

COURTS ADMINISTRATION SERVICE

Statement of Financial Position (Unaudited)

As at March 31

(in thousands of dollars)

2015

2014

Liabilities

Accounts payable and accrued liabilities (Note 4)	5,157	3,975
Vacation pay and compensatory leave	1,845	1,984
Deposit accounts (Note 5)	7,903	7,194
Employee future benefits (Note 6)	2,666	2,306
Total liabilities	17,571	15,459

Assets

Financial assets

Due from the Consolidated Revenue Fund	12,058	9,765
Accounts receivable and advances (Note 7)	1,095	1,561

Total gross financial assets	13,153	11,326
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Financial assets held on behalf of Government

Accounts receivable and advances (Note 7)	(791)	(979)
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Total net financial assets	12,362	10,347
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Departmental net debt	5,209	5,112
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Non-financial assets

Prepaid expenses	152	-
Tangible capital assets (Note 8)	7,605	7,522

Total non-financial assets	7,757	7,522
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Departmental net financial position

2,548

2,410

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

Original signed by

Daniel Gosselin, FCPA, FCA
Deputy Head
Chief Administrator

Original signed by

Francine Côté, CPA, CA, CISA
Chief Financial Officer
Deputy Chief Administrator, Corporate Services

Ottawa, Canada
July 22, 2015

COURTS ADMINISTRATION SERVICE

Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31

	Planned Results		
(in thousands of dollars)	2015	2015	2014
Expenses			
Judicial services	42,502	43,027	41,761
Registry services	33,276	32,106	31,164
Internal services	21,917	23,015	22,314
Expenses incurred on behalf of Government	-	1	(9)
Total Expenses	97,695	98,149	95,230
Revenues			
Filing fees	1,804	1,652	1,886
Employment Insurance Operating Account cost recoveries	2,042	727	940
Fines	908	121	85
Miscellaneous	96	97	107
Revenues earned on behalf of Government	(4,847)	(2,597)	(3,014)
Total Revenues	3	-	4
Net cost of operations before government funding and transfers	97,692	98,149	95,226
Government funding and transfers			
Net cash provided by Government		66,706	66,208
Change in due from Consolidated Revenue Fund		2,293	2,306
Services provided without charge by other government departments (Note 9)		30,824	29,579
Transfer of the transition payments for implementing salary payments in arrears (Note 10)		(1,536)	-
Net cost of operations after government funding and transfers		(138)	(2,867)
Departmental net financial position - Beginning of year		2,410	(457)
Departmental net financial position - End of year		2,548	2,410

Segmented information (Note 11)

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

COURTS ADMINISTRATION SERVICE

Statement of Change in Departmental Net Debt (*Unaudited*)

For the year ended March 31

(in thousands of dollars)	2015	2014
Net cost of operations after government funding and transfers	(138)	(2,867)
Change due to tangible capital assets		
Acquisition of tangible capital assets	1,641	1,750
Amortization of tangible capital assets	(1,547)	(1,052)
Proceeds from disposal of tangible capital assets	-	(11)
Net (loss) or gain on disposal of tangible capital assets including adjustments	(11)	(19)
Total change due to tangible capital assets	83	668
Change due to prepaid expenses	152	-
Net increase (decrease) in departmental net debt	97	(2,199)
Departmental net debt - Beginning of year	5,112	7,311
Departmental net debt - End of year	5,209	5,112

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

COURTS ADMINISTRATION SERVICE

Statement of Cash Flows (Unaudited)

For the year ended March 31

(in thousands of dollars)

	2015	2014
Operating activities		
Net cost of operations before government funding and transfers	98,149	95,226
Non-cash items:		
Amortization of tangible capital assets (Note 8)	(1,547)	(1,052)
Services provided without charge by other government departments (Note 9)	(30,824)	(29,579)
Gain (Loss) on disposal and write-down of tangible capital assets	(11)	(19)
Transition payments for implementing salary payments in arrears (Note 10)	1,536	-
Variations in Statement of Financial Position:		
Increase (decrease) in accounts receivable and advances	(278)	237
Increase (decrease) in prepaid expenses	152	-
(Increase) decrease in accounts payable and accrued liabilities	(1,182)	(815)
(Increase) decrease in vacation pay and compensatory leave	139	63
(Increase) decrease in deposit accounts	(709)	(418)
(Increase) decrease in employee future benefits	(360)	826
Cash used in operating activities	65,065	64,469
Capital investing activities		
Acquisitions of tangible capital assets (Note 8)	1,641	1,750
Proceeds from disposal of tangible capital assets	-	(11)
Cash used in capital investing activities	1,641	1,739
Net cash provided by Government of Canada	66,706	66,208

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

COURTS ADMINISTRATION SERVICE

Notes to the Financial Statements (*Unaudited*)

For the year ended March 31

1. Authority and objectives

The Courts Administration Service, which was established on July 2, 2003 by the *Courts Administration Service Act*, S.C. 2002, c.8, is responsible for providing administrative services to the Federal Court of Appeal, the Federal Court, the Court Martial Appeal Court of Canada and the Tax Court of Canada ("the Courts").

These services permit individuals, companies, organizations and the Government of Canada to submit disputes and other matters to the Courts, and enable the Courts to hear and resolve the cases before them fairly, without delay and as efficiently as possible.

The Courts Administration Service has three programs: to provide Judicial Services, to provide Registry Services and to provide Internal Services.

The Judicial Services program provides legal services and judicial administrative support to assist members of the Courts in the discharge of their judicial functions. These services are provided by legal counsel, judicial administrators, law clerks, jurilinguists, judicial assistants, library personnel and court attendants, under the direction of the four Chief Justices.

Registry Services are delivered under the jurisdiction of the Courts. The registries process legal documents, provide information to litigants on court procedures, maintain court records, participate in court hearings, support and assist in the enforcement of court orders, and work closely with the Office of the four Chief Justices to ensure that matters are heard, and decisions are rendered in a timely manner. Registry Services are offered in every province and territory through a network of permanent offices, and agreements with provincial and territorial partners.

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services, Communications Services, Legal Services, Human Resources Management Services, Financial Management Services, Information Management Services, Information Technology Services, Real Property Services, Materiel Services, Acquisition Services, and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

2. Summary of significant accounting policies

These financial statements have been prepared using the Government's accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Parliamentary authorities

The Courts Administration Service is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Courts Administration Service do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Departmental Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting.

COURTS ADMINISTRATION SERVICE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

2. Summary of significant accounting policies (continued)

(a) Parliamentary authorities (continued)

The planned results amounts in the "Expenses" and "Revenues" sections of the Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-Oriented Statement of Operations included in the *2014-15 Report on Plans and Priorities*. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the *2014-15 Report on Plans and Priorities*.

(b) Net cash provided by Government

The Courts Administration Service operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Courts Administration Service is deposited to the CRF, and all cash disbursements made by the Courts Administration Service are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

(c) Due from or to the Consolidation Revenue Fund (CRF)

Amounts due from or to the CRF are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the Courts Administration Service is entitled to draw from the CRF without further authorities to discharge its liabilities.

(d) Revenues

- Revenues consist primarily of filing fees and fines. It also includes Employment Insurance Operating Account cost recoveries, for presentation purposes (refer to last point below). All such revenue is non-respendable.
- All revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.
- Revenues that are non-respendable are not available to discharge the Courts Administration Service's liabilities. While the Deputy Head is expected to maintain accounting control, he has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government and are therefore presented as a reduction of the entity's gross revenues.
- Employment Insurance Operating Account cost recoveries: At the end of each fiscal year, the Courts Administration Service determines the cost associated with the administration of Employment Insurance (EI) cases. The total cost allocated by the Courts Administration Service for handling EI cases are expended against Employment and Social Development Canada, the department responsible for the Employment Insurance Operating Account. As such, the Department of Employment and Social Development would show an expense and the Courts Administration Service would show an equivalent non-respendable revenue item. The purpose of this accounting exercise is to reflect more accurately the total cost of running the EI program and does not involve any transfer of authorities or funds.

(e) Expenses

Expenses are recorded on the accrual basis.

- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment.
- Services provided without charge by other government departments for accommodation, employer contributions to the health and dental insurance plans and workers' compensation are recorded as operating expenses at their estimated cost.

COURTS ADMINISTRATION SERVICE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

2. Summary of significant accounting policies (continued)

(f) Employee future benefits

- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government. The Courts Administration Service's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The Courts Administration Service's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government, as the Plan's sponsor.
- Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivable

Accounts receivable are stated at the lower of cost and net recoverable value. A valuation allowance is recorded for accounts receivable where recovery is considered uncertain.

(h) Tangible capital assets

All tangible capital assets and leasehold improvements having an initial cost of \$5,000 or more are recorded at their acquisition cost. The Courts Administration Service does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian reserves and museum collections. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

<u>Asset class</u>	<u>Amortization Period</u>
Machinery and equipment	10 years
Computer hardware	3 years
Computer software	4 years
Furniture and fixtures	10 years
Vehicles	8 years
Leasehold improvements	Lesser of useful life or remainder of lease term

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

(i) Measurement uncertainty

The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

COURTS ADMINISTRATION SERVICE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

3. Parliamentary authorities

The Courts Administration Service receives its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, the Courts Administration Service has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year authorities used

(in thousands of dollars)	2015	2014
Net cost of operations before government funding and transfers	98,149	95,226
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Services provided without charge by other government departments	(30,824)	(29,579)
Amortization of tangible capital assets	(1,547)	(1,052)
Decrease (increase) in vacation pay and compensatory leave	139	63
Decrease (increase) in employee future benefits	(360)	826
Gain (Loss) on disposal and write-down of tangible capital assets	(11)	(19)
Refund of previous year expenditures	77	99
Adjustments of previous years payables at year-end (PAYE)	92	18
Other	105	11
Total items affecting net cost of operations but not affecting authorities	(32,329)	(29,633)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
Acquisition of tangible capital assets	1,641	1,750
Transition payments for implementing salary payments in arrears	1,536	-
Increase (decrease) in advances	1	-
Increase (decrease) in prepaid expenses	152	-
Total items not affecting net cost of operations but affecting authorities	3,330	1,750
Current year authorities used	69,150	67,343

(b) Authorities provided and used

(in thousands of dollars)	2015	2014
Authorities provided:		
Vote 1 - Program expenditures	65,557	65,090
Statutory authorities	7,018	7,057
	72,575	72,147
Less:		
Lapsed authorities	(3,425)	(4,792)
Authorities available for future years	-	(12)
Current year authorities used	69,150	67,343

COURTS ADMINISTRATION SERVICE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

4. Accounts payable and accrued liabilities

The following table presents details of the Courts Administration Service's accounts payable and accrued liabilities:

(in thousands of dollars)	2015	2014
Accounts payable - External parties	1,765	2,221
Accounts payable - Other government departments and agencies	642	493
	2,407	2,714
Accrued liabilities	2,750	1,261
	5,157	3,975

5. Deposit accounts

The Courts Administration Service maintains two deposit accounts on behalf of litigants before the Courts. Pursuant to an order of the Court, the deposit accounts will record funds paid into the Federal Court of Appeal, Federal Court and Tax Court of Canada. These amounts are held as payments and eventually released, pending judgment of the Courts. The difference between these two accounts is the calculation of interest, as described below.

Calculation of Interest:

Deposit Account for the Federal Court of Appeal and Federal Court: Pursuant to the *Order in Council P.C. 1970 4/2*, the account earns interest semi-annually at a rate that is equal to nine-tenths of the monthly average of tender rates for three-month Treasury bills and is calculated on the minimum monthly balance.

Deposit Account for the Tax Court of Canada: Pursuant to the *Order in Council P.C. 1970-300*, the account earns interest semi-annually at a rate that is equal to ninety percent of the average of the weekly three-month Treasury bills and is calculated on a daily basis.

(in thousands of dollars)	2015	2014
Balance, beginning of year	7,194	6,776
Receipts and other credits	2,672	4,683
Disbursements and other charges	(1,963)	(4,265)
Balance, end of year	7,903	7,194

COURTS ADMINISTRATION SERVICE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

6. Employee future benefits

(a) Pension benefits

The Courts Administration Service's employees participate in the public service pension plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and the Courts Administration Service contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2014-15 expense amounts to \$4,717,337 (\$4,945,206 in 2013-14). For Group 1 members, the expense represents approximately 1.41 times (1.6 times in 2013-14) the employee contributions and, for Group 2 members, approximately 1.39 times (1.5 times in 2013-14) the employee contributions.

The Courts Administration Service's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government, as the Plan's sponsor.

(b) Severance benefits

The Courts Administration Service provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. These severance benefits are not pre-funded. Benefits will be paid from future authorities.

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

Information about the severance benefits, measured as at March 31, is as follows:

(in thousands of dollars)	2015	2014
Accrued benefit obligation - Beginning of year	2,306	3,132
Expense for the year	1,172	203
Benefits paid during the year	(812)	(1,029)
Accrued benefit obligation - End of year	2,666	2,306

7. Accounts receivable and advances

The following table presents details of the Courts Administration Service's accounts receivable and advances balances:

(in thousands of dollars)	2015	2014
Accounts receivable - Other government departments and agencies	1,006	1,434
Accounts receivable - External parties	87	129
Advances	8	7
	1,101	1,570
Allowance for doubtful accounts on accounts receivable from external parties	(6)	(9)
Gross accounts receivable and advances	1,095	1,561
Accounts receivable held on behalf of Government	(791)	(979)
Net accounts receivable and advances	304	582

COURTS ADMINISTRATION SERVICE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

8. Tangible capital assets

Cost

(in thousands of dollars)	2014	Acquisitions	Adjustments (1)	Disposals and Write-Offs	2015
Machinery and equipment	777	350	544	-	1,671
Computer hardware	3,846	450	-	(11)	4,285
Computer software	1,547	24	91	-	1,662
Furniture and fixtures	805	7	-	-	812
Vehicles	314	27	-	-	341
Leasehold improvements	4,514	2	-	-	4,516
Assets under construction - Computer software	348	533	(91)	-	790
Assets under construction - Other	584	248	(544)	-	288
	12,735	1,641	-	(11)	14,365

Accumulated amortization

(in thousands of dollars)	2014	Amortization	Adjustments (1)	Disposals and Write-Offs	2015
Machinery and equipment	457	105	-	-	562
Computer hardware	2,628	918	-	-	3,546
Computer software	594	277	-	-	871
Furniture and fixtures	777	4	-	-	781
Vehicles	164	38	-	-	202
Leasehold improvements	593	205	-	-	798
	5,213	1,547	-	-	6,760

Net book value

(in thousands of dollars)	2014	2015
Machinery and equipment	320	1,109
Computer hardware	1,218	739
Computer software	953	791
Furniture and fixtures	28	31
Vehicles	150	139
Leasehold improvements	3,921	3,718
Assets under construction - Computer software	348	790
Assets under construction - Other	584	288
	7,522	7,605

(1) Adjustments include assets under construction that were transferred to the other categories upon completion of the assets.

COURTS ADMINISTRATION SERVICE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

9. Related party transactions

The Courts Administration Service is related as a result of common ownership to all government departments, agencies, and Crown corporations. The Courts Administration Service enters into transactions with these entities in the normal course of business and on normal trade terms.

a) Common services provided without charge by other government departments

During the year, the Courts Administration Service received services without charge from certain common service organizations, related to accommodation, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recorded in the Courts Administration Service's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)	2015	2014
Accommodation ⁽¹⁾	27,239	26,014
Employer's contribution to the health and dental insurance plans	3,556	3,536
Workers' compensation	29	29
	30,824	29,579

⁽¹⁾ Accommodation costs include the space of the court rooms, the offices of the Members of the Courts, the discovery rooms, etc.

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes and economic delivery of programs to the public. As a result, the Government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the payroll and cheque issuance services provided by Public Works and Government Services Canada are not included in the Courts Administration Service's Statement of Operations and Departmental Net Financial Position.

(b) Other transactions with related parties

(in thousands of dollars)	2015	2014
Revenues - Other government departments and agencies	1,022	1,239
Expenses - Other government departments and agencies	11,101	11,996

Expenses and revenues disclosed in (b) exclude common services provided without charge, which are already disclosed in (a).

COURTS ADMINISTRATION SERVICE

Notes to the Financial Statements (Unaudited)

For the year ended March 31

10. Transfer of the transition payments for implementing salary payments in arrears

The Government of Canada implemented salary payments in arrears in 2014-15. As a result, a one-time payment was issued to employees and will be recovered from them in the future. The transition to salary payments in arrears forms part of the transformation initiative that replaces the pay system and also streamlines and modernizes the pay processes. This change to the pay system had no impact on the expenses of the Courts Administration Service. However, it did result in the use of additional spending authorities by the Courts Administration Service. Prior to year end, the transition payments for implementing salary payments in arrears were transferred to a central account administered by Public Works and Government Services Canada, who is responsible for the administration of the Government pay system.

11. Segmented information

Presentation by segment is based on the Courts Administration Service's program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in Note 2. The following table presents the expenses incurred and revenues generated for the main programs, by major object of expense and by major type of revenue. The segment results for the period are as follows:

(in thousands of dollars)	Judicial Services	Registry Services	Internal Services	2015	2014
Expenses					
Salaries and employee benefits	17,204	22,774	13,930	53,908	53,184
Accommodations (Note 9)	20,654	5,158	1,427	27,239	26,014
Professional and special services	2,695	3,140	2,323	8,158	8,130
Transportation and telecommunications	433	371	1,700	2,504	2,309
Materials and supplies	1,648	208	235	2,091	1,953
Rentals	98	171	1,394	1,663	1,606
Amortization of tangible capital assets	63	228	1,256	1,547	1,052
Machinery and equipment	20	19	546	585	286
Repairs and maintenance	5	21	289	315	411
Information	207	16	69	292	319
Miscellaneous	-	-	(154)	(154)	(25)
Expenses incurred on behalf of Government	-	-	1	1	(9)
Total expenses	43,027	32,106	23,016	98,149	95,230
Revenues					
Filing fees	-	1,652	-	1,652	1,886
Employment Insurance Operating Account cost recoveries	233	287	207	727	940
Fines	-	121	-	121	85
Miscellaneous	-	97	-	97	107
Revenues earned on behalf of Government	(233)	(2,157)	(207)	(2,597)	(3,014)
Total revenues	-	-	-	-	4
Net cost of operations before government funding and transfers	43,027	32,106	23,016	98,149	95,226