

### **Audit Objective**

The purpose of the audit was to attest to the fair presentation in the financial statements of Optional Services Revolving Fund, of the financial position and results of operations and changes in financial position for the year ended March 31, 2002 for the purpose of reporting to the Deputy Minister and the ADM Government Operational Service and for reporting in the Public Accounts of Canada.

### **Audit Results**

The audit resulted in the provision of the attached auditor's report (opinion) by PricewaterhouseCoopers.

# Optional Services Revolving Fund

Financial Statements  
March 31, 2002

June 12, 2002

**Auditors' Report**

**To the Director General, Audit and Ethics Branch**  
**Public Works and Government Services Canada**

We have audited the balance sheet of the **Optional Services Revolving Fund** as at March 31, 2002 and the statements of operations, accumulated surplus and cash flows for the year then ended. These financial statements are the responsibility of the management of the Optional Services 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 Optional Services Revolving Fund as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles for Revolving Funds of the Government of Canada as described in note 2.

The financial statements as at March 31, 2001 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 6, 2001.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

# Balance sheet

Optional Services Revolving Fund

as at March 31 (in thousands of dollars)	2002	2001
<b>Assets</b>		
<b>Current</b>		
Accounts receivable		
Government of Canada	1,888	10,110
Outside parties	9,996	2,592
Inventories	2,080	2,168
Other assets	1,183	753
	<u>15,147</u>	<u>15,623</u>
Capital assets (note 3)	4,651	251
	<u>19,798</u>	<u>15,874</u>
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities		
Government of Canada	2,575	3,527
Outside parties	19,346	13,849
Deferred revenues	3,638	646
Other liabilities	354	160
	<u>25,913</u>	<u>18,182</u>
Allowance for employee termination benefits	2,173	1,985
	<u>28,086</u>	<u>20,167</u>
<b>Equity of Canada</b>		
Accumulated net charge against the Fund's authority	(9,445)	11,093
Accumulated surplus (deficit)	1,157	(15,386)
	<u>19,798</u>	<u>15,874</u>

The accompanying notes are an integral part of the financial statements

# Statement of operations

Optional Services Revolving Fund

Year ended March 31 (in thousands of dollars)	2002	2001
<b>Revenues (note 4)</b>	108,314	99,454
<b>Cost of sales</b>	98,254	85,671
<b>Gross margin</b>	10,060	13,783
<b>Operating expenses</b>		
Salaries and employee benefits	8,122	7,571
Employee termination benefits	227	177
Professional and special services	2,730	3,358
Corporate and administrative services	2,175	1,717
Interest on draw down	1,026	876
Occupancy costs	878	1,099
Bad debts expenses	362	445
Transportation and communications	233	286
Information	173	72
Utilities, materials and supplies	149	311
Rentals	17	23
Purchased repair and maintenance	67	141
Amortization	45	53
Loss on disposal of capital assets	0	170
Other expenditures	13	7
	16,217	16,306
<b>Net loss</b>	<b>(6,157)</b>	<b>(2,523)</b>

The accompanying notes are an integral part of the financial statements

# Statement of accumulated surplus (deficit)

Optional Services Revolving Fund

Year ended March 31 (in thousands of dollars)	2002	2001
<b>Balance, beginning of year</b>	(15,386)	(12,863)
Net loss	(6,157)	(2,523)
Write-off of net draw down authority used (note 1)	22,700	0
<b>Balance, end of year</b>	<b>1,157</b>	<b>(15,386)</b>

The accompanying notes are an integral part of the financial statements

# Statement of cash flows

Optional Services Revolving Fund

Year ended March 31 (in thousands of dollars)	2002	2001
<b>Operating activities</b>		
Net loss	(6,157)	(2,523)
Items not affecting use of authority		
Amortization	45	53
Provision for employee termination benefits	188	164
Loss on disposal of capital assets	0	170
	(5,924)	(2,136)
Changes in working capital (note 5)	8,207	(1,635)
	2,283	(3,771)
<b>Investing activities</b>		
Capital assets - acquisitions	(4,445)	0
Net increase in accumulated net charge against the Fund's authority	(2,162)	(3,771)
Write-off of net draw down authority used (note 1)	22,700	0
Accumulated net charge against the Fund's authority beginning, of year	(11,093)	(7,322)
Accumulated net charge against the Fund's authority end, of year	9,445	(11,093)

The accompanying notes are an integral part of the financial statements

# Notes to the Financial Statements

Optional Services Revolving Fund

## 1. Authority and purpose

The Optional Services Revolving Fund (OSRF) was established under *Appropriation Act No.4, 1991-92* which was repealed in 1996 and replaced by Section 5.5 of the *Revolving Funds Act*. The operation of the Fund is for the purpose of Section 6(a) of the *Department of Public Works and Government Services Act* in respect of the acquisition and provision of articles, supplies, machinery, equipment and other materiel; and Section 6(b) in respect of the acquisition and provision of printing and publishing services. Treasury Board approved the following programs as part of the OSRF mandate: the systems' Benchmarking and Software Brokerage Programs; the Vaccine Program; the Government Travel Service; and for the recording of the Cost of Product of Traffic Management and the Buy for Lease Program. The operation of the Fund is also for the purpose of Section 6 of the *Surplus Crown Assets Act* for the distribution and disposal of surplus Crown assets; including: authority for the Minister to spend for the purposes of the Fund any revenues received in respect of those purposes; and the aggregate of expenditures made for the purposes of the Fund shall not at any time exceed by more than \$200,000,000 the revenues received in respect of the purposes of the Fund.

In 2001-02, in accordance with Section 12 of the *Revolving Fund Act*, and through the 2001-2002 Supplementary Estimates (A) (Treasury Board decision 829023-1 dated October 25, 2001) the draw down authority of the Fund was reduced from \$200,000,000 to \$75,000,000 and through the 2001-2002 Supplementary Estimates (B) (Treasury Board decision 829420 dated December 6, 2001), the draw down authority of the Fund was reduced from \$75,000,000 to \$35,000,000. The Treasury Board decision 829420 also authorized the write off of \$22,700,000 of the net draw down authority used as of March 31, 2002.

## 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles to the extent that they are in accordance with Government policies and directives. The significant accounting policies include the following:

a) **Revenues and expenses**

Revenues and expenses are recorded on the accrual basis of accounting.

b) **Inventories**

Inventories are valued at cost and are recorded on a first-in, first-out basis.

c) **Capital assets**

Assets having a purchase cost of \$10,000 or more are capitalized. Capital assets are stated at cost and are amortized on a straight line basis over their estimated economic lives as follows:

Category	Estimated economic life
Leasehold improvements	25 years
Informatics hardware	3 to 5 years

Assets are amortized commencing the month after acquisition.



# Notes to the Financial Statements

Optional Services Revolving Fund

## 2. Significant accounting policies (continued)

### d) Deferred revenues

Deferred revenues related to subscriptions revenue derived from publishing are amortized on a straight line basis over the length of the subscriptions. Deferred revenues related to the capital asset funding are amortized after the completion stage of the project, on the same straight line basis as the corresponding capital asset.

### e) 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 fringe benefit charge assessed against the Fund. The actual payment of the pension is made from the Public Service Superannuation and Supplementary Retirement Benefits Accounts.

### f) Employee termination benefits

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, 1992. This accrual represented a net liability assumed by the Fund and thus was charged to the Fund's accumulated net charge against the Fund's authority.

### g) Insurance

The Fund does not carry insurance on its property. This is consistent with the Government's policy of self insurance.

## 3. Capital assets and accumulated amortization

(in thousands of dollars)

Capital Assets	Balance beginning of year	Acquisitions	Disposals/ adjustments	Balance end of year
Leasehold improvements	241	-	-	241
Informatics hardware	117	54	-	171
Assets under construction	-	4,391	-	4,391
	358	4,445	-	4,803

  

Accumulated amortization	Balance beginning of year	Current year amortization	Disposals/ adjustments	Balance end of year
Leasehold improvements	53	10	-	63
Informatics hardware	54	35	-	89
	107	45	-	152

  

Net	251	4,400	-	4,651
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# Notes to the Financial Statements

Optional Services Revolving Fund

## 4. Revenues

(in thousands of dollars)

	2002	2001
Traffic management recoveries	43,352	40,677
Vaccine program recoveries	35,037	24,765
Communications coordination services sales	9,669	12,559
Locally shared support services centres sales	6,840	6,477
Software brokerage program recoveries	6,758	9,570
Crown assets distribution centres sales	5,102	5,406
Communication , printing and audio-visual recoveries	1,556	0
	108,314	99,454

## 5. Changes in working capital

(in thousands of dollars)

	2002	2001	Changes
Current assets	15,147	15,623	476
Current liabilities	25,913	18,182	7,731
	(10,766)	(2,559)	8,207

## 6. Subsequent event

Effective April 1, 2002, Communication Canada is responsible for the operations and costs associated with the communication services previously provided by the Fund. The assets and liabilities were transferred at net book value to Communication Canada. The effect of this change is shown in the following condensed financial information for the year ended March 31, 2002:

Assets	6,132
Liabilities	<u>6,328</u>
Equity of Canada	<u>(196)</u>
Statement of operations	
Revenues	9,669
Expenses	<u>12,755</u>
Net loss	<u>3,086</u>

## 7. Comparative figures

Certain of the prior years' figures have been reclassified in order to conform to the presentation adopted in the current year.