

# **Translation Bureau 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 **Translation Bureau 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 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 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.

The financial statements as at March 31, 2004 and for the year then ended were reported on by other auditors, who expressed an opinion on those statements in their report dated June 7, 2004.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

## Translation Bureau Revolving Fund

### STATEMENT OF FINANCIAL POSITION

As at March 31

	2005	2004
<i>In thousands of dollars</i>		
<b>Assets</b>		
Current		
Cash	164	120
Accounts receivable		
Government of Canada	22,854	46,634
Outside parties	551	646
Other assets (note 3)	346	304
	<u>23,915</u>	<u>47,704</u>
Deferred employee termination benefits	12,902	14,051
Capital assets (note 4)	9,438	8,865
	<u>46,255</u>	<u>70,620</u>
<b>Liabilities and net assets (liabilities)</b>		
Current		
Accounts payable and accrued liabilities		
Government of Canada	1,562	5,280
Outside parties	12,867	29,286
Other liabilities	4,344	4,046
	<u>18,773</u>	<u>38,612</u>
Allowance for employee termination benefits	30,509	29,626
	<u>49,282</u>	<u>68,238</u>
<b>Net assets (liabilities) (note 5)</b>	<u>(3,027)</u>	<u>2,382</u>
	<u>46,255</u>	<u>70,620</u>

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

## Translation Bureau 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 (note 7)</b>	199,678	226,882
<b>Operating expenses</b>		
Salaries and employee benefits	132,166	153,167
Employee termination benefits	2,719	3,872
Professional and special services	31,914	40,644
Occupancy costs	9,056	8,193
Corporate and administrative services	8,109	8,222
Transportation and telecommunications	3,472	3,867
Utilities, materials and supplies	2,943	5,347
Amortization	2,322	1,218
Purchased repairs and maintenance	668	1,416
Information	252	315
Rentals	156	193
Other expenditures	7	23
Bad debts	2	3
	<u>193,786</u>	<u>226,480</u>
<b>Net results</b>	5,892	402
<b>Net assets (liabilities), beginning of year</b>	2,382	(8,510)
Net financial resources used (provided) and change in the accumulated net charge against the Fund's authority account, during the year	<u>(11,301)</u>	<u>10,490</u>
<b>Net assets (liabilities), end of year</b>	<u><u>(3,027)</u></u>	<u><u>2,382</u></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

	2005	2004
<i>In thousands of dollars</i>		
<b>Operating activities</b>		
Net results	5,892	402
Items not affecting use of the Fund's authority		
Amortization	2,322	1,218
Provision for employee termination benefits	2,719	3,872
	<u>10,933</u>	<u>5,492</u>
Changes in working capital (note 8)	3,950	(9,221)
Receipts on deferred employee termination benefits	1,149	623
Payments on provision for employee termination benefits	<u>(1,836)</u>	<u>(1,707)</u>
<b>Net financial resources provided (used) by operating activities</b>	<u>14,196</u>	<u>(4,813)</u>
<b>Investing activities</b>		
Capital assets - acquisitions	<u>(2,895)</u>	<u>(5,677)</u>
<b>Net financial resources used by investing activities</b>	<u>(2,895)</u>	<u>(5,677)</u>
<b>Net financial resources provided (used) and change in the accumulated net charge against the Fund's authority account, during the year</b>	11,301	(10,490)
<b>Accumulated net charge against the Fund's authority beginning of year</b>	<u>4,255</u>	<u>14,745</u>
<b>Accumulated net charge against the Fund's authority end of year (note 5)</b>	<u>15,556</u>	<u>4,255</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, 2005

### 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 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.

## Translation Bureau Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

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

##### b) 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.

##### c) Capital assets

Assets having a purchase cost of \$10,000 (\$25,000 for leasehold improvements) 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. Leasehold improvements are amortized over the remaining life of the lease, or the useful life of the improvement, whichever is shorter.

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

##### 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, 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, 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.

## Translation Bureau Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

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

##### 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*

	2005	2004
Goods and Services Tax refundable advances	311	282
Other advances	35	22
	346	304

#### 4. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

*In thousands of dollars*

<b>Capital assets</b>	Balance beginning of year	Acquisitions	Balance end of year
Machinery and equipment	114	-	114
Informatics hardware	1,326	271	1,597
Informatics software	6,535	2,417	8,952
Assets under construction	-	207	207
Leasehold improvements	3,513	-	3,513
	11,488	2,895	14,383

  

<b>Accumulated amortization</b>	Balance beginning of year	Current year amortization	Balance end of year
Machinery and equipment	31	11	42
Informatics hardware	777	221	998
Informatics software	1,815	1,387	3,202
Leasehold improvements	-	703	703
	2,623	2,322	4,945

  

<b>Net</b>	8,865		9,438
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**Translation Bureau 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	(15,556)	(4,255)
Accumulated surplus, beginning of year	6,637	6,235
Net results	5,892	402
Accumulated surplus, end of year	12,529	6,637
	(3,027)	2,382

**6. CONTRACTUAL OBLIGATIONS**

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

*In thousands of dollars*

Year ending March 31, 2006	8,652
2007	7,203
2008	6,263
2009	2,722
2010 and thereafter	179
	25,019

**7. REVENUES**

*In thousands of dollars*

	2005	2004
Translation services	195,563	194,139
Recovery of collective bargaining agreement	-	28,326
Interpretation services	2,667	3,113
Termium sales	1,064	857
Others	384	447
	199,678	226,882

## Translation Bureau Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

#### 8. CHANGES IN WORKING CAPITAL

*In thousands of dollars*

	2005	2004	Changes
Current assets	23,915	47,704	23,789
Current liabilities	18,773	38,612	(19,839)
			3,950

#### 9. FINANCIAL INSTRUMENTS

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