

# **Real Property Services Revolving Fund**

**Financial Statements  
March 31, 2004**

June 14, 2004

**Auditors' Report**

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

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We have audited the statement of financial position of the **Real Property Services Revolving Fund** as at March 31, 2004, the statements of operations, accumulated deficit and cash flows for the year then ended. These financial statements have been prepared to comply with Section 4 of the Treasury Board of Canada's Policy on Special Revenue Spending Authorities. These financial statements are the responsibility of the management of the Real Property 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 Real Property Services Revolving Fund as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting as disclosed in note 2 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the management of the Real Property Services Revolving Fund and the Treasury Board of Canada Secretariat for reporting on the use of the Fund authority. The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

## Real Property Services Revolving Fund

### STATEMENT OF FINANCIAL POSITION

As at March 31

	2004	2003
<i>In thousands of dollars</i>		
<b>Assets</b>		
Current		
Cash in transit	169	2,134
Accounts receivable		
Government of Canada	161,487	226,426
Outside parties	17,139	12,705
Other assets (note 3)	6,572	4,853
	<u>185,367</u>	<u>246,118</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities		
Government of Canada	11,183	8,746
Outside parties	138,214	155,921
Professional liability fund	2,355	2,320
Other liabilities	6,819	5,705
	<u>158,571</u>	<u>172,692</u>
Allowance for employee termination benefits	22,056	18,340
	<u>180,627</u>	<u>191,032</u>
<b>Equity of Canada</b>		
Accumulated net charge against the Fund's authority	18,838	71,467
Accumulated deficit	(14,098)	(16,381)
	<u>4,740</u>	<u>55,086</u>
	<u>185,367</u>	<u>246,118</u>

*The accompanying notes are an integral part of the financial statements.*

## Real Property Services Revolving Fund

### STATEMENT OF OPERATIONS

For the year ended March 31

	2004	2003
<i>In thousands of dollars</i>		
<b>Gross revenues (note 6)</b>	749,865	836,328
<b>Recoverable disbursements made on behalf of clients</b>	592,867	681,641
<b>Net revenues</b>	156,998	154,687
<b>Operating expenses</b>		
Salaries and employee benefits	105,709	96,995
Employee termination benefits	5,409	1,198
Overhead chargeback	34,265	30,721
Corporate and administrative services	16,639	19,201
Occupancy costs	3,340	3,914
Provision for claims and other expenses	1,856	5,524
	167,218	157,553
<b>Net loss</b>	(10,220)	(2,866)

*The accompanying notes are an integral part of the financial statements.*

## Real Property Services Revolving Fund

### STATEMENT OF ACCUMULATED DEFICIT

For the year ended March 31

	2004	2003
<i>In thousands of dollars</i>		
<b>Balance, beginning of year</b>	(16,381)	(20,043)
Net loss	(10,220)	(2,866)
Recovery of net draw down authority used (note 1)	12,503	6,528
<b>Balance, end of year</b>	<u>(14,098)</u>	<u>(16,381)</u>

*The accompanying notes are an integral part of the financial statements.*

## Real Property Services Revolving Fund

### STATEMENT OF CASH FLOWS

For the year ended March 31

	2004	2003
<i>In thousands of dollars</i>		
<b>Operating activities</b>		
Net loss	(10,220)	(2,866)
Items not affecting use of the Fund's authority		
Provision for employee termination benefits	5,409	1,199
	<u>(4,811)</u>	<u>(1,667)</u>
Changes in working capital (note 5)	46,630	(24,137)
Payments on provision for employee termination benefits	<u>(1,693)</u>	<u>(1,468)</u>
<b>Net financial resources provided (used) by operating activities</b>	<u>40,126</u>	<u>(27,272)</u>
<b>Financing activities</b>		
Recovery of net draw down authority used (note 1)	12,503	6,528
<b>Net financial resources provided by financing activities</b>	<u>12,503</u>	<u>6,528</u>
<b>Net increase (decrease) in accumulated net charge against the Fund's authority</b>	52,629	(20,744)
<b>Accumulated net charge against the Fund's authority, beginning of year</b>	<u>(71,467)</u>	<u>(50,723)</u>
<b>Accumulated net charge against the Fund's authority, end of year</b>	<u>(18,838)</u>	<u>(71,467)</u>

*The accompanying notes are an integral part of the financial statements.*

## **Real Property Services Revolving Fund**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended March 31, 2004**

#### **1. AUTHORITY AND PURPOSE**

The Real Property Services Revolving Fund (RPSRF), formerly The Public Works Revolving Fund, was established by the *Adjustment of Accounts Act (Bill C-22)* dated July 22, 1980, which was repealed in 1985 and replaced by Section 5 of the *Revolving Funds Act*. It allows the Minister of Public Works and Government Services Canada (PWGSC) to make expenditures for undertakings by the department, on behalf of other government departments and agencies, other governments, and private sector tenants of federally owned or leased property. Effective April 1, 1996, the Architectural Engineering and Realty Services Revolving Fund began operation under the name of Real Property Services Revolving Fund. The Fund looks after the activities of architectural and engineering, property management, holdings and divestiture, and support services.

The Fund has a continuing non-lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for the operating expenses, necessary working capital, and capital expenditures.

In accordance with the former Section 33 of the *Adjustment of Accounts Act*, and through the 1983-84 Supplementary Estimates (B), the authority of the Fund was amended to include charges on behalf of other Public Works Canada's departmental programs and to increase the financial authority from \$55,000,000 to \$150,000,000. In the 1984-85 Supplementary Estimates (C) the authority was increased from \$150,000,000 to \$300,000,000. Through the 1987-88 Supplementary Estimates (E), the authority was further increased from \$300,000,000 to \$450,000,000.

The Services Program operated as a Revolving Fund on a direct cost recovery basis from April 1, 1985 to March 31, 1988, supplemented by a payment vote to cover non-recoverable operating expenses from clients, as well as a vote to cover capital acquisitions of the Program. Since April 1, 1988, under revised terms and conditions approved by Treasury Board (TB) Minute #805839 dated June 25, 1987, the objective of the Real Property Services (formerly Public Works) Revolving Fund is to operate as a financially self-supporting entity charging market-based service fees in accordance with the TB approved rate structure for the services provided to clients.

In addition, the Revolving Fund receives funding by way of a separate vote, to cover operating expenses in support of activities serving broader government objectives, which are not recovered by revenues. The amount received in 1997-98 and 1996-97 was \$2,589,000.

## **Real Property Services Revolving Fund**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended March 31, 2004**

#### **1. AUTHORITY AND PURPOSE (continued)**

Through the 2000-2001 Annual Reference Level Update (ARLU) exercise, which was approved on December 9, 1999 (TB Minute #827730), the Revolving Fund presented a revision to its Financial Framework whereby it will no longer be used as a business tool to manage the costs related to the appropriated funding of the Federal Accommodation and Holding Service Line. Effective April 1, 1999, RPSRF is used exclusively for providing services to other Government departments and third parties.

In accordance with Section 12 of the *Revolving Fund Act* R.S.C. 1985, c. R-8 to amend subsection 5(3) of the Act and through the 2001-02 Supplementary Estimates (B) - Vote 7b and 13b (TB decision #829420 dated December 6, 2001), the draw down authority of the fund was reduced from \$450,000,000 to \$150,000,000 in addition to the write off of \$88,227,114 on the net draw down authority used as of March 31, 2002.

In addition, the Revolving Fund receives funding by way of a separate vote, to cover the net draw down authority used in order to comply with the Policy on Special Revenue Spending Authorities. The amount received in 2003-2004 is \$12,503,000 (2002-2003: \$6,528,000).

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the reporting requirements for revolving funds described by the Receiver General for Canada. The basis of accounting used in these financial statements differs from Canadian generally accepted accounting principles because:

- The services received without charge from other government departments are not reported as expenses;
- The liabilities for employee termination benefits are based on management's estimates rather than actuarial valuation; also vacation pay and time-off in lieu are based on management's estimates; and
- The contributions to the Pension plan are based on Treasury Board's rates representing an estimate of what the cost is likely to be for the Government in the upcoming year; also actuarial surpluses or deficiencies are not accounted for in the Fund.



## Real Property Services Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The significant accounting policies are as follows:

**a) Revenues and expenses**

Revenues and expenses are recorded on the accrual basis of accounting. Overhead chargeback and corporate and administrative services are based on budgeted expenditures calculated as a percentage of budgeted net revenues.

**b) Inventories**

Inventories are valued at the lower of cost and net realization value and are recorded on a first-in, first-out basis.

**c) Work in process**

Work in process includes labour and disbursements incurred for services performed or goods delivered, less amounts already billed to clients.

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

**e) Employee termination benefits, vacation pay and time-off in lieu**

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, 1988. 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 as described in the annex of Treasury Board Minute #805839 dated June 25, 1987.

The liability for vacation pay and compensatory leave is calculated at the salary levels in effect at the end of the year for all unused vacation pay and time-off in lieu benefits accruing to employees.

## Real Property Services Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### f) Insurance

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

#### 3. OTHER ASSETS

*In thousands of dollars*

	2004	2003
Goods and Services Tax refundable advances	6,219	4,312
Prepaid expenses	1	16
Inventories and work in process	352	525
	6,572	4,853

#### 4. CONTRACTUAL COMMITMENTS

The Fund is engaged in contractual commitments for Property Services. Future payments are as follows:

*In thousands of dollars*

2004-2005	150,562
2005-2006	22,582
2006-2007	19,765
2007-2008	18,685
2008-2009 and following years	140,713
	352,307

#### 5. CHANGES IN WORKING CAPITAL

*In thousands of dollars*

	2004	2003	Changes
Current assets	185,367	246,118	60,751
Current liabilities	158,571	172,692	(14,121)
			46,630

## Real Property Services Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2004

#### 6. GROSS REVENUES

*In thousands of dollars*

	2004	2003
Recoverable disbursements made on behalf of clients	592,867	681,641
Project fees	122,888	117,579
Payroll recoveries	25,604	24,784
Inventory management fees	7,403	7,879
Other revenues	1,103	4,445
	<u>749,865</u>	<u>836,328</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.

#### 8. FINANCIAL INSTRUMENTS

The Revolving Fund's financial instruments consist of cash in transit, accounts receivable, accounts payable and accrued liabilities. The carrying values of these financial instruments approximate fair value because of their short terms to maturity. Unless otherwise noted, it is management's opinion that the Revolving Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments.

#### 9. USE OF ESTIMATES

The preparation of financial statements in accordance with the reporting requirements for Revolving Funds described by the Receiver General for Canada requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.