

# **Real Property Services Revolving Fund**

**Financial Statements  
March 31, 2005**

June 10, 2005

**Auditors' Report**

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

We have audited the statement of financial position of the **Real Property Services Revolving Fund** as at March 31, 2005, the statements of operations, net assets (liabilities) and cash flows for the year then ended. 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, 2005 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.

*PricewaterhouseCoopers LLP*

**Chartered Accountants**

## Real Property Services Revolving Fund

### STATEMENT OF FINANCIAL POSITION

As at March 31

	2005	2004
<i>In thousands of dollars</i>		
<b>Assets</b>		
Current		
Cash in transit	256	169
Accounts receivable		
Government of Canada	176,311	161,487
Outside parties	22,634	17,139
Other assets (note 3)	8,418	6,572
	<u>207,619</u>	<u>185,367</u>
<b>Liabilities and net assets (liabilities)</b>		
Current		
Accounts payable and accrued liabilities		
Government of Canada	7,686	11,183
Outside parties	189,190	138,214
Professional liability fund	2,511	2,355
Other liabilities	6,078	6,819
	<u>205,465</u>	<u>158,571</u>
Allowance for employee termination benefits	23,411	22,056
	<u>228,876</u>	<u>180,627</u>
<b>Net assets (liabilities) (note 4)</b>	<u>(21,257)</u>	<u>4,740</u>
	<u>207,619</u>	<u>185,367</u>

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

## Real Property Services Revolving Fund

### STATEMENT OF OPERATIONS AND NET ASSETS (LIABILITIES)

For the year ended March 31

	2005	2004
<i>In thousands of dollars</i>		
<b>Gross revenues (note 8)</b>	797,718	749,865
<b>Recoverable disbursements made on behalf of clients</b>	630,716	592,867
<b>Net revenues</b>	<u>167,002</u>	<u>156,998</u>
<b>Operating expenses</b>		
Salaries and employee benefits	103,380	105,709
Employee termination benefits	3,577	5,409
Overhead chargeback	34,503	34,265
Corporate and administrative services	16,495	16,639
Occupancy costs	5,630	3,340
Provisions for claims and other expenses	5,445	1,856
	<u>169,030</u>	<u>167,218</u>
<b>Net results</b>	(2,028)	(10,220)
<b>Net assets, beginning of year</b>	4,740	55,086
Recovery of net draw down authority used (note 1)	15,991	12,503
Net financial resources provided and change in the accumulated net charge against the Fund's authority account, during the year	<u>(39,960)</u>	<u>(52,629)</u>
<b>Net assets (liabilities), end of year</b>	<u>(21,257)</u>	<u>4,740</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

	2005	2004
<i>In thousands of dollars</i>		
<b>Operating activities</b>		
Net results	(2,028)	(10,220)
Items not affecting use of the Fund's authority		
Provision for employee termination benefits	3,577	5,409
	<u>1,549</u>	<u>(4,811)</u>
Changes in working capital (note 7)	24,642	46,630
Payments on provision for employee termination benefits	(2,222)	(1,693)
<b>Net financial resources provided by operating activities</b>	<u>23,969</u>	<u>40,126</u>
<b>Financing activities</b>		
Recovery of net draw down authority used (note 1)	15,991	12,503
<b>Net financial resources provided by financing activities</b>	<u>15,991</u>	<u>12,503</u>
<b>Net financial resources provided and change in the accumulated net charge against the Fund's authority account, during the year</b>	39,960	52,629
<b>Accumulated net charge against the Fund's authority, beginning of year</b>	<u>(18,838)</u>	<u>(71,467)</u>
<b>Accumulated net charge against the Fund's authority, end of year (note 4)</b>	<u>21,122</u>	<u>(18,838)</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, 2005

### 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, 2005

### 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 2004-2005 is \$15,991,000 (2003-2004: \$12,503,000).

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting standards issued by the Treasury Board of Canada Secretariat which are consistent with Canadian generally accepted accounting principles for the public sector.

The significant accounting policies are as follows:

#### a) 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.

#### b) Revenues and expenses

Revenues and expenses are recorded on the accrual basis of accounting. Overhead chargeback expense is based on budgeted personnel costs. Corporate and administrative services expense is based on budgeted expenditures calculated using 2002-2003 actuals and adjusted for known factors such as collective agreements and service level agreements.

## Real Property Services Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

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

**c) Inventories**

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

**d) Work in process**

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

**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 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, 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.

**g) Insurance**

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



## Real Property Services Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

#### 3. OTHER ASSETS

*In thousands of dollars*

	2005	2004
Goods and Services Tax refundable advances	7,993	6,219
Prepaid expenses	4	1
Inventories and work in process	421	352
	8,418	6,572

#### 4. NET ASSETS (LIABILITIES)

*In thousands of dollars*

	2005	2004
Accumulated net charge against the Fund's authority	(21,122)	18,838
Accumulated deficit, beginning of year	(14,098)	(16,381)
Net results	(2,028)	(10,220)
Recovery of net draw down authority used (note 1)	15,991	12,503
Accumulated deficit, end of year	(135)	(14,098)
	(21,257)	4,740

#### 5. CONTRACTUAL OBLIGATIONS

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

*In thousands of dollars*

Year ending March 31, 2006	216,393
2007	37,009
2008	20,695
2009	18,410
2010 and thereafter	134,703
	427,210

## Real Property Services Revolving Fund

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended March 31, 2005

#### 6. CONTINGENT LIABILITIES

A statement of claim has been filed against the Crown and other parties alleging damages of \$39.7 million. The Crown has filed an appearance but not its statement of defence. At the date of the audit report, the Crown is unable to assess the possibility of settlement, the amount at risk or estimate the amount of any settlement.

#### 7. CHANGES IN WORKING CAPITAL

*In thousands of dollars*

	2005	2004	Changes
Current assets	207,619	185,367	(22,252)
Current liabilities	205,465	158,571	46,894
			24,642

#### 8. GROSS REVENUES

*In thousands of dollars*

	2005	2004
Recoverable disbursements made on behalf of clients	630,715	592,867
Project fees	132,218	122,888
Payroll recoveries	26,079	25,604
Inventory management fees	8,217	7,403
Other revenues	489	1,103
	797,718	749,865

#### 9. FINANCIAL INSTRUMENTS

The Revolving Fund's financial instruments consist of cash in transit, accounts receivable and accounts payable. The carrying values of these financial instruments approximate their 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.