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House of Commons

# Financial Statements

For The Year Ended

March 31, 2006



# House of Commons

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# House of Commons

## STATEMENT OF MANAGEMENT RESPONSIBILITY

**R**esponsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2006 and all information contained in these statements rests with House of Commons management.

These financial statements have been prepared by management in accordance with accounting policies generally applied to the Government of Canada and approved by the Board of Internal Economy, based on generally accepted accounting principles for the public sector, using management's best estimates and judgements where appropriate and giving due consideration to materiality. Financial information submitted to the Public Accounts of Canada is consistent with these financial statements.

Management has developed and maintains books, records, internal controls and management practices designed to provide reasonable assurance that the financial information is reliable and that the House of Commons assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of House of Commons objectives, and that transactions are in accordance with accepted Government of Canada accounting policies and House policies and statutory requirements.

In addition, management is responsible for administering the portion of the Pension Plan for Members of Parliament relating to the House of Commons and for keeping the records of its portion of the Members of Parliament Retiring Allowance and Compensation Arrangements Accounts. In addition, a large part of the day-to-day administration of the House of Commons portion of the Pension



# House of Commons

## STATEMENT OF MANAGEMENT RESPONSIBILITY (CONTINUED)

Plan for Members of Parliament is discharged by Public Works and Government Services Canada under a Memorandum of Understanding established many years ago.

At the request of management, these financial statements have been audited by KPMG.

*On behalf of the House of Commons,  
on the 22 day of June, 2006.*

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*The Clerk*

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*Director General, Corporate Services*

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*Director General, Finance and Human Resources*



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Auditors' Report to the Clerk of the House of Commons:

We have audited the statements of Financial Position and Equity of Canada of the House of Commons as at March 31, 2006 and the statements of Operations and Cash Flow for the year then ended. These financial statements have been prepared to comply with the accounting policies generally applied to the Government of Canada and approved by the Board of Internal Economy of the House of Commons. The significant accounting policies are disclosed in note 2 to the financial statements. These financial statements are the responsibility of the management of the House of Commons. 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 the previous year, our audit opinion was qualified as a result of a scope limitation resulting from the inability to satisfactorily verify the completeness, existence and accuracy of expenses, consisting of \$133,985,608 of constituency expenses and \$12,127,378 of caucus expenses. These expenses were not subject to our audit procedures. Accordingly, we were unable to determine whether any adjustments might be necessary to constituency and caucus expenses, Members' advances, accounts payable and accrued liabilities, net cost of operations for the year and net liabilities. In the current year, these expenses were subject to audit procedures, which enabled us to satisfactorily verify the completeness, existence and accuracy of these expenses.

In our opinion, these financial statements present fairly, in all material respects, the financial position and Equity of Canada of the House of Commons as at March 31, 2006 and the net cost of its operations and its cash flow for the year then ended in accordance with the accounting policies as described 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 House of Commons, the Board of Internal Economy and the Treasury Board of Canada Secretariat. 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.

*KPMG LLP*

Chartered Accountants

Ottawa, Canada  
June 22, 2006



# House of Commons

STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED MARCH 31

| <b>EXPENSES</b> (NOTE 5)         | <b>2006</b>          | <b>2005</b>              |
|----------------------------------|----------------------|--------------------------|
|                                  |                      | <i>(restated—note 3)</i> |
| House Administration             | \$208,492,802        | \$196,951,040            |
| Members and House Officers       | 230,303,560          | 230,150,812              |
| <b>Total expenses</b>            | <b>\$438,796,362</b> | <b>\$427,101,852</b>     |
| <br>                             |                      |                          |
| <b>NON-TAX REVENUES</b> (NOTE 6) |                      |                          |
| House Administration             | \$2,769,826          | \$2,619,484              |
| Members and House Officers       | 71,745               | 9,760                    |
| <b>Total non-tax revenues</b>    | <b>\$2,841,571</b>   | <b>\$2,629,244</b>       |
| <br>                             |                      |                          |
| <b>NET COST OF OPERATIONS</b>    | <b>\$435,954,791</b> | <b>\$424,472,608</b>     |

The accompanying notes form an integral part of these financial statements



# House of Commons

STATEMENT OF FINANCIAL POSITION  
AT MARCH 31

| <b>ASSETS</b>  | <b>2006</b>            | <b>2005</b><br><i>(restated—note 3)</i> |
|--|------------------------|---|
| <b>Financial assets</b>  |                        |   |
| Cash   | \$554,852              | \$320,715                               |
| Accounts receivable <i>(Note 7)</i>                              | 18,839,534             | 16,362,779                              |
| Inventory for resale — Food Services                             | 137,638                | 124,105                                 |
| Advances <i>(Note 8)</i>   | 353,742                | 400,265                                 |
| <b>Total financial assets</b>                                    | <b>\$19,885,766</b>    | <b>\$17,207,864</b>                     |
| <b>Non-financial assets</b>                                      |                        |   |
| Prepaid expenses   | \$12,502               | \$155,784                               |
| Inventories of consumable supplies                               | 2,474,503              | 1,450,318                               |
| Tangible capital assets <i>(Note 9)</i>                          | 15,067,460             | 17,047,055                              |
| <b>Total non-financial assets</b>                                | <b>\$17,554,465</b>    | <b>\$18,653,157</b>                     |
| <b>TOTAL</b>   | <b>\$37,440,231</b>    | <b>\$35,861,021</b>                     |
| <b>LIABILITIES</b>   |                        |   |
| Accounts payable and accrued liabilities                         | \$22,030,446           | \$21,929,500                            |
| Vacation pay and compensatory leave                              | 6,364,731              | 6,496,994                               |
| Lease obligation for tangible capital<br>assets <i>(Note 10)</i> | 1,932,981              | 2,784,576                               |
| Employee severance benefits <i>(Note 11b)</i>                    | 34,780,653             | 30,988,264                              |
| Members' pension accounts <i>(Note 12)</i>                       | 513,929,932            | 474,785,042                             |
| <b>Total liabilities</b>   | <b>\$579,038,743</b>   | <b>\$536,984,376</b>                    |
| <b>Equity of Canada</b>  | <b>(\$541,598,512)</b> | <b>(\$501,123,355)</b>                  |
| <b>TOTAL</b>   | <b>\$37,440,231</b>    | <b>\$35,861,021</b>                     |
| Contingent liabilities <i>(Note 13)</i>                          |                        |   |
| Contractual obligations <i>(Note 14)</i>                         |                        |   |

The accompanying notes form an integral part of these financial statements



# House of Commons

STATEMENT OF EQUITY OF CANADA  
AT MARCH 31

|  | <b>2006</b>            | <b>2005</b>              |
|--|------------------------|--------------------------|
|  |                        | <i>(restated—note 3)</i> |
| <b>Equity of Canada, beginning of year</b>   | <b>(\$501,123,355)</b> | <b>(\$452,825,460)</b>   |
| Net cost of operations   | (435,954,791)          | (424,472,608)            |
| Current year appropriations used <i>(Note 4a)</i>                                    | 375,662,363            | 366,702,963              |
| Change in net position in the Consolidated   |                        |                          |
| Revenue Fund <i>(Note 4c)</i>  | (37,067,301)           | (44,176,945)             |
| Services provided without charge from other government departments <i>(Note 15a)</i> | 56,884,572             | 53,648,695               |
| <b>Equity of Canada, end of year</b>   | <b>(\$541,598,512)</b> | <b>(\$501,123,355)</b>   |

*The accompanying notes form an integral part of these financial statements*





# House of Commons

STATEMENT OF CASH FLOW  
FOR THE YEAR ENDED MARCH 31

| <b>OPERATING ACTIVITIES</b>                            | <b>2006</b>          | <b>2005</b><br><i>(restated—note 3)</i> |
|--|----------------------|---|
| Net cost of operations                                 | \$435,954,791        | \$424,472,608                           |
| Non-cash items:  |                      |   |
| Amortization of tangible capital assets                | (5,399,512)          | (5,204,882)                             |
| Net gain (loss) on disposal of tangible capital assets | 72,270               | (278,892)                               |
| Services provided without charge                       | (56,884,572)         | (53,648,695)                            |
| Variations in statement of financial position:         |                      |   |
| Accounts receivable and advances                       | 2,430,232            | 587,498                                 |
| Prepaid expenses                                       | (143,282)            | 138,222                                 |
| Inventory  | 1,037,718            | (219,183)                               |
| Liabilities  | (42,054,367)         | (46,625,901)                            |
| <b>Cash used by operating activities</b>               | <b>\$335,013,278</b> | <b>\$319,220,775</b>                    |
| <b>CAPITAL INVESTMENT ACTIVITIES</b>                   |                      |   |
| Acquisition of tangible capital assets                 | \$3,496,523          | \$3,585,150                             |
| Proceeds from disposal of tangible capital assets      | (148,876)            | (93,975)                                |
| <b>Cash used by capital investment activities</b>      | <b>\$3,347,647</b>   | <b>\$3,491,175</b>                      |
| <b>FINANCING ACTIVITIES</b>                            |                      |   |
| Net cash provided by Government of Canada              | (\$338,595,062)      | (\$322,526,018)                         |
| <b>NET CASH PROVIDED (USED)</b>                        | <b>(\$234,137)</b>   | <b>\$185,932</b>                        |
| <b>CASH, BEGINNING OF YEAR</b>                         | <b>\$320,715</b>     | <b>\$506,647</b>                        |
| <b>CASH, END OF YEAR</b>                               | <b>\$554,852</b>     | <b>\$320,715</b>                        |

*The accompanying notes form an integral part of these financial statements*



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## NOTE 1 — AUTHORITY AND OBJECTIVES

The powers of the House of Commons derive essentially from the *Constitution Act, 1867* and from the *Parliament of Canada Act*.

The mandate of the House Administration is to support Members by providing the infrastructure, services and advice they need to carry out their work as legislators and representatives in the Chamber, in committee, in caucus, in their Parliament Hill offices and in their constituencies.

The Board of Internal Economy is the governing body of the House of Commons and oversees its financial management and administration on behalf of the Members and Canadians. It is chaired by the Speaker and composed of Members representing all recognized parties.

The Clerk of the House of Commons is the Secretary to the Board and, as the senior official of the Administration, reports to the Speaker. The Administration comprises these five services which employ the equivalent of 1,685 full-time workers reporting to the Clerk: Procedural Services, the Office of the Law Clerk and Parliamentary Counsel, Information Services, Parliamentary Precinct Services and Corporate Services.

## NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a) The financial statements of the House of Commons have been prepared on an accrual basis of accounting in accordance with accounting policies generally applied to the Government of Canada and approved by the Board of Internal Economy, based on Canadian generally accepted accounting principles for the public sector.
- b) Parliamentary appropriations — The House of Commons is financed by the Government of Canada through parliamentary appropriations. Appropriations provided to the House of Commons do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 4 provides a high-level reconciliation between the bases of reporting.
- c) Net cash provided by government — The House of Commons operates within the Consolidated Revenue Fund (CRF) except for the day-to-day operations of the Food Services, which has its own bank accounts. The CRF is administered by the Receiver General for Canada. All cash received by the House of Commons is deposited to the CRF and all cash disbursements made by the House of Commons are paid from the CRF. Net cash provided by government is the difference between all cash receipts and all cash disbursements including transactions between the House of Commons and federal departments.



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

- d) Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.
- e) Non-tax revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- f) Expenses are recorded when the underlying transaction or expense occurred, subject to the following:
- Transfer payments are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
  - Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.
  - Services provided without charge by other government departments for accommodation; the employer's contribution to the health and dental insurance plans; and the Worker's Compensation Boards and Commissions administrative charges are recorded as operating expenses at their estimated cost.
- g) Employee future benefits
- i) Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multiemployer plan administered by the Government of Canada. The House of Commons' contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require the House to make contributions for any actuarial deficiencies of the Plan.
- ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.
- h) Members of Parliament pension accounts: A large part of the day-to-day administration of the House of Commons portion of the Members of Parliament pension plan is discharged by Public Works and Government Services Canada. The House of Commons' contributions to the Plan, including any annual actuarial adjustment, are charged to expenses in the year incurred.



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

- i) Accounts receivable and advances are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.
- j) Contingent liabilities — Contingent liabilities are potential liabilities which 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. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.
- k) Inventory for resale — Food Services — Are items in the canteens, cafeterias and in the Parliamentary Restaurant and are valued at the lower of cost or net realizable value, the cost being determined using the first in, first out (FIFO) method.
- l) Inventories of consumable supplies of \$50,000 and over — These are valued at the lower of cost or net realizable value, the cost being determined using the average cost method for office supplies included in the perpetual inventory system, and using the FIFO method for other inventory items.
- m) 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.
- n) Tangible capital assets — Capital assets and leasehold improvements having a cost of \$10,000 or more are recorded at their acquisition cost. The House of Commons does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset, as follows:

| <b>Asset Class</b>  | <b>Amortization Period</b>   |
|---|--|
| Motor vehicles  | 5 and 7 years  |
| Machinery and equipment                                     | 7 to 10 years  |
| Other equipment   | 5 to 10 years  |
| Informatics hardware  | 3 years  |
| Software and licenses                                       | 3 years  |
| Leased tangible capital assets -<br>Motor vehicles          | 5 and 7 years (or the duration of the lease based<br>on the terms of the contract if less) |
| Leased tangible capital assets -<br>Machinery and equipment | 5 to 10 years  |
| Leasehold improvements                                      | The lesser of 10 years or the term of the lease plus a<br>renewal period                   |



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

- o) Measurement uncertainty — The preparation of these financial statements in accordance with Government of Canada accounting policies which are based on generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, non-tax 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 items where estimates are used are the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

## NOTE 3 — CHANGE IN ACCOUNTING POLICIES

- a) Severance pay: The financial statements of the prior period have been restated to conform to new Treasury Board accounting policies issued in 2005-06. The liability for employee severance benefits is now recorded in the House of Commons's accounts and financial statements. The new recommendations have been applied retroactively, with restatement, and have increased net cost of operations and employee severance benefits liability by **\$2,982,155** and **\$30,988,264**, respectively, and have decreased the opening balance of the Equity of Canada by **\$28,006,109** for the year ended March 31, 2005 (note 11b).
- b) Services provided without charge: The financial statements of the prior period have been restated to conform to new Treasury Board accounting policies issued in 2005-06. The services provided without charge are now recorded in the House of Commons's financial statements. The new recommendations have been applied retroactively, with restatement, and have resulted in an increase of **\$53,648,695** in net cost of operations and the inclusion of the same amount for services provided without charge in the statement of Equity of Canada for the year ended March 31, 2005 (note 15a).

## NOTE 4 — PARLIAMENTARY APPROPRIATIONS

The House of Commons receives most of its funding through annual parliamentary appropriations. Items recognized in the statements of Operations and Financial Position in one year may be funded through parliamentary appropriations in prior, current or future years. Accordingly, the House of Commons has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## NOTE 4A) RECONCILIATION OF NET COST OF OPERATIONS TO CURRENT YEAR APPROPRIATIONS USED

|  | <b>2006</b>          | <b>2005</b>              |
|--|----------------------|--------------------------|
|  |                      | <i>(restated—note 3)</i> |
| <b>NET COST OF OPERATIONS</b>  | <b>\$435,954,791</b> | <b>\$424,472,608</b>     |
| Adjustment for items affecting net cost of operations<br>but not affecting appropriations: |                      |                          |
| Add (Less):  |                      |                          |
| Amortization of tangible capital assets  | (5,399,512)          | (5,204,882)              |
| Services provided without charge   | (56,884,572)         | (53,648,695)             |
| Provision — severance benefits   | (3,792,389)          | (2,982,155)              |
| Inventory used   | (3,876,084)          | (5,480,702)              |
| Refunds of prior year expenditures   | 164,434              | 94,597                   |
| Adjustment of prior year payables  | 88,971               | 216,969                  |
| Gain on disposal of tangible capital assets  | 102,235              | 48,467                   |
| Miscellaneous non-tax revenues   | 73,561               | 6,492                    |
| Authority to charge user fees  | 101,784              | 132,460                  |
| Authority to spend funds collected   | (1,281,861)          | (1,127,830)              |
| Authority to transfer surplus funds (respendable<br>revenues) from sales — Food Services   | 961,240              | 894,903                  |
| Balance of sales — Food Services   | 1,602,751            | 1,546,921                |
| Vacation pay and compensatory leave  | 132,262              | 942,515                  |
| Bad debt expense   | 0                    | (2,525)                  |
| Expensing prepaids   | (2,021)              | (17,562)                 |
| Loss on disposal of tangible capital assets  | (29,964)             | (327,359)                |
| Operating expenses — Food Services   | (334,018)            | (454,919)                |
| Adjustments to tangible capital assets   | 223,182              | 180,370                  |
| Sub-total  | \$367,804,790        | \$359,289,673            |
| Adjustment for items not affecting net cost of operations<br>but affecting appropriations: |                      |                          |
| Add (Less):  |                      |                          |
| Tangible capital asset lease principal payments  | 723,436              | 678,539                  |
| Inventory purchased — consumable supplies  | 3,749,628            | 4,178,420                |
| Tangible capital asset acquisitions  | 3,379,420            | 2,554,310                |
| Prepaid expenses   | 5,089                | 2,021                    |
| <b>CURRENT YEAR APPROPRIATIONS USED</b>  | <b>\$375,662,363</b> | <b>\$366,702,963</b>     |



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## NOTE 4B) APPROPRIATIONS PROVIDED AND USED

|   | APPROPRIATIONS PROVIDED |                      |
|---|-------------------------|----------------------|
|   | 2006                    | 2005                 |
| Vote 5 — Operating expenditures         | \$258,897,541           | \$242,521,662        |
| Statutory amounts                       | 137,784,506             | 137,907,125          |
| Less:                                   |                         |                      |
| Lapsed appropriations: Operating        | (21,019,684)            | (13,725,824)         |
| <b>CURRENT YEAR APPROPRIATIONS USED</b> | <b>\$375,662,363</b>    | <b>\$366,702,963</b> |

## NOTE 4C) RECONCILIATION OF NET CASH PROVIDED BY GOVERNMENT TO CURRENT YEAR APPROPRIATIONS USED

|   | 2006                 | 2005                 |
|---|----------------------|----------------------|
| <b>NET CASH PROVIDED BY GOVERNMENT</b>                  | <b>\$338,595,062</b> | <b>\$322,526,018</b> |
| Change in net position in the Consolidated Revenue Fund |                      |                      |
| Variation in accounts receivable and advances           | (2,430,232)          | (587,498)            |
| Variation in accounts payable and accrued liabilities   | 100,946              | 3,591,995            |
| Variation in Members' pension accounts                  | 39,144,889           | 40,880,408           |
| Other adjustments                                       | <u>251,698</u>       | <u>292,040</u>       |
| Sub-total   | 37,067,301           | 44,176,945           |
| <b>CURRENT YEAR APPROPRIATIONS USED</b>                 | <b>\$375,662,363</b> | <b>\$366,702,963</b> |



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## NOTE 5 - EXPENSES

|  | <b>2006</b>          | <b>2005</b><br><i>(restated—note 3)</i> |
|--|----------------------|---|
| <i>Operating</i>                                   |                      |   |
| Personnel  | \$293,752,382        | \$282,291,412                           |
| Operating and maintenance                          | 137,575,711          | 136,432,066                             |
| Amortization of tangible capital assets            | 5,399,512            | 5,204,882                               |
| Food Services — cost of sales                      | 1,150,641            | 1,091,090                               |
| Interest portion on leased tangible capital assets | 60,047               | 117,238                                 |
| Loss on disposal of tangible capital assets        | 29,964               | 327,359                                 |
| Consumable inventory write-offs                    | 0                    | 32,871                                  |
| Bad debt allowance                                 | 0                    | 2,525                                   |
| Other  | 55                   | 263                                     |
| Sub-total  | \$437,968,312        | \$425,499,706                           |
| <i>Transfer payments</i>                           |                      |   |
| International                                      | 828,050              | 1,602,146                               |
| <b>Total expenses</b>                              | <b>\$438,796,362</b> | <b>\$427,101,852</b>                    |

## NOTE 6 - NON-TAX REVENUES

|  | <b>2006</b>        | <b>2005</b>        |
|--|--------------------|--------------------|
| Food Services — sales                        | \$2,563,991        | \$2,441,825        |
| Room allocation fees                         | 54,203             | 60,211             |
| Membership fees — Parliamentary Associations | 9,427              | 33,350             |
| Gymnasium fees                               | 14,500             | 15,800             |
| Recycled paper                               | 1,112              | 15,097             |
| Miscellaneous                                | 96,103             | 14,494             |
| Gain on disposal of tangible capital assets  | 102,235            | 48,467             |
| <b>Total non-tax revenues</b>                | <b>\$2,841,571</b> | <b>\$2,629,244</b> |





# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

| <b>NOTE 7 — ACCOUNTS RECEIVABLE</b>   | <b>2006</b>         | <b>2005</b>         |
|---|---------------------|---------------------|
| ACCOUNTS RECEIVABLE   |                     |                     |
| From other federal government departments (OGD):                                      |                     |                     |
| • Interest receivable from Treasury Board —<br>Members pension accounts (4th quarter) | \$12,808,690        | \$11,753,364        |
| • Other receivables   | 5,515,189           | 3,918,716           |
| From external parties   | 525,655             | 700,699             |
| Sub-total   | \$18,849,534        | \$16,372,779        |
| ALLOWANCE FOR DOUBTFUL ACCOUNTS ON EXTERNAL<br>RECEIVABLES                            | (10,000)            | (10,000)            |
| <b>TOTAL</b>  | <b>\$18,839,534</b> | <b>\$16,362,779</b> |

| <b>NOTE 8 — ADVANCES</b>   | <b>2006</b>      | <b>2005</b>      |
|--|------------------|------------------|
| Employee travel and salary advances  | \$19,470         | \$79,650         |
| Employee petty cash, House post office floats<br>and Food Services cash floats | 38,575           | 36,825           |
| Postage related advances   | 18,690           | 18,690           |
| Members' petty cash for office expenses  | 277,007          | 265,100          |
| <b>TOTAL</b>   | <b>\$353,742</b> | <b>\$400,265</b> |



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## NOTE 9 — TANGIBLE CAPITAL ASSETS



| Capital asset class     | COST — CURRENT YEAR |                    |                           |                     |
|-------------------------|---------------------|--------------------|---------------------------|---------------------|
|                         | Opening balance     | Acquisitions       | Disposals and adjustments | Closing balance     |
| <b>Owned</b>            |                     |                    |                           |                     |
| Motor vehicles          | \$481,074           | \$0                | \$(276,113)               | \$204,961           |
| Machinery and equipment | 5,007,679           | 877,433            | (53,570)                  | 5,831,542           |
| Other equipment         | 3,871,347           | 263,756            | (319,848)                 | 3,815,255           |
| Informatics hardware    | 7,539,792           | 1,267,040          | (1,297,188)               | 7,509,644           |
| Software and licenses   | 8,759,828           | 37,570             | 0                         | 8,797,398           |
| Work in progress        | 393,023             | 421,851            | (87,392)                  | 727,482             |
| Sub-total               | \$26,052,743        | \$2,867,650        | \$(2,034,111)             | \$26,886,282        |
| <b>Leased</b>           |                     |                    |                           |                     |
| Motor vehicles          | \$389,106           | \$0                | \$(389,106)               | \$0                 |
| Machinery and equipment | 4,593,536           | 405,423            | (267,281)                 | 4,731,678           |
| Sub-total               | \$4,982,642         | \$405,423          | \$(656,387)               | \$4,731,678         |
| Leasehold improvements  | \$4,846,576         | \$730,388          | \$0                       | \$5,576,964         |
| <b>TOTAL</b>            | <b>\$35,881,961</b> | <b>\$4,003,461</b> | <b>\$(2,690,498)</b>      | <b>\$37,194,924</b> |



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## NOTE 9 — TANGIBLE CAPITAL ASSETS (CONTINUED)



| Capital asset class     | ACCUMULATED AMORTIZATION— CURRENT YEAR |                    |                           |                     | NET BOOK VALUE      |                     |
|-------------------------|--|--------------------|---------------------------|---------------------|---------------------|---------------------|
|                         | Opening balance                        | Amortization       | Disposals and adjustments | Closing balance     | 2006                | 2005                |
| <b>Owned</b>            |  |                    |                           |                     |                     |                     |
| Motor vehicles          | \$383,358                              | \$(11,133)*        | \$(269,590)               | \$102,635           | \$102,326           | \$97,716            |
| Machinery and equipment | 2,518,050                              | 601,081            | (34,587)                  | 3,084,544           | 2,746,998           | 2,489,628           |
| Other equipment         | 2,400,764                              | 459,266            | (316,855)                 | 2,543,175           | 1,272,080           | 1,470,584           |
| Informatics hardware    | 5,379,712                              | 1,056,183          | (1,234,535)               | 5,201,360           | 2,308,284           | 2,160,080           |
| Software and licenses   | 4,449,102                              | 2,089,928          | 0                         | 6,539,030           | 2,258,368           | 4,310,726           |
| Work in progress        | 0                                      | 0                  | 0                         | 0                   | 727,482             | 393,023             |
| Sub-total               | \$15,130,986                           | \$4,195,325        | \$(1,855,567)             | \$17,470,744        | \$9,415,538         | \$10,921,757        |
| <b>Leased</b>           |  |                    |                           |                     |                     |                     |
| Motor vehicles          | \$28,890                               | \$0                | \$(28,890)                | \$0                 | \$0                 | \$360,216           |
| Machinery and equipment | 2,370,941                              | 719,529            | (222,497)                 | 2,867,973           | 1,863,705           | 2,222,595           |
| Sub-total               | \$2,399,831                            | \$719,529          | \$(251,387)               | \$2,867,973         | \$1,863,705         | \$2,582,811         |
| Leasehold improvements  | \$1,304,089                            | \$484,658          | \$0                       | \$1,788,747         | \$3,788,217         | \$3,542,487         |
| <b>TOTAL</b>            | <b>\$18,834,906</b>                    | <b>\$5,399,512</b> | <b>\$(2,106,954)</b>      | <b>\$22,127,464</b> | <b>\$15,067,460</b> | <b>\$17,047,055</b> |

Amortization expense for the year ended March 31, 2006 is \$5,399,512 (2005: \$5,204,882)

\* The amortization on motor vehicles consists of \$49,508 in current year amortization and \$60,641 of adjustments relating to the prior year.



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## NOTE 10 — LEASE OBLIGATION FOR TANGIBLE CAPITAL ASSETS

|                         | <b>2006</b>        | <b>2005</b>        |
|-------------------------|--------------------|--------------------|
| a) Balance owing        |                    |                    |
| Machinery and equipment | \$1,932,981        | \$2,533,321        |
| Motor vehicles          | 0                  | 251,255            |
| <b>TOTAL</b>            | <b>\$1,932,981</b> | <b>\$2,784,576</b> |

|  |                    |
|--|--------------------|
| b) Capital portion   | <b>2006</b>        |
| Minimum lease payments:  |                    |
| (2006-2007)  | \$747,956          |
| (2007-2008)  | 729,781            |
| (2008-2009)  | 402,475            |
| (2009-2010)  | 120,459            |
| (2010-2011) and thereafter   | 10,655             |
| Sub-total  | \$2,011,326        |
| Less: imputed interest   | (78,345)           |
| <b>BALANCE OF OBLIGATIONS UNDER LEASED<br/>TANGIBLE CAPITAL ASSETS</b> | <b>\$1,932,981</b> |



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## NOTE 11 — EMPLOYEE BENEFITS

- a) Pension benefits: employees of the House of Commons participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and the House of Commons contribute to the cost of the Plan. The 2005-06 expense amounts to **\$28,286,567** (**\$26,956,214** in 2004-05), which represents approximately 2.6 times the contributions by employees.

The responsibility of the House of Commons with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

- b) Severance benefits: the House of Commons provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

|   | <i>2006</i>         | <i>2005</i>         |
|---|---------------------|---------------------|
| <b>Employee severance benefits liability,</b> |                     |                     |
| <b>beginning of year</b>                      | <b>\$30,988,264</b> | <b>\$28,006,109</b> |
| Expense for the year                          | 9,472,996           | 8,740,641           |
| Benefits paid during the year                 | (5,680,607)         | (5,758,486)         |
| <b>Employee severance benefits liability,</b> |                     |                     |
| <b>end of year</b>                            | <b>\$34,780,653</b> | <b>\$30,988,264</b> |



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## NOTE 12 — MEMBERS' PENSION ACCOUNTS \*

|                                | <b>2006</b>          | <b>2005</b>          |
|--------------------------------|----------------------|----------------------|
| MPRA - House of Commons        | \$390,137,270        | \$363,446,329        |
| RCA - House of Commons         | \$236,328,275        | \$207,441,755        |
| Refundable tax remitted to CRA | <u>(112,535,613)</u> | <u>(96,103,042)</u>  |
| Total RCA                      | \$123,792,662        | \$111,338,713        |
| <b>TOTAL</b>                   | <b>\$513,929,932</b> | <b>\$474,785,042</b> |

\* Please note that the above figures pertain only to the House of Commons

### Members of Parliament Retiring Allowances Account (MPRA)

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide pension benefits to eligible Members of Parliament who contributed to the plan. "Member" means a Member of the House of Commons or of the Senate. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members who served on or after a certain date and contributed under the Act.

### Members of Parliament Retirement Compensation Arrangements Account (RCA)

This account was established by the *Members of Parliament Retiring Allowances Act*, to provide for benefits in respect of pension credits accrued by Members of Parliament which are not payable out of the Members of Parliament Retiring Allowances Account. Benefits are also available to eligible surviving spouses and/or eligible dependent children of Members.

### Refundable tax remitted to CRA

Transactions pertaining to the RCA, such as contributions, benefits and interest credits, are recorded in the RCA Account, which is maintained in the Accounts of Canada. The RCA Account earns interest quarterly and is registered with the Canada Revenue Agency (CRA). Annually, depending on the net cash flow position of the Account, a transfer is made between the RCA Account and CRA to either remit a 50 percent refundable tax in respect of the net contributions and interest credits, or to receive a reimbursement based on their net benefit payments.

### Actuarial deficit adjustment

An actuarial review of the Members of Parliament Retirement Compensation Arrangements Account was conducted by the Chief Actuary of the Office of the Superintendent of Financial Institutions. It was determined that an actuarial adjustment of \$5.7 million be credited to the Account starting with the 2005-06 fiscal year (\$9.373 million in 2004-05) and continue each year for the next six years to eliminate the deficit in the Pension Account. This annual adjustment is included within the House of Commons portion of the RCA and is subject to change based on future reviews.



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## NOTE 13 — CONTINGENT LIABILITIES

In the normal course of its operations, the House of Commons may become involved in various legal actions. As of March 31, 2006, management is not aware of any claims or possible claims against the House of Commons.

## NOTE 14 — CONTRACTUAL OBLIGATIONS

The nature of the House of Commons' activities result in some large multi-year contracts and obligations whereby the House will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are as follows:

|                            | 2006-07            | 2007-08            | 2008-09            | 2009-10            | 2010-11 & thereafter | Total               |
|----------------------------|--------------------|--------------------|--------------------|--------------------|----------------------|---------------------|
| Members' Constituency      |                    |                    |                    |                    |                      |                     |
| Office Leases              | \$6,889,700        | \$7,199,700        | \$7,523,700        | \$7,862,300        | \$8,216,100          | \$37,691,500        |
| Members' & House Equipment | 1,260,800          | 1,317,500          | 1,376,800          | 1,438,800          | 1,503,500            | 6,897,400           |
| Vehicles                   | 149,400            | 149,400            | 151,500            | 159,400            | 166,500              | 776,200             |
| <b>TOTAL</b>               | <b>\$8,299,900</b> | <b>\$8,666,600</b> | <b>\$9,052,000</b> | <b>\$9,460,500</b> | <b>\$9,886,100</b>   | <b>\$45,365,100</b> |



# House of Commons

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## NOTE 15 — RELATED PARTY TRANSACTIONS

The House of Commons is related, as a result of common ownership, to all Government of Canada departments, agencies, and Crown corporations. The House of Commons enters into transactions with these entities in the normal course of business and on normal trade terms. Also, during the year, the House of Commons received services which were obtained without charge from other government departments as presented in part a).

### a) Services provided without charge

During the year, the House of Commons received without charge from other departments, accommodation, the employer's contribution to the health and dental insurance plans as well as the Worker's Compensation Boards' and Commissions' administrative charges. These services without charge have been recorded in the House of Commons' Statement of Operations as follows:

|   | <i>2006</i>                | <i>2005</i>                |
|---|----------------------------|----------------------------|
| Accommodation provided by Public Works and Government Services Canada   | \$42,650,900               | \$40,227,995               |
| Contributions covering employer's share of employees' premiums for the health & dental insurance plans and cost paid by Treasury Board Secretariat                        | \$13,771,954               | \$12,962,828               |
| Administrative charges related to the handling of claims paid by Human Resources and Social Development Canada to Provincial Workers' Compensation Boards and Commissions | <u>\$461,718</u>           | <u>\$457,872</u>           |
| <b>Total</b>  | <b><u>\$56,884,572</u></b> | <b><u>\$53,648,695</u></b> |

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these activities on behalf of all without charge. The cost of these services, which include translation and interpretation services provided by Public Works and Government Services Canada and postage services provided by Canada Post, are not included as an expense in the House of Commons' Statement of Operations.

### b) Payables and receivables outstanding at year-end with related parties:

|  | <i>2006</i>  | <i>2005</i>  |
|--|--------------|--------------|
| Accounts receivable with other government departments and agencies | \$18,323,879 | \$15,672,080 |
| Accounts payable to other government departments and agencies      | \$851,914    | \$581,472    |





# *House of Commons*

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006

## **NOTE 16 — COMPARATIVE INFORMATION**

Comparative figures have been reclassified to conform to the current year's presentation.

