

**Telecommunications and Informatics Common Services  
Revolving Fund**

**Financial Statements  
March 31, 2004**

May 31, 2004

PricewaterhouseCoopers LLP  
Chartered Accountants  
99 Bank Street  
Suite 700  
Ottawa, Ontario  
Canada K1P 1K6  
Telephone +1 (613) 237 3702  
Facsimile +1 (613) 237 3963

**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, 2004, 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 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, 2004 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.

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 Telecommunications and Informatics Common Services 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.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

## Telecommunications and Informatics Common Services Revolving Fund

### STATEMENT OF FINANCIAL POSITION

As at March 31

	2004	2003
<i>In thousands of dollars</i>		
<b>Assets</b>		
Current		
Accounts receivable		
Government of Canada	8,351	9,467
Outside parties	1,192	719
Other assets (note 3)	660	6,550
	<u>10,203</u>	<u>16,736</u>
Capital assets (note 4)	385	433
	<u>10,588</u>	<u>17,169</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities		
Government of Canada	348	257
Outside parties	8,677	8,861
Other liabilities	805	731
	<u>9,830</u>	<u>9,849</u>
Allowance for employee termination benefits	3,280	2,873
	<u>13,110</u>	<u>12,722</u>
<b>Equity of Canada</b>		
Accumulated net charge against the Fund's authority	(22,065)	(10,373)
Accumulated surplus	19,543	14,820
	<u>(2,522)</u>	<u>4,447</u>
	<u>10,588</u>	<u>17,169</u>

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

## Telecommunications and Informatics Common Services Revolving Fund

### STATEMENT OF OPERATIONS

For the year ended March 31

	2004	2003
<i>In thousands of dollars</i>		
<b>Revenues</b>	127,014	115,450
<b>Cost of sales</b>	91,840	84,134
<b>Cost of sales - amortization</b>	138	89
	<u>35,036</u>	<u>31,227</u>
<b>Operating expenses</b>		
Salaries and employee benefits	16,177	14,444
Employee termination benefits	499	241
Professional and special services	10,733	12,414
Corporate and administrative services	1,035	1,027
Occupancy costs	762	858
Transportation and communications	486	630
Utilities, materials and supplies	315	640
Purchased repair and maintenance	140	58
Amortization	84	78
Rentals	41	66
Information	22	34
Other expenses	19	28
	<u>30,313</u>	<u>30,518</u>
<b>Net income</b>	<u>4,723</u>	<u>709</u>

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

## Telecommunications and Informatics Common Services Revolving Fund

### STATEMENT OF ACCUMULATED SURPLUS

For the year ended March 31

	2004	2003
<i>In thousands of dollars</i>		
<b>Balance, beginning of year</b>	14,820	14,111
Net income	4,723	709
<b>Balance, end of year</b>	<u>19,543</u>	<u>14,820</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

	2004	2003
<i>In thousands of dollars</i>		
<b>Operating activities</b>		
Net income	4,723	709
Items not affecting use of the Fund's authority		
Amortization	222	167
Provision for employee termination benefits	499	241
	<u>5,444</u>	<u>1,117</u>
Changes in working capital (note 6)	6,514	(4,369)
Payments on provision for employee termination benefits	(92)	(122)
<b>Net financial resources provided (used) by operating activities</b>	<u>11,866</u>	<u>(3,374)</u>
<b>Investing activities</b>		
Capital assets - acquisitions	(174)	(434)
<b>Net financial resources used by investing activities</b>	<u>(174)</u>	<u>(434)</u>
<b>Net increase (decrease) in accumulated net charge against the Fund's authority</b>	11,692	(3,808)
<b>Accumulated net charge against the Fund's authority, beginning of year</b>	<u>10,373</u>	<u>14,181</u>
<b>Accumulated net charge against the Fund's authority, end of year</b>	<u>22,065</u>	<u>10,373</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, 2004**

#### **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 1998-99 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.

#### **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;

## Telecommunications and Informatics Common Services Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

The significant accounting policies are as follows:

**a) Revenues and expenses**

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

**b) Inventories**

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

**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 the estimated useful economic lives as follows:

Category	Estimated useful economic lives
Informatics hardware	3 years
Informatics software	3 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 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.



## Telecommunications and Informatics Common Services Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 is 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.

**f) 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*

	2004	2003
Goods and Services Tax refundable advances	654	6,528
Prepaid expenses	6	22
	660	6,550

## Telecommunications and Informatics Common Services Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

#### 4. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

*In thousands of dollars*

<b>Capital Assets</b>	Balance beginning of year	Acquisitions	Disposals / adjustments	Balance end of year
Informatics hardware	1,219	126		1,345
Informatics software	98	48		146
	1,317	174		1,491

  

<b>Accumulated Amortization</b>	Balance beginning of year	Current year amortization	Disposals / adjustments	Balance end of year
Informatics hardware	857	172		1,029
Informatics software	27	50		77
	884	222		1,106

  

<b>Net</b>	433			385
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#### 5. CONTRACTUAL COMMITMENTS

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

*In thousands of dollars*

2004-2005	91,451
2005-2006	11,077
2006-2007	44
	102,572

#### 6. CHANGES IN WORKING CAPITAL

*In thousands of dollars*

	2004	2003	Changes
Current assets	10,203	16,736	6,533
Current liabilities	9,830	9,849	(19)
			6,514

## **Telecommunications and Informatics Common Services Revolving Fund**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended March 31, 2004**

#### **7. COMPARATIVE FIGURES**

Certain of the prior years' figures have been reclassified in order to conform to the presentation adopted in the current year.

#### **8. 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.

#### **9. 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 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.