

1. AUTHORITY AND PURPOSE

The Passport Office Revolving Fund was established in 1969 to provide for the issue of appropriate travel documents to Canadian citizens and to certain permanent residents of Canada who are unable to obtain valid passports from their country of origin. The *Revolving Fund Act* authorized the operation of the Fund. The Fund has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital acquisitions and temporary financing of accumulated operating deficits, the total of which is not to exceed \$4,000,000 at any time. An amount of \$745,893 representing net assets assumed by the Fund and assets contributed to the Fund was charged to this authority when the Fund became budgetary in 1981.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Inventories

The inventory of materials and supplies is carried at cost and the inventory of passports-in-process is valued at average cost for the year.

(b) Capital

Leasehold improvements are amortized on a straight-line basis over the term of the appropriate lease. Other capital is amortized from the year of acquisition on a straight-line basis over their estimated useful lives as follows:

Furniture	16 years
Electronic data processing (EDP) equipment	5 years
Other equipment	10 years

(c) Other capital

Effective April 1, 1994 all expenditures associated with the Technology Enhancement Plan (TEP) are capitalized. The project costs will be amortized on a straight line basis over the life of the project. Amortization is estimated to start in 1999-2000. All project costs for the other capital projects will be amortized on a straight line basis over the useful life of the project.

(d) Employee termination benefits

Termination benefits accrue to employees over their years of service with the Government of Canada, as provided for under collective agreements. The cost of these benefits is recorded in the accounts as the benefits accrue to the employees.

(e) Revenue recognition

Revenues from passport fees are prepaid on application and accounted for on an accrual basis. Deferred revenues represents fees received for which the services have not yet been provided as of March 31, 1999.

3. INVENTORIES

<i>(in thousands of dollars)</i>	1999	1998
Materials and supplies	2 072	1 996
Work in process	181	131
	<u>2 253</u>	<u>2 127</u>

4. CAPITAL AND ACCUMULATED AMORTIZATION

Capital <i>(in thousands of dollars)</i>	Balance at beginning of year	Acquisitions	Disposal	Balance at end of year
Leasehold Improvements	3 295	3	—	3 298
Furniture	2 388	57	72	2 373
EDP Equipment	5 152	274	150	5 276
Other Machine & Equipment	2 461	33	45	2 449
	<u>13 296</u>	<u>367</u>	<u>267</u>	<u>13 396</u>

Accumulated amortization <i>(in thousands of dollars)</i>	Balance at beginning of year	Amortizations	Decrease	Balance at end of year
Leasehold Improvements	3 193	93	—	3 286
Furniture	897	137	46	988
EDP Equipment	3 694	568	148	4 114
Other Machine & Equipment	1 754	156	42	1 868
	<u>9 538</u>	<u>954</u>	<u>236</u>	<u>10 256</u>

Other Capital Assets <i>(in thousands of dollars)</i>	Balance at beginning of year	Acquisitions	Disposal	Balance at end of year
Technology Enhancement Project	16 101	9 117	—	25 218
Other Capital Projects	3 953	2 938	—	6 891
	<u>20 054</u>	<u>12 055</u>	<u>0</u>	<u>32 109</u>

Accumulated amortization <i>(in thousands of dollars)</i>	Balance at beginning of year	Amortizations	Decrease	Balance at end of year
Other Capital Projects	—	860	0	860
	<u>0</u>	<u>860</u>	<u>0</u>	<u>860</u>

5. LONG TERM LEASES

The Passport Office occupies space at twenty-nine locations under long term leases which expire between March 31, 1996 and April 30, 2003.

Accommodation expense and tenant services consisted of:

<i>(in thousands of dollars)</i>	1999	1998
Rentals	3 670	3 330
Tenant Services	273	235
	<u>3 943</u>	<u>3 565</u>