

Financial Statements

Translation Bureau Revolving Fund

March 31, 2004



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 **Translation Bureau Revolving Fund** as at March 31, 2004 and the statements of operations, accumulated surplus and cash flows for the year then ended. These financial statements have been prepared to comply with section 4 of the Treasury Board of Canada's Policy on Special Revenue Spending Authorities. These financial statements are the responsibility of the management of the **Translation Bureau 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 **Translation Bureau Revolving Fund** at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies as described in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the management of the Revolving Fund and the Treasury Board of Canada Secretariat for reporting on the use of the Fund authority. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Ottawa, Canada,
June 7, 2004.

Ernst & Young LLP

Chartered Accountants



Translation Bureau Revolving Fund

STATEMENT OF FINANCIAL POSITION

As at March 31

	2004	2003
<i>In thousands of dollars</i>		
Assets		
Current		
Cash	120	166
Accounts receivable		
Government of Canada (note 3)	46,634	17,526
Outside parties	646	556
Other assets (note 4)	304	3,585
	<u>47,704</u>	<u>21,833</u>
Deferred employee termination benefits	14,051	14,674
Capital assets (note 5)	8,865	4,406
	<u>70,620</u>	<u>40,913</u>
Liabilities		
Current		
Accounts payable and accrued liabilities		
Government of Canada (note 3)	5,280	2,940
Outside parties (note 3)	29,286	14,632
Other liabilities	4,046	4,390
	<u>38,612</u>	<u>21,962</u>
Allowance for employee termination benefits	29,626	27,461
	<u>68,238</u>	<u>49,423</u>
Equity of Canada		
Accumulated net charge against the Fund's authority	(4,255)	(14,745)
Accumulated surplus	6,637	6,235
	<u>2,382</u>	<u>(8,510)</u>
	<u>70,620</u>	<u>40,913</u>

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



Translation Bureau Revolving Fund

STATEMENT OF OPERATIONS

For the year ended March 31

	2004	2003
<i>In thousands of dollars</i>		
Revenues (note 7)	226,882	198,585
Operating expenses		
Salaries and employee benefits	153,167	120,231
Professional and special services	40,644	43,624
Corporate and administrative services	8,222	8,282
Occupancy costs	8,193	7,070
Utilities, materials and supplies	5,347	9,372
Transportation and telecommunications	3,867	4,839
Employee termination benefits	3,872	2,337
Purchased repair and maintenance	1,416	776
Amortization	1,218	861
Information	315	329
Rentals	193	196
Bad debts	3	
Other expenditures	23	24
	<u>226,480</u>	<u>197,941</u>
Net income	<u>402</u>	<u>644</u>

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



Translation Bureau Revolving Fund

STATEMENT OF ACCUMULATED SURPLUS

For the year ended March 31

	2004	2003
<i>In thousands of dollars</i>		
Balance, beginning of year	6,235	5,591
Net income	402	644
Balance, end of year	<u>6,637</u>	<u>6,235</u>

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



Translation Bureau Revolving Fund

STATEMENT OF CASH FLOWS

For the year ended March 31

	2004	2003
<i>In thousands of dollars</i>		
Operating activities		
Net income	402	644
Items not affecting use of the Fund's authority		
Amortization	1,218	861
Provision for employee termination benefits	3,872	2,337
	<u>5,492</u>	<u>3,842</u>
Changes in working capital (note 8)	<u>(9,221)</u>	<u>2,376</u>
Changes in other assets and liabilities		
Receipts on deferred employee termination benefits	623	492
Payments on provision for employee termination benefits	(1,707)	(876)
	<u>(1,084)</u>	<u>(384)</u>
Net financial resources provided (used) by operating activities	<u>(4,813)</u>	<u>5,834</u>
Investing activities		
Capital assets -acquisitions	<u>(5,677)</u>	<u>(1,511)</u>
Net financial resources used by investing activities	<u>(5,677)</u>	<u>(1,511)</u>
Net increase (decrease) in accumulated net charge against the Fund's authority	(10,490)	4,323
Accumulated net charge against the Fund's authority, beginning of year	<u>14,745</u>	<u>10,422</u>
Accumulated net charge against the Fund's authority, end of year	<u>4,255</u>	<u>14,745</u>

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



Translation Bureau Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

1. AUTHORITY AND PURPOSE

The Translation Bureau was established in 1934, when the *Translation Bureau Act* came into effect. In April 1993, Treasury Board approved the establishment of the Bureau as a Special Operating Agency effective April 1, 1995. This decision was confirmed in the 1994-95 Supplementary Estimates *D*.

The Revolving Fund was created on April 1, 1995 and accounts for the following services: translation, interpretation and terminology to clients. Pursuant to Section 29.1(2) of the *Financial Administration Act*, the Fund has a continuing non-lapsing authority to make expenditures out of the Consolidated Revenue Fund and to spend for the purposes of the Fund any revenues received for those purposes. The aggregate of expenditures made for the purposes of the Fund shall not at any time exceed by more than \$75 million the revenues received in respect of the purposes of the Fund.

Treasury Board (TB) decision #822560 dated February 22, 1995, TB decision #824299 dated July 10, 1996 and TB decision #825830 dated December 11, 1997 gave the Translation Bureau the authority to delete operating losses for the first six years of operating under the Revolving Fund. No amount was written-off in 2000-2001 nor in 1999-2000, since the Revolving Fund was showing a surplus.

In accordance with Section 29.1 of the *Financial Administration Act*, and through the 2001-2002 Supplementary Estimates B, (Treasury Board decision #829357 dated November 8, 2001), the drawdown authority was reduced from \$75,000,000 to \$10,000,000.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the reporting requirements for revolving funds described by the Receiver General for Canada. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles because:

- The services received without charge from other government departments are not reported as expenses;
- The expenses and liability for employee termination benefits excludes the portion not funded by the Fund; the liabilities for employee termination benefits are based on management's estimates rather than actuarial valuation; also vacation pay and time-off in lieu are based on management's estimates; and
- The contributions to the Pension plan are based on Treasury Board's rates representing an estimate of what the cost is likely to be for the Government in the upcoming year; also actuarial surpluses or deficiencies are not accounted for in the Fund.

Translation Bureau Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The significant accounting policies are as follows:

a) **Revenues and expenses**

Revenues and costs on contracts are accounted for by the percentage of completion method based on expenses incurred. Revenue is recorded at the estimated realizable value of work completed to date. Revenues are recognized in the current year of billings. Expenses are recorded on the accrual basis of accounting.

b) **Capital assets**

Assets having a purchase cost of \$10,000 or more are capitalized. Capital assets consisting of machinery and equipment, informatics hardware and informatics software are stated at cost and are amortized on a straight line basis over the estimated economic life commencing the month after acquisition.

Category	Estimated useful economic lives
Machinery and Equipment	10 to 15 years
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years

c) **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 fringe benefit charge assessed against the Fund. The actual payment of the pension is made from the Public Service Superannuation and Supplementary Retirement Benefits Accounts.

d) **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 is made for severance entitlements on service prior to April 1, 1995. The asset account "Deferred Employee Termination Benefits" represents benefits earned prior to April 1, 1995. The account is drawn down as benefits are paid to the related employees and become recoverable from the Treasury Board. The Treasury Board will continue to reimburse for termination benefits paid by the Bureau, for service prior to April 1, 1995,

Translation Bureau Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

until March 31, 2010. After March 31, 2010, the Treasury Board has no further obligation to reimburse for benefits paid.

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.

e) Insurance

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

3. RECOVERY OF COLLECTIVE BARGAINING AGREEMENT

The fund received an authorization after March 31, 2004 from Treasury Board through the Access to Vote 5 of \$28,326,000 (\$25,920,00 relating to pay equity; \$2,406,000 relating to collective bargaining) upon signing the Translators' collective agreement dated February 23, 2004. An accounts receivable of \$28,326,000 and an accounts payable of \$22,328,800 relating to previous years' pay equity and collective bargaining, which were paid after March 31, 2004 was accounted for in the fiscal year 2003-2004 in the Statement of Financial Position and in the accounts shown below. The remaining amount of \$5,997,200 was paid in the current fiscal year.

In thousands of dollars

Accounts receivable -Government of Canada	
Regular	18,308
Recovery of collective bargaining agreement	28,326
	<u>46,634</u>
Accounts payable and accrued liabilities -Outside parties	
Regular	11,787
Recovery of collective bargaining agreement	17,499
	<u>29,286</u>
Accounts payable and accrued liabilities -Government of Canada	
Regular	450
Recovery of collective bargaining agreement	4,830
	<u>5,280</u>



Translation Bureau Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

4. OTHER ASSETS

In thousands of dollars

	2004	2003
Goods and services tax refundable advances	282	3,528
Other advances	22	57
	304	3,585

5. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

In thousands of dollars

Capital Assets	Balance beginning of year	Acquisitions	Disposals / adjustments	Balance end of year
Machinery and Equipment	51	63		114
Informatics hardware	1,137	189		1,326
Informatics software	4,623	1,912		6,535
Leasehold Improvements		3,513		3,513
	5,811	5,677		11,488

Accumulated Amortization	Balance beginning of year	Current year amortization	Disposals / adjustments	Balance end of year
Machinery and Equipment	21	10		31
Informatics hardware	576	201		777
Informatics software	808	1,007		1,815
	1,405	1,218		2,623
Net	4,406			8,865



Translation Bureau Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

6. CONTRACTUAL COMMITMENTS

The fund leases its premises under operating leases. Future lease payments are as follows:

In thousands of dollars

2004-2005	9,219
2005-2006	8,234
2006-2007	6,261
2007-2008	5,228
2008-2009	2,455
	<u>31,397</u>

7. REVENUES

In thousands of dollars

	2004	2003
Translation services	194,139	193,700
Recovery of collective bargaining agreement	28,326	
Interpretation services	3,113	3,989
Termium sales	857	770
Other	447	126
	<u>226,882</u>	<u>198,585</u>

8. CHANGES IN WORKING CAPITAL

In thousands of dollars

	2004	2003	Changes
Current assets	47,704	21,833	(25,871)
Current liabilities	38,612	21,962	16,650
			<u>(9,221)</u>



Translation Bureau Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

9. FINANCIAL INSTRUMENTS

The Revolving Fund's financial instruments consist of accounts receivable, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate 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.

10. 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.

