



Financial Statements of the

Office of the Secretary to the Governor General

**For the Year Ended March 31, 2004**

# Office of the Secretary to the Governor General

## Management's Responsibility for the Financial Statements

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Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2004 and all information contained in this report rests with the Office of the Secretary to the Governor General's management.

These statements, which include amounts based on management's best estimates as determined through experience and judgement, have been prepared in accordance with Treasury Board Accounting Standards based upon Canadian generally accepted accounting principles. Readers of these statements are cautioned that the financial statements are not necessarily complete; certain liabilities and expenses are only recorded at a government-wide level at this time. These statements should be read within the context of the significant accounting policies set out in the Notes.

Management has developed and maintains books, records, internal controls and management practices, designed to provide reasonable assurance that the Government's assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of corporate objectives, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as the Office of the Secretary to the Governor General's policies and statutory requirements.

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Barbara Uteck  
Secretary to the Governor General  
and Herald Chancellor

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JoAnn MacKenzie  
Director General, Corporate Services

Ottawa, Canada  
Date

# Office of the Secretary to the Governor General

## Statement of Financial Position (unaudited)

As at March 31  
(dollars)

	2004	2003
<b>ASSETS</b>		
<b>Financial assets:</b>		
Cash	22,273	3,203
Accounts receivable (note 3)	11,333	27,669
Gift shop inventory	71,805	84,873
	105,411	115,745
<b>Non-financial assets:</b>		
Medals and official gifts	632,411	580,381
Capital assets (note 4)	451,131	416,831
	1,083,542	997,212
<b>TOTAL ASSETS</b>	<b>1,188,953</b>	<b>1,112,957</b>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 3)	279,005	920,736
Accrued salaries and benefits	1,096,952	1,043,905
Deferred revenue (note 5)	18,530	4,550
<b>TOTAL LIABILITIES</b>	<b>1,394,487</b>	<b>1,969,191</b>
<b>NET LIABILITIES</b>	<b>205,534</b>	<b>856,234</b>
<b>TOTAL</b>	<b>1,188,953</b>	<b>1,112,957</b>

Commitments (note 7)  
Contingencies (note 8)

The accompanying notes are an integral part of these financial statements

# Office of the Secretary to the Governor General

## Statement of Operations and Net Liabilities (unaudited)

For the year ended March 31  
(dollars)

Business Line	2004			2003		
	Revenues Note 6	Expenses Note 6	Net Cost	Revenues Note 6	Expenses Note 6	Net Cost
Governor General	132,878	15,083,315	14,950,437	107,223	15,926,341	15,819,118
Honours	15,896	3,489,805	3,473,909	62,278	3,410,485	3,348,207
Former Governors General		773,225	773,225		863,832	863,832
<b>Total</b>	<b>148,774</b>	<b>19,346,345</b>	<b>19,197,571</b>	<b>169,501</b>	<b>20,200,658</b>	<b>20,031,157</b>
Net liabilities, April 1			856,234			1,403,613
Net cash provided by Government			19,848,271			20,578,536
<b>Net liabilities, March 31</b>			<b>205,534</b>			<b>856,234</b>

The accompanying notes form an integral part of these statements.

## Statement of Cash Flows (unaudited)

For the year ended March 31  
(dollars)

	2004	2003
<b>Operating transactions</b>		
Net cost of operations	19,197,571	20,031,157
<b>Adjustments for items not affecting cash</b>		
<b>Statement of Operations</b>		
Amortization of capital assets	(113,648)	(46,818)
Gain on disposal of capital assets	-	6,000
<b>Statement of Financial Position</b>		
Decrease (increase) in liabilities	574,704	77,115
Increase (decrease) in assets other than capital assets	41,696	107,117
<b>Cash applied to operating transactions</b>	<b>19,700,323</b>	<b>20,174,571</b>
<b>Capital transactions</b>		
Acquisitions of capital assets	147,948	409,965
Sale of capital assets	-	(6,000)
<b>Cash applied to capital transactions</b>	<b>147,948</b>	<b>403,965</b>
<b>Net Cash Provided by Government</b>	<b>19,848,271</b>	<b>20,578,536</b>

The accompanying notes form an integral part of these Statements.

# Office to the Secretary to the Governor General

## Notes to the Financial Statements (unaudited)

For the year ended March 31, 2004

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### 1. Authority and Objectives

The Office of the Secretary to the Governor General (the OSGG) was constituted through Letters Patent on October 1, 1947. The OSGG is defined as an agency by virtue of it being listed in Schedule 1.1 of the *Financial Administration Act*.

The primary objectives of the OSGG are to enable the Governor General to perform his/her constitutional and traditional roles and to provide the administration of Honours. The Office also provides for expenditures in respect of pensions and activities performed by former Governors General. To reflect these objectives, the operations of the OSGG is divided into three business lines:

- (a) Governor General – provides for the Governor General's salary, for the costs of the Governor General's annual program including visits in Canada and abroad, for the citizen access and visitor services program at Rideau Hall and the operation of the office and residences;
- (b) Honours – provides for the administration of programs in the National Honours system, including the Order of Canada, the Order of Military Merit, the Canadian Bravery Decorations, the Meritorious Service Decorations, Exemplary Service Medals, Special Service Medals, Commemorative and other medals; provides for the administration of the Governor General's Academic Medals and the Governor General's Caring Canadian Award; and, provides for the administration of the Canadian Heraldic Authority; and,
- (c) Former Governors General – provides for the activities performed by former Governors General, which devolve upon them as a result of their having occupied that office and the pensions of former Governors General or their spouses.

### 2. Summary of Significant Accounting Policies

#### (a) Basis of Preparation

These financial statements have been prepared on an accrual basis of accounting in accordance with Treasury Board Accounting Standards. These Standards are based on generally accepted accounting principles in Canada. The primary source of the accounting principles is from the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants supplemented by the recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants for situations not covered by the Public Sector Accounting Board. Readers of these statements are cautioned that the introduction of accrual accounting at the departmental level is evolutionary. Not all assets, liabilities and expenses applicable to the OSGG are recorded at the departmental level at this time. Items such as a portion of the Consolidated Revenue Fund; pension fund liabilities; severance pay liabilities; severance pay expenses except for cash payments; services provided without charge, etc are not recorded. As such, the financial statements are not necessarily complete. However, all such assets, liabilities and expenses are recorded in the financial statements of the Government of Canada. The following notes provide additional detail and should be read with care.

#### (b) Consolidated Revenue Fund

All departments and agencies, including the OSGG, operate within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash receipts and all cash disbursements made by the OSGG flow through the CRF.

#### (c) Net Cash Provided by Government

This is the difference between all cash receipts and all cash disbursements including transactions with other departments made by the OSGG during the year.

# Office to the Secretary to the Governor General

## Notes to the Financial Statements (unaudited)

For the year ended March 31, 2004

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### (d) Revenue

These are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues. Revenues received but not earned are recorded as deferred revenue and are primarily related to Governor General events. They are recorded as revenue when the event is held and related expenditures are incurred.

### (e) Expenses

The OSGG records expenses when the underlying transaction or event giving rise to the expense occurred, subject to the following:

- Employee severance benefits are expensed as paid; no estimated accruals are recorded; accruals of these benefits is recognized in the consolidated financial statements of the Government of Canada;
- Vacation pay and overtime are expensed in the year the entitlement occurs;
- Contributions to superannuation plans are recognized in the period that the contributions are made; actuarial surpluses or deficiencies are not recorded in the OSGG's books but are recognized in the consolidated financial statements of the Government of Canada. The OSGG's contribution to the Public Service Superannuation Plan in the year was \$1,337,492;
- A certain number of federal departments and agencies support the activities of the Governor General and the Office as part of their mandate. The level of support and services provided to the Office of the Governor General is determined by each of the contributors and funded out of the budgets of those organizations. The various contributing departments and agencies are responsible for allocating and managing the funds they provide to support the activities of the Governor General and the Office and are subject to Treasury Board guidelines. The amounts spent by the departments and agencies in question do not appear in the accounts of the Office of the Governor General.

The major departments and agencies providing support include: the Solicitor General of Canada (RCMP) for protective/security services; the Department of National Defence for transportation services, ceremonial support, logistical support and photographic services; the Department of Foreign Affairs and International Trade for foreign policy advice and foreign/state visit support; the Department of Canadian Heritage for planning and conduct of state and ceremonial occasions including royal visits and state funerals; Public Works and Government Services Canada for management of La Citadelle, the Governor General's official residence in Quebec City and for office accommodation for the Chancellery; and the National Capital Commission for property management services.

Support provided by these government departments and agencies are not recorded as operating expenses by the OSGG at the present time. The information is not currently available to the OSGG and any estimation could not be substantiated with any degree of precision. Contributions covering employer's share of employee's insurance premiums and costs paid by the Treasury Board Secretariat are also not recorded.

### (f) Receivables

Receivables are stated at amounts that are expected to be ultimately realized.

### (g) Gift Shop Inventory

Gift shop inventory is valued at the lower of cost and net realizable value.

### (h) Medals and Official Gifts

Medals for the Order of Canada insignia and other honours, held for distribution in the future, are recorded at original cost.

**(i) Capital Assets**

All assets treated as capital assets under Public Sector Accounting Board Recommendations plus leasehold improvements, having an initial cost of \$5,000 or more, are recorded at their acquisition cost. Capital assets do not include intangibles, works of art and historical treasures that have cultural, aesthetic or historical value.

The OSGG capitalizes capital assets on a straight-line basis over the estimated useful life of the capital asset as follows:

<b>Asset Class</b>	<b>Amortization Period</b>
Informatics hardware	3 years
Motor vehicles	5 years
Informatics software	7 years

**(j) Insurance**

The OSGG does not carry insurance since it is the policy of the Government of Canada to self-insure.

**(k) Annuity Payments to Former Governors General**

Pursuant to provisions contained within the *Governor General's Act* and the *Supplementary Retirement Benefits Act*, taxable annuities are paid to: (i) former Governors General; and (ii) surviving spouses of former Governors General. These annuities are indexed annually to the Consumer Price Index and are recognized in the period in which payment is due. In the 2003-04 fiscal year, such payments amounted to \$280,259.

**(l) Foreign currency transactions**

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions.

**(m) Measurement Uncertainty**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported 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 item where estimates are used is amortization of capital assets.

**3. Accounts Receivable and Payables**

The accounts receivable and accounts payable with other Government departments and unrelated external parties are as follows:

	<b>2004</b>	<b>2003</b>
	(dollars)	
<b>Accounts Receivable:</b>		
External Parties	10,500	11,500
Other Government Departments	833	16,169
<b>Total</b>	<b>11,333</b>	<b>27,669</b>
<b>Accounts Payable and Accrued Liabilities:</b>		
Other Government Departments	46,376	288,770
External Parties	232,629	631,966
<b>Total</b>	<b>279,005</b>	<b>920,736</b>

# Office to the Secretary to the Governor General

## Notes to the Financial Statements (unaudited)

For the year ended March 31, 2004

### 4. Capital Assets

	Informatics Software	Informatics Hardware	Vehicles	Total
	(dollars)			
<b>Opening April 1, 2003</b>				
Cost	135,776	329,764	214,860	680,400
Accumulated Amortization	-	167,923	95,646	263,569
Net Carrying Cost	135,776	161,841	119,214	416,831
<b>2003-04 transactions</b>				
Additions	-	147,948	-	147,948
Net Disposals	-	-	-	-
Net write-downs	-	-	-	-
Amortization	19,397	76,786	17,465	113,648
<b>Closing March 31, 2004</b>				
Cost	135,776	477,712	214,860	828,348
Accumulated Amortization	19,397	244,709	113,111	377,217
Net Carrying Cost	116,379	233,003	101,749	451,131

### 5. Deferred Revenue

This account has been established to record gifts, donations or bequests to Rideau Hall from private organizations and individuals to fund specific initiatives.

	2004	2003
	(dollars)	
Opening Balance	4,550	-
Add: Deposits	13,980	4,550
Less: Payments	-	-
Closing Balance	18,530	4,550



# Office to the Secretary to the Governor General

## Notes to the Financial Statements (unaudited)

For the year ended March 31, 2004

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### 6. Summary of Revenues and Expenses by Major Classification

A summary of revenues and expenses for the year ended March 31 is as follows:

	2004	2003
	(dollars)	
<b>Revenues</b>		
Gift Shop	103,902	101,223
Other	<u>44,872</u>	<u>68,278</u>
Total	<u>148,774</u>	<u>169,501</u>
<b>Expenses</b>		
Salaries and employee benefits	12,746,650	12,238,388
Materials and supplies	1,999,720	2,209,761
Other Business Services	1,112,958	1,055,779
Travel	1,000,978	1,417,683
Professional services	955,113	1,572,791
Information services	628,629	845,640
Telecommunications	373,779	280,172
Rentals	227,547	283,623
Postage, Freight and Cartage	117,824	150,940
Amortization of capital assets	113,648	46,818
Miscellaneous	<u>69,499</u>	<u>99,063</u>
Total	<u>19,346,345</u>	<u>20,200,658</u>

### 7. Commitments

The OSGG does not have any material commitments to report.

### 8. Contingencies

In the normal course of its operations, the OSGG may become involved in various legal actions. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded on the government's consolidated financial statements. These estimated liabilities are not recognized on the OSGG's financial statement as a liability until the amount of the liability is firmly established.

### 9. Related Party Transactions

The OSGG is related in terms of common ownership to all Government of Canada departments and agencies, and Crown Corporations. The OSGG enters into transactions with these entities in the normal course of business and on normal trade terms except for those services provided without charge as previously identified.

# Office to the Secretary to the Governor General

## Notes to the Financial Statements (unaudited)

For the year ended March 31, 2004

### 10. Parliamentary Appropriations

The OSGG receives its funding through Parliamentary appropriations, which is based primarily on cash flow requirements. Items recognized on the Statement of Operations in one year may be funded through Parliamentary appropriations in prior and future years. Accordingly, the OSGG has different net results of operations for the year on a government-funding basis than on Canadian generally accepted accounting principles. These differences are reconciled below.

<b>(a) Reconciliation to net cost of operations</b>	<b>2004</b>	<b>2003</b>
		(dollars)
Net cost of operations	19,197,571	20,031,157
Adjustments:		
Items affecting Net Results but not affecting Appropriations		
Less: Expenses not affecting appropriations		
Medals and official gifts issued	272,445	261,090
Employee leave benefits earned	172,805	256,493
Amortization	113,648	46,818
Inventory used	74,241	60,143
Department of Justice legal fees	810	-
	<u>633,949</u>	<u>624,544</u>
 Add: Revenue not affecting appropriations	 <u>148,774</u>	 <u>169,501</u>
	18,712,396	19,576,114
Items not affecting Net Results but affecting Appropriations		
Add:		
Purchase of medals and official gifts	307,424	289,479
Capital acquisitions	147,948	409,966
Payments of employee leave benefits	104,447	204,486
Purchase of gift shop inventory	60,844	95,655
Employee advances	(1,000)	-
	<u>619,663</u>	<u>999,586</u>
Total Parliamentary appropriations used	<u>19,332,059</u>	<u>20,575,700</u>

### (b) Parliamentary appropriations provided and used

	Appropriations Provided		Appropriations Used	
	2004	2003	2004	2003
				(dollars)
Program expenditures	17,151,001	18,645,250	17,062,782	18,265,356
Statutory amounts	2,269,586	2,310,653	2,269,277	2,310,344
Total	<u>19,420,587</u>	<u>20,955,903</u>	<u>19,332,059</u>	<u>20,575,700</u>