

Optional Services Revolving Fund

Financial Statements
March 31, 2005

June 10, 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 **Optional 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 Optional 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 Optional 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

Optional Services Revolving Fund

STATEMENT OF FINANCIAL POSITION

As at March 31

	2005	2004
<i>In thousands of dollars</i>		
Assets		
Current		
Cash in transit	-	1,028
Accounts receivable		
Government of Canada	1,402	2,017
Outside parties	2,156	3,585
Other assets (note 3)	108	65
	<u>3,666</u>	<u>6,695</u>
Capital assets (note 4)	-	1,717
	<u>3,666</u>	<u>8,412</u>
Liabilities and net assets (liabilities)		
Current		
Accounts payable and accrued liabilities		
Government of Canada	45	766
Outside parties	2,413	7,376
Other liabilities	196	311
	<u>2,654</u>	<u>8,453</u>
Allowance for employee termination benefits	820	1,633
	<u>3,474</u>	<u>10,086</u>
Net assets (liabilities) (note 5)	<u>192</u>	<u>(1,674)</u>
	<u>3,666</u>	<u>8,412</u>

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

Optional Services Revolving Fund

STATEMENT OF OPERATIONS AND NET ASSETS (LIABILITIES)

For the year ended March 31

	2005	2004
<i>In thousands of dollars</i>		
Revenues (note 7)	80,960	98,939
Direct costs	72,327	83,760
Gross margin	8,633	15,179
Operating expenses		
Salaries and employee benefits	3,099	6,356
Employee termination benefits	13	357
Professional and special services	1,092	2,240
Occupancy costs	452	874
Corporate and administrative services	176	587
Amortization	-	395
Transportation and telecommunications	176	362
Utilities, materials and supplies	147	176
Interest on draw down	29	125
Purchased repairs and maintenance	206	116
Information	38	36
Rentals	18	34
Other expenses	27	92
	5,473	11,750
Net results	3,160	3,429
Net assets (liabilities), beginning of year	(1,674)	3,685
Transfer of activities (note 10)	190	-
Net financial resources provided and change in the accumulated net charge against the Fund's authority account, during the year	(1,484)	(8,788)
Net assets (liabilities), end of year	192	(1,674)

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

Optional Services Revolving Fund

STATEMENT OF CASH FLOWS

For the year ended March 31

	2005	2004
<i>In thousands of dollars</i>		
Operating activities		
Net results	3,160	3,429
Items not affecting use of the Fund's authority		
Amortization	-	395
Provision for employee termination benefits	13	357
	<u>3,173</u>	<u>4,181</u>
Changes in working capital (note 8)	(1,828)	4,796
Payments on provision for employee termination benefits	<u>(26)</u>	<u>(189)</u>
Net financial resources provided by operating activities	<u>1,319</u>	<u>8,788</u>
Investing activities		
Capital assets - adjustments (note 4)	<u>165</u>	-
Net financial resources provided by investing activities	<u>165</u>	-
Net financial resources provided and change in the accumulated net charge against the Fund's authority account, during the year	<u>1,484</u>	<u>8,788</u>
Accumulated net charge against the Fund's authority, beginning of year	5,245	(3,543)
Transfer of activities (note 10)	<u>(1,727)</u>	-
	<u>3,518</u>	<u>(3,543)</u>
Accumulated net charge against the Fund's authority, end of year (note 5)	<u>5,002</u>	<u>5,245</u>

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

Optional Services Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

1. AUTHORITY AND PURPOSE

The Optional Services Revolving Fund (OSRF) was established under *Appropriation Act No.4, 1991-92* which was repealed in 1996 and replaced by Section 5.5 of the *Revolving Funds Act*. The operation of the Fund is for the purpose of Section 6(a) of the *Department of Public Works and Government Services Act* in respect of the acquisition and provision of articles, supplies, machinery, equipment and other materials; and Section 6(b) in respect of the acquisition and provision of printing and publishing services. Treasury Board approved the following programs as part of the OSRF mandate: the systems' Benchmarking and Software Brokerage Programs; the Vaccine Program; the Government Travel Service; and for the recording of the Cost of Product of Traffic Management and the Buy for Lease Program. The aggregate of expenditures made for the purposes of the Fund shall not at any time exceed by more than \$200,000,000 the revenues received in respect of the purposes of the Fund.

In 2001-02, in accordance with Section 12 of the *Revolving Fund Act*, and through the 2001-2002 Supplementary Estimates (A) (Treasury Board decision #829023-1 dated October 25, 2001) the draw down authority of the Fund was reduced from \$200,000,000 to \$75,000,000 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 \$75,000,000 to \$35,000,000. The Treasury Board decision #829420 also authorized the write off of \$22,700,000 of the net draw down authority used as of March 31, 2002.

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.

Optional Services Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) 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 their estimated useful economic lives as follows:

Category	Estimated useful economic life
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years

Assets are amortized commencing the month after acquisition.

d) 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.

e) 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, 1992. This accrual represented 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.

f) Insurance

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

Optional Services Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

3. OTHER ASSETS

In thousands of dollars

	2005	2004
Goods and Services Tax refundable advances	106	63
Other advances	2	2
	108	65

4. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

In thousands of dollars

Capital assets	Balance beginning of year	Transfer of activities (note 10)	Balance beginning of year adjusted	Adjustments	Balance end of year
Informatics hardware	129	-	129	93	36
Informatics software	2,070	1,940	130	130	-
	2,199	1,940	259	223	36

Accumulated amortization	Balance beginning of year	Transfer of activities (note 10)	Balance beginning of year adjusted	Adjustments	Balance end of year
Informatics hardware	94	-	94	58	36
Informatics software	388	388	-	-	-
	482	388	94	58	36
Net	1,717	1,552	165	165	-

Optional Services Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

5. NET ASSETS (LIABILITIES)

In thousands of dollars

	2005	2004
Accumulated net charge against the Fund's authority	(5,002)	(5,245)
Accumulated surplus, beginning of year	3,571	142
Net results	3,160	3,429
Transfer of activities (note 10)	(1,537)	-
Accumulated surplus, end of year	5,194	3,571
	192	(1,674)

6. CONTRACTUAL OBLIGATIONS

The fund is engaged in contractual obligations for Optional Services. Future payments are as follows:

In thousands of dollars

Year ending March 31, 2006	452
2007	452
2008	452
2009	75
	1,431

Optional Services Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

7. REVENUES

In thousands of dollars

	2005	2004
Vaccine program recoveries	39,862	34,224
Traffic management recoveries	31,020	42,265
Locally shared support services centres sales	6,468	6,932
Communication, printing and audio-visual recoveries	3,566	2,203
Benchmarking program	44	-
Software brokerage program recoveries	-	8,515
Crown assets distribution centres sales	-	4,800
	80,960	98,939

8. CHANGES IN WORKING CAPITAL

In thousands of dollars

	2005	2004		Balance end of year adjusted	Changes
	Balance end of year	Balance end of year	Transfer of activities (note 10)		
Current assets	3,666	6,695	119	6,576	2,910
Current liabilities	2,654	8,453	1,061	7,392	(4,738)
					(1,828)

9. FINANCIAL INSTRUMENTS

The Revolving Fund's financial instruments consist of cash in transit, 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.

Optional Services Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

10. TRANSFER OF ACTIVITIES

Effective April 1, 2004, as per TB decision # 827891, the operations and costs associated with Crown Assets Distribution (CAD) were transferred from the Optional Services Revolving Fund into the Government Services Program Operating Expenditures Vote. The assets and liabilities were transferred in the current year at their net book value as at April 1, 2004, after closing adjustments, as shown in the statement of financial position below:

In thousands of dollars

Net book value

Statement of financial position

Assets

Current assets	119
Capital assets	<u>1,552</u>
	<u>1,671</u>

Liabilities

Current liabilities	1,061
Allowance for employee termination benefits	<u>800</u>
	<u>1,861</u>

Net assets (liabilities)

Accumulated net charge against the Fund's authority	(1,727)
Accumulated surplus	<u>1,537</u>
	<u>(190)</u>

Statement of operations

Revenues	4,800
Expenses	<u>5,578</u>
Net results	<u>(778)</u>