

**Telecommunications and Informatics Common Services  
Revolving Fund**

**Financial Statements  
March 31, 2005**

May 27, 2005

**Auditors' Report**

**To the Director General, Audit and Ethics Branch  
Public Works and Government Services Canada**

We have audited the statement of financial position of the **Telecommunications and Informatics Common Services Revolving Fund** as at March 31, 2005, the statements of operations, net assets (liabilities) and cash flows for the year then ended. These financial statements are the responsibility of the management of the Telecommunications and Informatics Common Services Revolving Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Telecommunications and Informatics Common Services Revolving Fund as at March 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting as disclosed in note 2 to the financial statements.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

## Telecommunications and Informatics Common Services Revolving Fund

### STATEMENT OF FINANCIAL POSITION

As at March 31

	2005	2004
<i>In thousands of dollars</i>		
<b>Assets</b>		
Current		
Accounts receivable		
Government of Canada	11,623	8,351
Outside parties	1,262	1,192
Other assets (note 3)	800	660
	<u>13,685</u>	<u>10,203</u>
Capital assets (note 4)	470	385
	<u>14,155</u>	<u>10,588</u>
<b>Liabilities and net liabilities</b>		
Current		
Accounts payable and accrued liabilities		
Government of Canada	198	348
Outside parties	13,802	8,677
Other liabilities	785	805
	<u>14,785</u>	<u>9,830</u>
Allowance for employee termination benefits	3,540	3,280
	<u>18,325</u>	<u>13,110</u>
<b>Net liabilities (note 5)</b>	<u>(4,170)</u>	<u>(2,522)</u>
	<u>14,155</u>	<u>10,588</u>

*The accompanying notes are an integral part of the financial statements.*

## Telecommunications and Informatics Common Services Revolving Fund

### STATEMENT OF OPERATIONS AND NET ASSETS (LIABILITIES)

For the year ended March 31

	2005	2004
<i>In thousands of dollars</i>		
<b>Revenues</b>	132,195	127,014
<b>Cost of sales</b>	94,548	91,840
<b>Cost of sales - amortization</b>	120	138
<b>Gross margin</b>	<u>37,527</u>	<u>35,036</u>
<b>Operating expenses</b>		
Salaries and employee benefits	15,624	16,177
Employee termination benefits	329	499
Professional and special services	12,349	10,733
Corporate and administrative services	1,082	1,035
Occupancy costs	801	762
Transportation and telecommunications	507	486
Utilities, materials and supplies	389	315
Amortization	98	84
Rentals	24	41
Information	21	22
Purchased repairs and maintenance	17	140
Other expenses	7	19
	<u>31,248</u>	<u>30,313</u>
<b>Net results</b>	6,279	4,723
<b>Net assets (liabilities), beginning of year</b>	(2,522)	4 447
Net financial resources provided and change in the accumulated net charge against the Fund's authority account, during the year	(5,398)	(11 692)
Contribution to the transformation initiative (note 1)	<u>(2,529)</u>	-
<b>Net liabilities, end of year</b>	<u>(4,170)</u>	<u>(2,522)</u>

*The accompanying notes are an integral part of the financial statements.*

## Telecommunications and Informatics Common Services Revolving Fund

### STATEMENT OF CASH FLOWS

For the year ended March 31

	2005	2004
<i>In thousands of dollars</i>		
<b>Operating activities</b>		
Net results	6,279	4,723
Items not affecting use of the Fund's authority		
Amortization	218	222
Provision for employee termination benefits	329	499
	<u>6,826</u>	<u>5,444</u>
Changes in working capital (note 7)	1,473	6,514
Payments on provision for employee termination benefits	(69)	(92)
<b>Net financial resources provided by operating activities</b>	<u>8,230</u>	<u>11,866</u>
<b>Investing activities</b>		
Capital assets - acquisitions	(303)	(174)
Contribution to the transformation initiative (note 1)	(2,529)	-
<b>Net financial resources used by investing activities</b>	<u>(2,832)</u>	<u>(174)</u>
<b>Net financial resources provided and change in the accumulated net charge against the Fund's authority account, during the year</b>	5,398	11,692
<b>Accumulated net charge against the Fund's authority, beginning of year</b>	<u>22,065</u>	<u>10,373</u>
<b>Accumulated net charge against the Fund's authority, end of year (note 5)</b>	<u>27,463</u>	<u>22,065</u>

*The accompanying notes are an integral part of the financial statements.*

# Telecommunications and Informatics Common Services Revolving Fund

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

### 1. AUTHORITY AND PURPOSE

The Government Telecommunications Agency (GTA) Revolving Fund was established in 1963 to plan and provide telecommunications facilities and services for federal departments and agencies. Section 5.2 of the *Revolving Funds Act* authorizes the Minister to make payments out of the Consolidated Revenue Fund for working capital, capital equipment and temporary financing of operating requirements, the total of which was not to exceed \$8,000,000 at any time. The authority was increased intermittently over the years. In 1991-1992, the authority was increased by \$34,000,000, which brought the authority to \$64,000,000 as per *Appropriation Act No. 4, 1991-92* which was repealed in 1996 and replaced by section 5.5 of the *Revolving Funds Act*. As per Treasury Board decision #827175, on April 1, 1999 the draw down authority of the GTIS Revolving Fund was reduced from \$64,000,000 to \$45,000,000 and the accumulated surplus was reduced by \$20,000,000.

In 2001-2002, in accordance with Section 12 of the *Revolving Funds Act*, and through the 2001-2002 Supplementary Estimates (B) (Treasury Board decision #829420 dated December 6, 2001), the draw down authority of the Fund was reduced from \$45,000,000 to \$20,000,000.

As part of the restructuring announced June 25, 1993, GTA was merged with the informatics groups from the former Supply and Services Canada (SSC) and Public Works Canada (PWC) to form what was called Government Telecommunications and Informatics Services (GTIS). As of April 1, 1994, all balances in the GTA Revolving Fund were transferred to the GTIS Revolving Fund. The 1998-1999 Planning, Reporting and Accountability Structure (PRAS) exercise transferred the activities providing internal support to PWGSC from the GTIS Revolving Fund to the Vote effective April 1, 1998.

In 2002-2003, the Revolving Fund changed its name to Telecommunications and Informatics Common Services Revolving Fund.

In 2004-2005 the fund received an authorization (Treasury Board decision #831746 dated January 31st, 2005) to use a portion of their accumulated surplus in order to contribute to the transformation planning and development of IT products, services, systems and infrastructure initiative for a maximum amount of \$12,664,240 (\$5,704,220 in 2004-2005; \$6,960,020 in 2005-2006). This initiative will be tapped to build increased shared services capacity to meet the department's growing service for this type of requirement and thus benefit directly the Revolving Fund contributing client departments. The actual costs paid to the Information Technology Services Branch (ITSB) in 2004-2005 were \$2,528,518.

# Telecommunications and Informatics Common Services Revolving Fund

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector.

The significant accounting policies are as follows:

**a) Use of estimates**

The preparation of financial statements in accordance with the reporting requirements for Revolving Funds described by the Receiver General for Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

**b) Revenues and expenses**

Revenues and expenses are recorded on the accrual basis of accounting.

**c) Inventories**

Inventories are valued at the lower of cost or the net realization value and are recorded on a first-in, first-out basis.

**d) Capital assets**

Assets having a purchase cost of \$10,000 or more are capitalized. Capital assets are stated at cost and are amortized on a straight line basis over the estimated useful economic lives as follows:

<b>Category</b>	<b>Estimated useful economic lives</b>
Informatics hardware	3 years
Informatics software	3 years

Assets are amortized commencing the month after acquisition.

**e) Pension plan**

Employees are covered by the *Public Service Superannuation Act* and the *Supplementary Retirement Benefits Act*. The Government of Canada's portion of the pension cost is included in the employee benefit charge assessed against the Fund. The actual payment of the pension is made from the Public Service Superannuation and Supplementary Retirement Benefits Accounts.

# Telecommunications and Informatics Common Services Revolving Fund

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### f) Employee termination benefits, vacation pay and time-off in lieu

Termination benefits accrue to employees over their years of service with the Government of Canada as provided for under collective agreements, and the estimated costs of these benefits are recorded in the accounts as they are earned by the employees.

An accrual was made for severance entitlements on service prior to April 1, 1994. This accrual represents a net liability assumed by the Fund and thus was charged to the Fund's accumulated net charge against the Fund's authority.

The liability for vacation pay and compensatory leave is calculated at the salary levels in effect at the end of the year for all unused vacation pay and time-off in lieu benefits accruing to employees.

#### g) Insurance

The fund does not carry insurance on its property. This is consistent with the Government's policy of self-insurance.

### 3. OTHER ASSETS

*In thousands of dollars*

	2005	2004
Goods and Services Tax refundable advances	799	654
Prepaid expenses	1	6
	800	660



## Telecommunications and Informatics Common Services Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

#### 4. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

*In thousands of dollars*

<b>Capital assets</b>	Balance beginning of year	Acquisitions	Balance end of year
Informatics hardware	1,345	303	1,648
Informatics software	146	-	146
	1,491	303	1,794
<b>Accumulated amortization</b>	Balance beginning of year	Current year amortization	Balance end of year
Informatics hardware	1,029	173	1,202
Informatics software	77	45	122
	1,106	218	1,324
<b>Net</b>	385		470

#### 5. NET LIABILITIES

*In thousands of dollars*

	2005	2004
Accumulated net charge against the Fund's authority	(27,463)	(22,065)
Accumulated surplus, beginning of year	19,543	14,820
Net results	6,279	4,723
Contribution to the transformation initiative (note 1)	(2,529)	-
Accumulated surplus, end of year	23,293	19,543
	(4,170)	(2,522)

## Telecommunications and Informatics Common Services Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

#### 6. CONTRACTUAL OBLIGATIONS

The Fund is engaged in contracts with telecommunications suppliers. Future payments are as follows:

*In thousands of dollars*

Year ending March 31, 2006	15,546
2007	3,696
2008	1,270
	<hr/> 20,512 <hr/>

#### 7. CHANGES IN WORKING CAPITAL

*In thousands of dollars*

	2005	2004	Changes
Current assets	13,685	10,203	(3,482)
Current liabilities	14,785	9,830	4,955
			<hr/> 1,473 <hr/>

#### 8. FINANCIAL INSTRUMENTS

The Revolving Fund's financial instruments consist of accounts receivable and accounts payable. The carrying values of these financial instruments approximate their fair value because of their short terms to maturity. Unless otherwise noted, it is management's opinion that the Revolving Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments.