Accounting for Tangible Capital Assets according to PS 3150

This is a suggested solution. It does not include all the information that Darlene may need. Further detail can be found in the workshop presentation.

The PSA Handbook should be consulted as the primary authoritative source of GAAP for the public sector.

Questions

- (1) The tangible capital assets balance on the Statement of Financial Position includes the assets of the gas station, the general store and the café but not the fishing lodge and the forestry operations. Is that right?

Yes, that is correct. The fishing lodge and the forestry operations are government business enterprises (GBEs) and they are included in the Lone Pine Financial Statements on a modified equity basis. Only the net assets in these GBEs are reflected on the Statement of Financial Position.

- (2) Am I missing any tangible capital assets?

Yes, any buildings bought before 1996. The water improvement system is another asset. There must be more infrastructure assets. Are there any bridges, for example? With infrastructure items you will need to decide whether to use the single asset or component approach. You will also have to make a list of assets that have been fully amortized but are still in use.

- (3) What do I do about those TCAs that we don't have records for any longer?

You will need to develop an estimate using a logical method. You could use one of four methods: (1) reproduction cost; (2) replacement cost; (3) market value; or (4) fair value. See chapter 7 of the PSAB Guide to Accounting and Reporting for Tangible Capital Assets. This guide can be downloaded from the web for free. The address is included in the List of References to this workshop binder.

- (4) The amortization policy has not been reviewed in the past couple of years. Is it okay?

It might be okay but it should be reviewed. Some of the categories, such as buildings, appliances and vehicles seem to have a shorter life than they should.

- (5) Do I have to worry about TCAs on any other financial statement beside the Statement of Financial Position?

All four financial statements will be affected by the implementation of *PS 3150*. All TCAs will have to be included in the Statement of Financial Position. Depreciation expenses have to be included in the Statement of Operations while capital expenditures will need to be removed. The Statement of Cash Flows will show amortization as an add-back to operating surplus/deficit. The Statement of Cash Flows will also include the purchase of TCAs. Of course, the Change in Net Debt Statement is a new statement that includes various aspects of capital items and capital expenditures.

- (6) Are the TCA notes to the financial statements okay?

No. You will need to add the following information that you currently do not disclose: (1) Cost at the beginning of the period; (2) Additions in the period; (3) Disposals in the period; (4) The amount of any write-downs in the period; (5) The amount of amortization of TCAs for the period; and (6) Accumulated amortization at the beginning of the period.

- (7) When do I need to have all my information ready for?

The sooner the better! The comparative numbers for your March 31, 2010 year end statements will have to be prepared in accordance with *PS 3150*. That means that you will need to calculate your opening balances according to this standard, beginning with April 1, 2008.

- (8) Is there anything else I should know?

You need to use your TCA information to help with decision-making. For example, Exhibit B – Tangible Capital Assets at March 31, 200X contains information that raises a few questions. For example, what is the policy behind the additions and disposals in the vehicles category? The net book value of vehicles has dropped dramatically during the year. Another example is the overall decline in total net book value. Are assets being amortized too quickly compared to their useful lives? Or, is there a real red flag that Lone Pine will soon be facing some serious TCA replacement?

Exercise 4-1 Segment Disclosure

The accounting standard for segment disclosures is designed to be flexible when it comes to choosing segments. You need to choose the segments that best describe activities and outcomes in a summary fashion. Therefore, the solution that follows is only a suggested solution as far as the chosen segments are concerned. The type of information provided is, however, the required information.

For Lone Pine First Nation, you might decide on the following segments:

- Health
- Education
- Social (includes Housing, Community Services and Social Services)
- Economic Development (includes Employment Programs)
- Public Works (infrastructure like roads and water treatment)
- Band Government (includes Administration Fees and Technical Services and Land Claims)

There is also judgment involved in terms of allocation expenses. For example, salaries for snow clearing could belong under employment programs or public works. Such salaries are probably better suited to public works. However, this is problematic if it does not tie into the Statement of Operations which only includes amortization in the expenses for Public Works.

Do you provide additional information such as total assets and total liabilities for each segment? This will depend on whether or not you have the information available and if you have any concerns about providing that information. Ideally, in the interests of fuller transparency, the information should be provided if it is available. However, it is not required by *PS 2700*.

Sample Segment Disclosure Note for Lone Pine

(Although segment information is reconciled to the consolidated financial statements, many of the numbers have been chosen for discussion purposes and may not represent the activity of Lone Pine First Nation government.)

Health		Education		Social		Economic Development	
200X	200W	200X	200W	200X	200W	200X	200W

Revenues

Federal Government	1,466,826	1,551,842	1,354,646	1,545,479	1,928,802	2,050,439	195,873	123,324
Provincial Government	---	---	149,870	123,150	149,871	123,151	---	---
Economic Activities	---	---	---	---	---	---	1,102,425	946,809
Net surplus of Enterprises	---	---	---	---	---	---	229,625	55,644
Other revenue	---	---	---	---	285,061	315,000	16,482	15,963
Total Revenue	1,466,826	1,551,842	1,504,516	1,668,629	2,363,734	2,488,590	1,544,405	1,141,740

Expenses

Salaries	563,479	542,863	678,040	636,052	729,480	694,360	267,803	241,358
Amortization	265,000	263,000	439,000	427,500	621,240	614,570	374,505	368,700
Debt Servicing	---	---	---	---	222,056	317,227	---	---
Other Expenses	650,118	640,825	460,037	489,848	1,132,929	1,138,480	291,218	284,293
Total Expenses	1,478,597	1,446,688	1,577,077	1,553,400	2,705,705	2,764,637	933,526	894,351

Annual Surplus (Deficit)	(11,771)	105,154	(72,561)	115,229	(341,971)	(276,047)	610,879	247,389
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Sample Segment Disclosure Note for Lone Pine (continued)

(Tangible capital asset accounting is not in accordance with PS 3150. Balances for Amortization are not correct. Also, per PS 2700, description is required as to how the segments were chosen, the activities they comprise and allocation methods.)

Public Works		Band Government		Inter-segment Eliminations		Consolidated Totals	
200X	200W	200X	200W	200X	200W	200X	200W

Revenues

Federal Government	154,646	145,479	954,649	1,045,481	---	---	6,055,442	6,462,044
Provincial Government	---	---	---	---	---	---	299,741	246,301
Economic Activities	---	---	---	---	(230,000)	(210,000)	872,425	736,809
Net surplus of Enterprises	---	---	---	---	---	---	229,625	55,644
Other revenue	---	---	---	---	---	---	301,543	330,963
Total Revenue	154,646	145,479	954,649	1,045,481	(230,000)	(210,000)	7,758,776	7,831,761

Expenses

Salaries	---	---	486,740	465,340	---	---	2,725,542	2,579,973
Amortization	102,785	108,700	63,470	62,530	---	---	1,866,000	1,845,000
Debt Servicing	---	---	180,504	96,478	---	---	402,560	413,705
Other Expenses	---	---	436,714	696,868	(230,000)	(210,000)	2,741,016	3,040,314
Total Expenses	102,785	108,700	1,167,428	1,321,216	(230,000)	(210,000)	7,735,118	7,878,992

Annual Surplus (Deficit)	51,861	36,779	(212,779)	(275,735)	---	---	23,658	(47,231)
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(The notes assume that Lone Pine is using the PSA Handbook requirements for fiscal years beginning on or after January 1, 2009. However, tangible capital asset accounting is not in accordance with PS 3150 and certain related information needs to be corrected.)

(Numbers in the detailed breakdown of financial statement amounts have been chosen for illustrative purposes and may not represent the activity of Lone Pine.)

(Many of the notes are modeled after the notes to financial statements provided by various provinces of Canada. In some cases, notes have been repeated verbatim.)

Lone Pine First Nation
Notes to Consolidated Financial Statements
For the fiscal year ended March 31, 200X

1. Significant Accounting Policies

(a) Basis of Accounting

These financial statements have been prepared in accordance with generally accepted accounting principles for governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(b) Reporting Entity

The Lone Pine First Nation reporting entity includes the Lone Pine First Nation government and all related entities that are either owned or controlled by the First Nation. Control is defined as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities. Control exists regardless of whether the government chooses not to exercise its power to govern so long as it has the ability to govern. Control must exist at the financial statement date, without the need to amend agreements.

(c) Principles of Consolidation

All controlled entities are fully consolidated on a line-by-line basis except for the commercial enterprises which meet the definition of government business enterprise. These enterprises are included in the Consolidated Financial Statements on a modified equity basis.

Consolidation Method

This method combines the accounts of distinct organizations. It requires uniform accounting policies for the organizations. Inter-organizational balances and transactions are eliminated under this method. This method reports the organizations as if they were one organization. The organizations included through the consolidation method are:

Loon Bay Gas Station
Lone Pine General Store
Four Winds Café

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Modified Equity Method

This method is used for commercial enterprises which meet the definition of government business enterprises. This definition is provided in Note 7 to these financial statements. The modified equity method reports a commercial enterprise's net assets as an investment on the Consolidated Statement of Financial Position. The net income of the commercial enterprises is reported as investment income on the Consolidated Statement of Operations. Inter-organizational transactions and balances are not eliminated. All gains or losses arising from inter-organizational transactions between commercial enterprises and other government organizations are eliminated. The accounting policies of commercial organizations are not adjusted to conform to those of other government organizations. The organizations that have been included through modified equity accounting are:

Lone Pine Lodge
Lone Pine Forestry

(d) Specific Accounting Policies

Asset Classification

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, prepaid expenses and inventories of supplies.

Cash

Cash and cash equivalents include cash on hand and balances with banks net of bank overdraft.

Short-term Investments

Short-term investments include guaranteed investment certificates maturing at various times during the next fiscal year. These investments are recorded at cost.

Financial Instruments

Financial instruments consist of cash and cash equivalents, receivables, payables, deferred revenue, short-term investments and long-term debt. Unless otherwise noted, it is management's opinion that the government of Lone Pine First Nation is not exposed to significant interest, currency or credit risk arising from financial instruments. The fair market value of these financial instruments approximates their carrying value.

Inventory

Inventory, which consists of supplies and goods available for resale is recorded at the lower of cost and market.

Tangible Capital Assets

(Notes written to comply with PS 3150. Some amounts unavailable.)

Tangible capital assets include acquired, built, developed and improved tangible capital assets, whose useful life extends beyond one year and which are intended to be used on an ongoing basis for producing goods or delivering services. The First Nation does not capitalize computer software.

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Tangible capital assets are reported at gross cost. Contributions received to assist in the acquisition of tangible capital assets are reported as deferred revenue and amortized to income at the same rate as the related asset.

Tangible capital asset policies of government entities which are consolidated in the financial statements are not adjusted to conform to First Nation policies. The types of items which could differ include amortization rates, estimates of useful lives and dollar thresholds for capitalization.

Certain assets which have historical or cultural value, including works of art, historical documents and historical and cultural artifacts, are not recognized as tangible capital assets. Assets under construction are not amortized until the asset is available to be put into service.

In previous years, certain tangible capital assets acquired subsequent to April 1, 1996 by the First Nation have been recorded on the Statement of Financial Position at acquisition cost less amortization. Commencing in 2009, all tangible capital assets in use have been included in the Statement of Financial Position. This includes infrastructure assets which have not previously been recognized. Amortization of tangible capital assets is recognized as an expense in the Statement of Operations.

Amortization is provided for on a straight-line basis, over the expected useful life of the assets in the table that follows. One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Included in the various classes as of March 31, 2009 are costs for assets under construction which are not amortized. These are water treatment systems (\$XXX,XXX); and schools (\$XX,XXX).

Commercial Buildings	35 years
Homes	25 years
Roads and Bridges	30 years
Water Management Systems	30 years
Furniture and Fixtures	5 years
Appliances	10 years
Vehicles	5 years
Computer equipment	3 years
Other equipment	5 years

Net Debt

The First Nation's financial statements are presented so as to highlight net debt as the measurement of financial position. The net debt of the First Nation is determined by its liabilities less its financial assets. Net debt is comprised of two components, non-financial assets and accumulated surplus.

Revenue

All revenue is recorded on the accrual basis whereby amounts received or recorded as receivable but not earned by the end of the fiscal year are recorded as deferred revenue.

Funding received under the terms of contribution agreements with the federal government is recognized as revenue once eligibility criteria have been met. Funding is recorded as deferred revenue if it has been restricted by the federal government for a stated purpose, such as a specific program or the purchase of tangible capital assets. Deferred revenue is recognized in revenue over time as the recognition criteria are met.

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Fund Accounting

Lone Pine First Nation uses fund accounting procedures which result in a self-balancing set of accounts for each fund established by legal, contractual or voluntary actions. The various funds have been amalgamated for the purpose of presentation in the consolidated financial statements. Details of the operations of each fund are set out in supplementary schedules. The following funds are maintained.

(i) The Capital Assets Fund which reports the capital assets of the First Nation not included in other funds, together with their related financing.

(ii) The Social Housing Fund which reports the social housing assets of the First Nation, together with their related financing.

(iii) The Operating Fund which reports the general activities of the First Nation Administration.

(iv) The Enterprise Fund which represents the First Nation's investment in controlled commercial entities which are self-supporting.

(v) The Apartment Replacement and Subsidy Fund represents amounts that have been restricted in compliance with an agreement with the Canada Mortgage and Housing Corporation.

(vi) The Capital Improvements Fund represents amounts that have been restricted by the federal government for capital asset improvements.

(vii) The Capital Planning Fund is an internally restricted fund established to finance future capital planning initiatives.

(viii) The Education Fund is an internally restricted fund established to finance future education programs.

(ix) The Economic Development Fund is an internally restricted fund established to finance future economic development programs.

(e) Measurement Uncertainty

In preparing the financial statements for the government of Lone Pine First Nation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(f) Economic Dependence

The government of Lone Pine First Nation receives a major portion of its revenue from Indian and Northern Affairs Canada and Health Canada. The nature and extent of this revenue is of such significance that the First Nation is economically dependent on this source of revenue.

2. Changes in Accounting Policy

Tangible Capital Assets

The First Nation adopted Tangible Capital Asset reporting in 2009 in accordance with the Public Sector Accounting Board standard *PS 3150*. Calculation of opening balances includes, where available, acquisition totals for 1973 onwards. Tangible capital assets are no longer treated as expenditures in the year of acquisition. Instead, accrual accounting requires that tangible capital assets be expensed over their useful lives by a charge to amortization expenses. Prior periods have been restated to reflect this change. As a result, the prior year surplus has been reduced by \$XX,XXX. This amount consists of \$XX,XXX of amortization expense less \$XX,XXX of costs that were capitalized.

Reporting Model

The First Nation adopted the reporting model for governments in accordance with the Public Sector Accounting Board standards *PS 1100*, *PS 1200* and *PS 1300*. This has resulted in assets being reclassified into financial and non-financial assets. Members' equity is no longer shown on the Statement of Financial Position. The Statement of Cash Flows has been reformatted to include a category for capital transactions. The Statement of Changes in Net Debt shows the impact of applying the expenditure basis of accounting. Under the expenditure basis of accounting, tangible capital assets, prepaid program costs and other assets are recorded when calculating the current year surplus or deficit. Under the expense basis of accounting, these items are recorded on the Consolidated Statement of Financial Position as assets and amortized over an applicable period of time.

3. Cash

The current account has an unused overdraft facility in the amount of \$100,000 with interest at 0.75% plus prime secured by a term deposit of at least \$100,000.

Cash is comprised of the following:

	200X	200W
Externally restricted		
Apartment Replacement and Subsidy Fund	230,446	210,478
Capital Improvements Fund	699,856	503,170
	<u>930,302</u>	<u>713,648</u>
Internally restricted		
Capital Planning Fund	237,890	64,570
Education Fund	76,432	85,291
Economic Development Fund	155,219	15,429
	<u>469,541</u>	<u>165,290</u>
Unrestricted		
Operating Fund	875,490	160,729
Social Housing Fund	86,765	79,332
Capital Assets Fund	126,790	104,640
	<u>1,089,045</u>	<u>344,701</u>
Total Cash	<u>2,488,888</u>	<u>1,223,639</u>

4. Accounts Receivable

Accounts Receivable consists of the following:

	200X	200W
Due from members:		
Renovation loans	19,078	24,170
Rent	24,162	9,632
Loans	51,940	48,818
Social Housing	182,015	145,189
Lone Pine General Store	5,592	1,105
Loon Bay Gas Station	3,617	9,502
	<hr/> 286,404	<hr/> 238,416
<u>Less: allowance for doubtful accounts</u>	<u>(158,427)</u>	<u>(152,304)</u>
	127,977	86,112
Due from others:		
Indian and Northern Affairs Canada	366,203	165,055
Health Canada	2,460	10,880
Human Resources and Social Development Canada	2,064	23,082
Canada Mortgage and Housing Corporation	15,922	14,569
Provincial government	88,673	24,919
Tribal Council	143,798	112,096
Small amounts owing (net of allowance for doubtful accounts)	76,601	1,746
	<hr/> 695,721	<hr/> 352,347
<u>Total Accounts Receivable</u>	<u>823,698</u>	<u>438,459</u>

5. Short-term Investments

Canadian Western Bank Guaranteed Investment Certificate (maturity February 200Y)	180,870
Montreal Trust Co. of Canada Guaranteed Investment Certificate (maturity December 200X)	193,650
Montreal Trust Co. of Canada Guaranteed Investment Certificate (maturity October 200X)	172,490
Canadian Western Bank Guaranteed Investment Certificate (maturity August 200X)	183,580
TD Mortgage Corp. Guaranteed Investment Certificate (maturity June 200X)	195,790
TD Mortgage Corp. Guaranteed Investment Certificate (maturity April 200X)	<u>201,384</u>
Total Short-term Investments	<u>1,127,764</u>

6. Trust Funds Held by Federal Government

Trust fund accounts arise from moneys 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 Sections 63 to 69 of the Indian Act.

	200X		200W	
	Revenue	Capital	Revenue	Capital
Opening Balance	145,028	185,437	129,065	185,437
Additions: Government Interest	16,482	---	15,963	---
Closing Balance	161,510	185,437	145,028	185,437
Total of Both Funds	346,947		330,465	

7. Equity in Commercial Enterprises

Commercial enterprises are those organizations that meet the definition of government business enterprises as described by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Government business enterprises have the power to contract in their own name, have the financial and operating authority to carry on a business, sell goods and services to customers outside the First Nation as their principle activity, and that can, in the normal course of their operations, maintain operations and meet liabilities from revenues received from outside the First Nation government.

The commercial enterprises that are included in the First Nation reporting entity, as described in note 1 c) to these financial statements includes:

Lone Pine Lodge
 Lone Pine Forestry

The following table presents condensed financial information for these commercial enterprises.

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	200X			200W
	Lone Pine Lodge	Lone Pine Forestry	Total	Total
Cash	38,794	19,675	58,469	46,238
Accounts Receivable	26,432	16,779	43,211	48,245
Inventory	63,985	67,986	131,971	126,742
Tangible Capital Assets	4,489,324	879,652	5,368,976	5,178,356
Other Assets	374,897	56,987	431,884	413,788
Total Assets	4,993,432	1,041,079	6,034,511	5,813,369
Accounts Payable	25,678	35,996	61,674	63,895
Long-term Debt	1,276,455	703,449	1,979,904	1,806,869
Other Liabilities	32,370	46,770	79,140	62,993
Total Liabilities	1,334,503	786,215	2,120,718	1,933,757
Equity	3,658,929	254,864	3,913,793	3,879,612
Total Liabilities and Equity	4,993,432	1,041,079	6,034,511	5,813,369
Revenue	456,789	158,546	615,335	424,857
Expenses	202,187	79,269	281,456	265,434
Debt servicing	67,465	36,789	104,254	103,779
Total Expenses	269,652	116,058	385,710	369,213
Net Income	187,137	42,488	229,625	55,644

Lone Pine Lodge

Lone Pine Lodge, incorporated on May 19, 200T, is a conference centre and guest lodge that also provides guided fishing. The lodge is fully equipped with a restaurant, indoor swimming pool, workout centre, sauna and a gift shop. In addition to 4 meeting rooms, the lodge has 46 guest rooms. The guided fishing operations include 6 fishing boats with motors and 4 canoes. Lone Pine Lodge employs 47 employees, 83% of which are members of the Lone Pine First Nation.

Lone Pine Forestry

Lone Pine Forestry was established as corporation in August 25, 200U to harvest timber for sale to the Big City Company pulp and paper mill. Operations consist primarily of specialized machinery and logging trucks. Lone Pine Forestry employs 20 to 25 members of the First Nation, on a seasonal basis.

8. Inventories for Resale

	200X	200W
Lone Pine General Store	95,605	100,922
Loon Bay Gas Station	33,895	31,044
Four Winds Café	21,769	11,742
<hr/>		
Total Inventories for Resale	<hr/> 151,269	<hr/> 143,708

9. Accounts Payable

	200X	200W
Trade payables	165,042	149,890
Accrued salaries and employee benefits payable	12,673	11,846
Other accrued liabilities	56,001	7,775
<hr/>		
Total Accounts Payable	<hr/> 233,716	<hr/> 169,511

10. Deferred Revenue

	200X	200W
Indian and Northern Affairs Canada		
Roads	440,327	328,432
Water Improvement – Phase I	115,403	108,134
Water Improvement – Phase II and III	73,910	17,000
School Renovations	70,216	49,604
Unearned Rent	855	1,134
<hr/>		
Total Deferred Revenue	<hr/> 700,711	<hr/> 504,304

11. Long-term Debt

(The change in mortgage payable and interest expense have only been estimated and are not exact.)

	200X	200W
Mortgage payable with payments of \$13,144 per month including interest at 6.08% per annum, maturing December 1, 200X, secured by a ministerial guarantee from Indian and Northern Affairs Canada and a first mortgage on twenty-three housing units	1,088,333	1,159,080
Mortgage payable with payments of \$15,084 per month including interest at 5.90% per annum, maturing August 1, 200Y, secured by a ministerial guarantee from Indian and Northern Affairs Canada and a first mortgage on thirty housing units	1,702,460	1,790,302
Mortgage payable with payments of \$7,465 per month including interest at 5.79% per annum, maturing April 1, 200Z, secured by a ministerial guarantee from Indian and Northern Affairs Canada and a first mortgage on eighteen housing units	1,114,170	1,156,127
Mortgage payable with payments of \$5,126 per month including interest at 6.25% per annum, maturing April 1, 200A, secured by a ministerial guarantee from Indian and Northern Affairs Canada and a first mortgage on nine housing units	437,333	463,632
Mortgage payable with payments of \$3,419 per month including interest at 6.45% per annum, maturing August 1, 200B, secured by a ministerial guarantee from Indian and Northern Affairs Canada and a first mortgage on nine housing units	294,603	308,779
Lease payable with payments of \$790 per month including interest at 7.65% per annum, secured by vehicles	8,356	16,830
<u>Amounts repayable upon settlement of land claim</u>	<u>2,000,001</u>	<u>1,591,126</u>
	6,645,256	6,485,876
<u>Less: Current Portion</u>	<u>1,630,227</u>	<u>212,866</u>
<u>Total Long-term Debt</u>	<u>5,015,029</u>	<u>6,273,010</u>

Scheduled principal reduction over the next five years is estimated as follows:

200X	517,305
200Y	578,774
200Z	137,192
200A	206,154
200B	137,123

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12. Tangible Capital Assets

Commercial Buildings	Residential Buildings	Vehicles	Furniture & Fixtures	Appliances	Computer Equip.	Other Equip.	Roads	Total 200X	Total 200W
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Cost

Opening Costs	9,836,385	7,723,223	1,047,204	152,336	63,139	230,233	1,212,818	2,028,041	22,293,379	21,613,484
Additions	284,000	62,500	96,000	47,700	23,839	76,300	4,500	133,000	727,839	826,489
Disposals	---	---	147,565	---	---	15,200	---	---	162,765	146,594
Closing Costs	10,120,385	7,785,723	995,639	200,036	86,978	291,333	1,217,318	2,161,041	22,858,453	22,293,379

Accumulated Amortization

Opening Accumulated	4,797,122	2,366,857	646,109	113,865	51,119	177,180	636,510	1,172,042	9,960,804	8,181,234
Disposals	---	---	41,170	---	---	15,200	---	---	56,370	65,430
Amortization Expense	506,000	389,250	301,200	40,000	17,600	98,550	405,400	108,000	1,866,000	1,845,000
Closing Accumulated Amortization	5,303,122	2,756,107	906,139	153,865	68,719	260,530	1,041,910	1,280,042	11,770,434	9,960,804

Net Book Value	4,817,263	5,029,616	89,500	46,171	18,259	30,803	175,408	880,999	11,088,019	12,332,575
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Opening Balance	5,039,263	5,356,366	401,095	38,471	12,020	53,053	576,308	855,999	12,332,575	13,432,250
Closing Balance	4,817,263	5,029,616	89,500	46,171	18,259	30,803	175,408	880,999	11,088,019	12,332,575
Increase (Decrease) in Net Book Value	(222,000)	(326,750)	(311,595)	7,700	6,239	(22,250)	(400,900)	25,000	(1,244,556)	(1,099,675)

13. Inventories of Supplies

	200X	200W
Fuel	43,974	39,809
Supplies	13,467	16,952
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Total Inventories of Supplies	57,441	56,761

14. Prepaid Expenses

	200X	200W
Insurance	32,679	31,874
Program supplies	28,774	26,923
Student tuition and allowances	71,827	52,693
<hr/>		
Total Prepaid Expenses	133,280	111,490

15. Contingencies

Lone Pine First Nation has entered into contribution agreements with various federal government departments. Funding received under these contribution agreements is subject to repayment if the First Nation fails to comply with the terms and conditions of the agreements.

16. Apartment Replacement and Subsidy Fund

Under the terms of the agreement with Canada Mortgage and Housing Corporation, Lone Pine First Nation must set aside funds annually for the repair, maintenance and replacement of worn out assets.

These funds are to be held in a separate bank account and invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as otherwise approved by the Canada Mortgage and Housing Corporation with any interest earned to be credited as revenue to the Apartment Replacement and Subsidy Fund.

17. Pension Agreement

The First Nation makes contributions to Sun Life Insurance Company on behalf of eligible members of its staff. The amount of retirement benefit to be received by the employees will be the amount of retirement annuity that could be purchased based on the member's share of the pension plan at the time of the member's withdrawal from the plan. During 200X Lone Pine contributed (\$XX,XXX) for retirement benefits.

18. Segment Disclosure

(Although segment information is reconciled to the consolidated financial statements, many of the numbers have been chosen for discussion purposes and may not represent the activity of Lone Pine First Nation government.)

Health		Education		Social		Economic Development	
200X	200W	200X	200W	200X	200W	200X	200W

Revenues

Federal Government	1,466,826	1,551,842	1,354,646	1,545,479	1,928,802	2,050,439	195,873	123,324
Provincial Government	---	---	149,870	123,150	149,871	123,151	---	---
Economic Activities	---	---	---	---	---	---	1,102,425	946,809
Net surplus of Enterprises	---	---	---	---	---	---	229,625	55,644
Other revenue	---	---	---	---	285,061	315,000	16,482	15,963
Total Revenue	1,466,826	1,551,842	1,504,516	1,668,629	2,363,734	2,488,590	1,544,405	1,141,740

Expenses

Salaries	563,479	542,863	678,040	636,052	729,480	694,360	267,803	241,358
Amortization	265,000	263,000	439,000	427,500	621,240	614,570	374,505	368,700
Debt Servicing	---	---	---	---	222,056	317,227	---	---
Other Expenses	650,118	640,825	460,037	489,848	1,132,929	1,138,480	291,218	284,293
Total Expenses	1,478,597	1,446,688	1,577,077	1,553,400	2,705,705	2,764,637	933,526	894,351

Annual Surplus (Deficit)	(11,771)	105,154	(72,561)	115,229	(341,971)	(276,047)	610,879	247,389
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Solutions to Exercises

(Tangible capital asset accounting is not in accordance with PS 3150. Therefore, balances for Amortization are not correct. Also, per PS 2700, description is required as to how the segments were chosen, the activities they comprise and allocation methods.)

Public Works		Band Government		Inter-segment Eliminations		Consolidated Totals	
200X	200W	200X	200W	200X	200W	200X	200W

Revenues

Federal Government	154,646	145,479	954,649	1,045,481	---	---	6,055,442	6,462,044
Provincial Government	---	---	---	---	---	---	299,741	246,301
Economic Activities	---	---	---	---	(230,000)	(210,000)	872,425	736,809
Net surplus of Enterprises	---	---	---	---	---	---	229,625	55,644
Other revenue	---	---	---	---	---	---	301,543	330,963
Total Revenue	154,646	145,479	954,649	1,045,481	(230,000)	(210,000)	7,758,776	7,831,761

Expenses

Salaries	---	---	486,740	465,340	---	---	2,725,542	2,579,973
Amortization	102,785	108,700	63,470	62,530	---	---	1,866,000	1,845,000
Debt Servicing	---	---	180,504	96,478	---	---	402,560	413,705
Other Expenses	---	---	436,714	696,868	(230,000)	(210,000)	2,741,016	3,040,314
Total Expenses	102,785	108,700	1,167,428	1,321,216	(230,000)	(210,000)	7,735,118	7,878,992

Annual Surplus (Deficit)	51,861	36,779	(212,779)	(275,735)	---	---	23,658	(47,231)
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Solutions to Exercises

19. Members' Equity

	200X	200W
Restricted		
Equity in Apartment Replacement and Subsidy Fund	230,446	210,478
Equity in Capital Improvements Fund	699,856	503,170
	<u>930,302</u>	<u>713,648</u>
Internally Restricted		
Equity in Capital Planning Fund	179,897	163,458
Equity in Education Fund	271,600	240,005
Equity in Economic Development Fund	79,246	189,369
	<u>530,743</u>	<u>592,832</u>
Unrestricted		
Equity in Capital Assets Fund	2,834,623	3,986,163
Equity in Social Housing Fund	2,694,550	2,771,374
Equity in Operating Fund	1,300,458	253,664
Equity in Enterprise Fund	3,913,793	3,879,612
	<u>10,743,424</u>	<u>10,890,813</u>
Equity in Trust Funds held by federal government	346,947	330,465
Total Members' Equity	<u>12,551,416</u>	<u>12,527,758</u>

SCHEDULES

Schedule 1 – Capital Assets Fund

(Because there is no requirement in GAAP for this disclosure, details for this schedule have not been provided in the workshop solution. Disclosure is at the discretion of the reporting entity.)

Schedule 2 – Social Housing Fund

(Because there is no requirement in GAAP for this disclosure, details for this schedule have not been provided in the workshop solution. Disclosure is at the discretion of the reporting entity.)

Schedule 3 – Operating Fund

(Because there is no requirement in GAAP for this disclosure, details for this schedule have not been provided in the workshop solution. Disclosure is at the discretion of the reporting entity.)

Schedule 4 – Enterprise Fund

(Because there is no requirement in GAAP for this disclosure, details for this schedule have not been provided in the workshop solution. Disclosure is at the discretion of the reporting entity.)

Schedule 5 – Apartment Replacement and Subsidy Fund

(Because there is no requirement in GAAP for this disclosure, details for this schedule have not been provided in the workshop solution. Disclosure is at the discretion of the reporting entity.)

Schedule 6 – Capital Improvements Fund

(Because there is no requirement in GAAP for this disclosure, details for this schedule have not been provided in the workshop solution. Disclosure is at the discretion of the reporting entity.)

Schedule 7 – Capital Planning Fund

(Because there is no requirement in GAAP for this disclosure, details for this schedule have not been provided in the workshop solution. Disclosure is at the discretion of the reporting entity.)

Schedule 8 – Education Fund

(Because there is no requirement in GAAP for this disclosure, details for this schedule have not been provided in the workshop solution. Disclosure is at the discretion of the reporting entity.)

Schedule 9 – Economic Development Fund

(Because there is no requirement in GAAP for this disclosure, details for this schedule have not been provided in the workshop solution. Disclosure is at the discretion of the reporting entity.)