

## Notes to Financial Statements

March 31, 1996

### 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. Pursuant to Treasury Board Decisions 823628, 821117, 821156, 822015 dated December 14, 1995 and Treasury Board Decision 822296 dated December 8, 1994, \$5,750,000 was authorized to be transferred in fiscal year 1995-96, from the Fund's accumulated surplus to the Accumulated net charge against the Fund's authority.

### 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:

<i>Furniture</i>	<i>16 years</i>
<i>Electronic data processing (EDP) equipment</i>	<i>5 years</i>
<i>Other equipment</i>	<i>10 years</i>

#### (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 five years starting at the completion of the project estimated to be in 1997-98.

#### (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

from passport fees is prepaid on application and accounted for on an accrual basis. Deferred revenue represents fees received for which the services have not yet been provided.

### 3 INVENTORIES (\$)

	1996	1995
Materials and supplies	1,881,496	940,723
Work in process	178,934	90,656
	2,060,430	1,031,379