

Office of the Commissioner for Federal Judicial Affairs Canada

STATEMENT OF MANAGEMENT RESPONSIBILITY

Departmental management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at March 29, 2012 and reflect the plans described in the Report on Plans and Priorities. The future-oriented financial information has been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

(Original signed by)

William A. Brooks

Commissioner

Ottawa, Canada

March 29, 2012

(Original signed by)

Wayne Osborne

Chief Financial Officer

Ottawa, Canada

March 29, 2012

Office of the Commissioner for Federal Judicial Affairs Canada

FUTURE ORIENTED STATEMENT OF FINANCIAL POSITION

| As at March 31 | Estimated Results | Planned Results |
|--|----------------------|--------------------|
| (in thousands of dollars) | 2012 | 2013 |
| ASSETS | | |
| Financial assets | | |
| Due from Consolidated Revenue Fund | 3,139 | 3,155 |
| Accounts receivable and advances | 1,200 | 1,200 |
| Total financial assets | 4,339 | 4,355 |
| Non-financial assets | | |
| Prepaid expenses | 252 | 278 |
| Tangible capital assets (Note 6) | 215 | 169 |
| Total non-financial assets | 467 | 447 |
| TOTAL | 4,806 | 4,802 |
| LIABILITIES AND EQUITY OF CANADA | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | 1,226 | 1,242 |
| Vacation pay and compensatory leave | 285 | 306 |
| Judges' Supplementary Retirement Benefits Account (Note 7) | 176,793 | 186,620 |
| Employee future benefits (Note 8) | 500 | 291 |
| Total Liabilities | 178,804 | 188,459 |
| Equity of Canada | (173,998) | (183,657) |
| TOTAL | 4,806 | 4,802 |

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to February 29, 2012.

The accompanying notes form an integral part of these future-oriented financial statements.

Office of the Commissioner for Federal Judicial Affairs Canada

FUTURE ORIENTED STATEMENT OF OPERATIONS

| For the year ending March 31 | Estimated Results | Planned Results |
|--------------------------------------|----------------------|----------------------------|
| (in thousands of dollars) | 2012 | 2013 |
| Expenses | | |
| Payments Pursuant to the Judges' Act | 447,689 | 465,206 |
| Federal Judicial Affairs | 9,940 | 9,037 |
| Canadian Judicial Council | 1,973 | 1,947 |
| Internal Services | 876 | 875 |
| Total Expenses | 460,478 | 477,065 |
| Revenues | | |
| Payments Pursuant to the Judges' Act | 16,800 | 17,200 |
| Federal Judicial Affairs | 200 | 275 |
| Total Revenues | 17,000 | 17,475 |
| NET COST OF OPERATIONS | 443,478 | 459,590 |

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to February 29, 2012.

Segmented information (Note 10)

The accompanying notes form an integral part of these future-oriented financial statements.

Office of the Commissioner for Federal Judicial Affairs Canada

FUTURE ORIENTED STATEMENT OF EQUITY OF CANADA

| For the year ending March 31 | Estimated Results | Planned Results |
|---|----------------------|--------------------|
| (in thousands of dollars) | 2012 | 2013 |
| Equity of Canada, beginning of year | (164,691) | (173,998) |
| Net cost of operations | (443,478) | (459,590) |
| Change in due from the Consolidated Revenue Fund | (1,135) | 16 |
| Net cash provided by Government | 433,588 | 448,208 |
| Services provided without charge from other government departments (Note 9) | 1,718 | 1,707 |
| EQUITY OF CANADA, END OF YEAR | (173,998) | (183,657) |

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to February 29, 2012.

The accompanying notes form an integral part of these future-oriented financial statements.

Office of the Commissioner for Federal Judicial Affairs Canada

FUTURE ORIENTED STATEMENT OF CASH FLOW

| For the year ending March 31 | Estimated Results | Planned Results |
|--|----------------------|--------------------|
| (in thousands of dollars) | 2012 | 2013 |
| OPERATING ACTIVITIES | | |
| Net cost of continuing operations | 443,478 | 459,590 |
| Non-cash items: | | |
| Amortization of tangible capital assets (Note 6) | (125) | (96) |
| Services provided without charge by other government departments | (1,718) | (1,707) |
| Variations in Statement of Financial Position: | | |
| Increase (decrease) in accounts receivable, advances and loans | 9 | 0 |
| Increase (decrease) in prepaid expenses | (159) | 26 |
| Decrease (increase) in liabilities | 1,175 | (16) |
| Decrease (increase) in vacation pay and compensatory | 24 | (21) |
| Decrease in future employee benefits | 671 | 209 |
| Decrease in Judges' Supplementary Benefits Accounts | (9,827) | (9,827) |
| Cash used in operating activities | 433,528 | 448,158 |
| CAPITAL INVESTING ACTIVITIES | | |
| Acquisitions of tangible capital assets (Note 6) | 60 | 50 |
| Cash used in capital investing activities | 60 | 50 |
| | | |
| NET CASH PROVIDED BY GOVERNMENT OF CANADA | 433,588 | 448,208 |

Information for the year ended March 31, 2012 includes actual amounts from April 1, 2011 to February 29, 2012.

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

Office of the Commissioner for Federal Judicial Affairs Canada

NOTES TO THE FUTURE-ORIENTED FINANCIAL STATEMENTS

1. Authority and Objectives

The Office of the Commissioner for Federal Judicial Affairs (FJA) Canada was created in 1978 under the authority of the Judges Act to safeguard the independence of the Judiciary and to put federally appointed judges at arm's length from the administration of the Department of Justice. It exists to promote better administration of justice and focuses its efforts on providing a sound support role to the federal judiciary.

It administers three distinct and separate components that are funded from three very distinct sources. Statutory funding is allocated for the judges' salaries, allowances and annuities and surviving beneficiaries' benefits. Vote appropriations are provided in two separate votes to support the administrative activities of the Office of the Commissioner and the administrative activities of the Canadian Judicial Council.

The administration of the Office of the Commissioner is structured to reflect the distinctiveness of its role in supporting federal judicial activities. Under the Program Activity Architecture, the organization is broken down into three program activities: Payments Pursuant to the Judges Act; Canadian Judicial Council; and Federal Judicial Affairs (FJA).

These activities strive to meet our priorities of: developing organizational capacity; building a strong, integrated team; improving service delivery; enhancing communications; and managing information.

2. Significant assumptions

The future-oriented financial statements have been prepared on the basis of the government priorities and the plans of the department as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- (a) The department's activities, in accordance with the Program Activity Architecture, will remain substantially the same as for the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- (c) Allowances for uncollectability are based on historical experience. The general historical pattern is expected to continue.
- (d) Estimated year end information for 2011-12 is used as the opening position for the 2012-13 planned results.

These assumptions are adopted as at March 29, 2012.

Office of the Commissioner for Federal Judicial Affairs Canada

NOTES TO THE FUTURE-ORIENTED FINANCIAL STATEMENTS

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to accurately forecast final results for the remainder of 2011-12 and for 2012-13, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these financial statements the Office of the Commissioner for Federal Judicial Affairs Canada has made estimates and assumptions concerning the future. These estimates and judgements may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

- (a) The timing and amounts of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.
- (b) Implementation of new collective agreements.
- (c) Economic conditions may affect both the amount of revenue earned and the collectability of loan receivables.
- (d) Interest rates in effect at the time of issue will affect the net present value of non-interest bearing loans.
- (e) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the Report on Plans and Priorities is presented, Office of the Commissioner for Federal Judicial Affairs Canada will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

4. Summary of Significant Accounting Policies

The future-oriented financial statements have been prepared in accordance with the Treasury Board accounting policies in effect for the 2011-2012 fiscal year. These accounting policies, stated below, are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

Significant accounting policies are as follows:

(a) ***Parliamentary authorities***

FJA is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to FJA 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 Future-oriented Statement of Operations and the Future-oriented Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the bases of reporting.

NOTES TO THE FUTURE-ORIENTED FINANCIAL STATEMENTS

4. Summary of Significant Accounting Policies (continued)

(b) *Net Cash Provided by Government*

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

(c) *Amounts due from/to CRF*

Amounts due from/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 Department is entitled to draw from the CRF without further appropriations to discharge its liabilities.

(d) *Revenues*

Revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

(e) *Expenses*

Expenses are presented on an 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 and the employer's contribution to the health and dental insurance plans are reported as operating expenses at their estimated cost.

(f) *Employee and federally appointed judges' future benefits*

(i) Pension benefits: Eligible employees participate in the Public Service Pension Plan (PSSA), a multi-employer plan administered by the Government of Canada. FJA's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require FJA to make contributions for any actuarial deficiencies of the Plan.

(ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. 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.

(iii) Federally appointed judges' pension benefits: Eligible federally appointed judges and their survivors are entitled to fully indexed annuities providing that the judges meet minimum age and service requirements. The main benefits paid from this plan are recorded on a pay-as-you-go basis. They are included in the Statement of Operations as a component of salaries and benefits, and the judges' contributions are credited to revenue. Contribution made by FJA and the judges pertaining to the portion of the plan that relates to indexation of benefits is recorded in a Supplementary Retirement Benefits Account, which is presented in the Statement of Financial Position. FJA's contribution towards indexation is expensed at the time it is accrued in accordance with the Supplementary Retirement Benefits Act. The actuarial liability associated with the judges' pension plan is recorded in the financial statements of the Government of Canada, the ultimate sponsor of the plan.

NOTES TO THE FUTURE-ORIENTED FINANCIAL STATEMENTS

4. Summary of Significant Accounting Policies (continued)

(g) *Accounts and Loans Receivable*

Accounts and loans receivables are stated at the lower of cost and net recoverable value; a valuation allowance is established for receivables 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. FJA 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 with an assumed residual value of zero (\$0) over the estimated useful life of the asset as follows:

| <u>Asset class</u> | <u>Amortization period</u> |
|-----------------------------------|--|
| Machinery and equipment | 5 to 10 years |
| Furnishings & Fixtures | 10 years |
| Informatics Hardware & Software | 3 years |
| Work-in-Progress (WIP) - Software | Once in service, in accordance with asset type |

(i) *Measurement of Uncertainty*

The preparation of these future oriented financial statements require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the future oriented financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. Actual results could significantly differ from those estimated.

Office of the Commissioner for Federal Judicial Affairs Canada

NOTES TO THE FUTURE-ORIENTED FINANCIAL STATEMENTS

5. Parliamentary Authorities

FJA receives most of its funding through expenditure authorities provided by Parliament. Items recognized in the Future-oriented Statement of Operations and Financial Position in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, FJA 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) *Authorities requested*

(in thousands of dollars)

| | Estimated Results 2012 | Planned Results 2013 |
|--|------------------------------|----------------------------|
| Authorities requested | | |
| Vote 20 - Operating expenditures - FJA | 9,000 | 7,802 |
| Vote 25 - Operating expenditures - CJC | 1,659 | 1,509 |
| Statutory Authorities - EBP | 1,033 | 982 |
| Statutory Authorities - Judges' Act | 439,993 | 457,485 |
| Total Forecast Authorities Available | 451,685 | 467,778 |
| Lapse | 375 | 0 |
| Total Forecast Authorities to be used | 451,310 | 467,778 |

Authorities presented reflect current forecasts of statutory items, approved initiatives included and expected to be included in Estimates documents and, when reasonable estimates can be made, estimates of amounts to be allocated from Treasury Board central votes.

(b) *Reconciliation of net cost of operations to requested authorities*

(in thousands of dollars)

| | Estimated Results 2012 | Planned Results 2013 |
|---|------------------------------|----------------------------|
| Net cost of operations | 443,478 | 459,590 |
| Adjustments for items affecting net cost of operations but not affecting authorities: | | |
| <i>Add (Less):</i> | | |
| Services provided without charge by other government departments (Note 9) | (1,718) | (1,707) |
| Decrease (increase) in employee future benefits | (78) | 109 |
| Amortization of tangible capital assets (Note 6) | (125) | (96) |
| Decrease in Judges' pension contributions | 9,827 | 9,827 |
| Decrease (increase) in vacation pay and compensatory leave | 25 | (21) |
| | 7,931 | 8,112 |
| Adjustments for items not affecting net cost of operations but affecting authorities: | | |
| <i>Add (Less):</i> | | |
| Acquisitions of tangible capital assets (Note 6) | 60 | 50 |
| Increase (decrease) in prepaid expense | (159) | 26 |
| | (99) | 76 |
| Total Forecast Authorities to be used | 451,310 | 467,778 |

NOTES TO THE FUTURE-ORIENTED FINANCIAL STATEMENTS

6. Tangible capital assets

| (in thousands of dollars) | Estimated Results 2012 | Planned Results 2013 |
|--|------------------------------|----------------------------|
| Opening balance | 280 | 215 |
| Acquisition of tangible capital assets | 60 | 50 |
| Less: Current year amortization | (125) | (96) |
| Net Book Value | 215 | 169 |

7. Judges Supplementary Retirement Benefit Account

| (in thousands of dollars) | Estimated Results 2012 | Planned Results 2013 |
|-------------------------------|------------------------------|----------------------------|
| Liability, beginning of year | 166,966 | 176,793 |
| Contributions | 6,227 | 6,227 |
| Interest | 3,600 | 3,600 |
| Liability, end of year | 176,793 | 186,620 |

The pension plan for federally appointed judges provides fully indexed annuities to judges and to all eligible survivors providing they meet minimum age and service requirements. Unlike other pension plans, the judges' plan lacks an explicit accrual rate for benefits. Instead the full benefit amount is generally payable when the member has completed 15 years of pensionable service and the total of the member's age and years of service totals 80. Judges who elect Supernumerary Status or judges who qualify for retirement make required contributions of 1% of salary. All other judges make contributions of 7% of salary.

The main benefits from this plan are expensed on a pay-as-you-go basis. However, by virtue of the Supplementary Retirement Benefits Act, for the portion of the plan that relates to indexation of benefits, the 1% portion of salary contributed by the judges is recorded in a Supplementary Retirement Benefits Account, along with a matching contribution of 1% recorded by FJA. In addition, interest is accrued on the outstanding balance of the Account. The actuarial liability associated with the judges' pension plan is recorded in the financial statements of the Government of Canada.

8. Employee Future Benefits

(a) Pension benefits

FJA's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2% per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and FJA contribute to the cost of the Plan. The forecast expenses are \$742,642 in 2012-2013 and \$705,899 in 2011-2012, which represents approximately 1.9 times the contributions by employees.

FJA'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 of Canada, as the Plan's sponsor.

NOTES TO THE FUTURE-ORIENTED FINANCIAL STATEMENTS

8. Employee Future Benefits (continued)

(b) *Severance benefits:*

FJA provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, measured as at March 31, is as follows:

| (in thousands of dollars) | Estimated Results 2012 | Planned Results 2013 |
|--|------------------------------|----------------------------|
| Accrued benefit obligation, beginning of year | 1,171 | 500 |
| Expense for the year | 79 | (109) |
| Expected benefits payments during the year | (750) | (100) |
| Accrued benefit obligation, end of year | 500 | 291 |

9. Related party transactions

FJA is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. FJA 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, FJA receives services without charge from certain common service organizations, related to accommodation and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in FJA's Future-oriented Statement of Operations as follows:

| (in thousands of dollars) | Estimated Results 2012 | Planned Results 2013 |
|--|------------------------------|----------------------------|
| Accommodation | 1,197 | 1,233 |
| Employer's contribution to the health and dental insurance plans | 521 | 474 |
| Total | 1,718 | 1,707 |

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 payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included in FJA's Future-oriented Statement of Operations.

Office of the Commissioner for Federal Judicial Affairs Canada

NOTES TO THE FUTURE-ORIENTED FINANCIAL STATEMENTS

10. Segmented Information

Presentation by segment is based on FJA's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of significant accounting policies in Note 4. The following table presents the expenses incurred and revenue generated for the main program activities by major standard object of expenses and major type of revenue. The segment results for the period are as follows:

| (in thousands of dollars) | Estimated Results 2012 | Internal Services | Federal Judicial Affairs | Canadian Judicial Council | Judges' Act | Planned Results 2013 |
|---|------------------------|-------------------|--------------------------|---------------------------|-------------|----------------------|
| Operating Expenses | | | | | | |
| Salaries and employee benefits | 420,307 | 602 | 4,673 | 1,298 | 429,849 | 436,422 |
| Transportation and telecommunications | 28,681 | 50 | 800 | 50 | 29,180 | 30,080 |
| Information | 337 | - | 45 | 10 | (23) | 32 |
| Professional and special services | 3,611 | 200 | 2,068 | 271 | 1,000 | 3,539 |
| Accommodation | 1,197 | - | 990 | 243 | - | 1,233 |
| Rentals | 142 | - | 60 | 10 | - | 70 |
| Repair and maintenance | 190 | - | 195 | 5 | - | 200 |
| Utilities, maintenance and supplies | 144 | 23 | 37 | 40 | - | 100 |
| Machinery and equipment | 79 | - | 10 | 20 | - | 30 |
| Amortization of tangible capital assets | 125 | - | 96 | - | - | 96 |
| Other | 5,665 | - | 63 | - | 5,200 | 5,263 |
| Total Operating Expenses | 460,478 | 875 | 9,037 | 1,947 | 465,206 | 477,065 |
| Revenues | | | | | | |
| Pension Contributions* | 16,800 | - | - | - | 17,200 | 17,200 |
| User charges | 200 | - | 275 | - | - | 275 |
| Other revenue | - | - | - | - | - | - |
| Total Revenues | 17,000 | - | 275 | - | 17,200 | 17,475 |
| Net Cost of Operations | 443,478 | 875 | 8,762 | 1,947 | 448,006 | 459,590 |

*Judges' pension contribution credited to revenue