



# Financial Statements

For the Year Ended

March 31, 2016



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## Table of Contents

|   |    |
|---|----|
| Statement of Management Responsibility .....            | 3  |
| Independent Auditors' Report .....                      | 4  |
| Statement of Financial Position .....                   | 6  |
| Statement of Operations and Net Financial Position..... | 7  |
| Statement of Change in Net Debt .....                   | 8  |
| Statement of Cash Flows.....                            | 9  |
| Notes to the Financial Statements.....                  | 10 |



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying Financial Statements of the House of Commons for the year ended March 31, 2016, and of all information contained in these statements rests with management.

These Financial Statements have been prepared by management in accordance with Canadian public sector accounting standards, 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 maintains a system of financial management and internal control and management practices designed to provide reasonable assurance that the financial information is reliable, that assets are safeguarded, that resources are managed economically and efficiently in the achievement of House of Commons objectives and that transactions reflect the By-laws approved by the Board of Internal Economy and statutory requirements.

Management also seeks to ensure the objectivity and integrity of data in its Financial Statements by careful selection, training, and development of qualified staff; by organizational arrangements that provide appropriate divisions of responsibility; and by communication programs aimed at ensuring that regulations, policies, guidelines, standards, and managerial authorities are understood throughout the House of Commons.

At the request of management, these Financial Statements have been audited by Ernst & Young LLP, the independent auditors of the House of Commons.

On behalf of the House of Commons,

Marc Bosc  
Acting Clerk of the House of Commons

Daniel G. Paquette CPA, CA  
Chief Financial Officer

Ottawa, Canada  
on the 6<sup>th</sup> day of October 2016

## INDEPENDENT AUDITORS' REPORT

To the Clerk of the House of Commons

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the **House of Commons**, which comprise the statement of financial position as at March 31, 2016, and the statement of operations and net financial position, of changes in net debt and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **House of Commons** as at March 31, 2016, and its financial performance, the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

*Ernst & Young LLP*

Ottawa, Canada  
October 6, 2016

Chartered Professional Accountants  
Licensed Public Accountants



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## Statement of Financial Position

As at March 31

| <i>(in thousands of dollars)</i>                                | 2016          | 2015   |
|---|---------------|--------|
| <b>Liabilities</b>  |               |        |
| Accounts payable and accrued liabilities ( <i>note 4</i> )      | 37,101        | 31,135 |
| Vacation pay and compensatory leave                             | 7,276         | 7,992  |
| Lease obligations for tangible capital assets ( <i>note 5</i> ) | -             | 741    |
| Employee benefits ( <i>note 6</i> )                             | 40,678        | 35,709 |
| Centennial Flame Research Award Fund ( <i>note 7</i> )          | 19            | 16     |
| <i>Total liabilities</i>  | <b>85,074</b> | 75,593 |
| <b>Financial assets</b>   |               |        |
| Cash  | 278           | 723    |
| Due from the Consolidated Revenue Fund                          | 31,653        | 28,398 |
| Accounts receivable ( <i>note 8</i> )                           | 9,997         | 7,030  |
| Advances ( <i>note 9</i> )                                      | 736           | 823    |
| Inventory held for sale   | 474           | 285    |
| <i>Total financial assets</i>                                   | <b>43,138</b> | 37,259 |
| <b>Net debt</b>   | <b>41,936</b> | 38,334 |
| <b>Non-financial assets</b>                                     |               |        |
| Prepaid expenses  | 5,721         | 4,688  |
| Inventory held for use  | 3,926         | 2,644  |
| Tangible capital assets ( <i>note 10</i> )                      | 21,131        | 16,541 |
| <i>Total non-financial assets</i>                               | <b>30,778</b> | 23,873 |
| <b>Net financial position</b>                                   | <b>11,158</b> | 14,461 |

Contractual obligations (*note 11*)

Contingent liabilities (*note 12*)

Approved by:

Marc Bosc  
Acting Clerk of the House of Commons

Daniel G. Paquette CPA, CA  
Chief Financial Officer

Ottawa, Canada  
on the 6<sup>th</sup> day of October 2016



## Statement of Operations and Net Financial Position

For the year ended March 31

|   | <i>Budget</i>    | <b>2016</b>      | <b>2015</b> |
|---|------------------|------------------|-------------|
| <i>(in thousands of dollars)</i>                            | <i>(note 13)</i> |                  |             |
| <b>Expenses</b>   |                  |                  |             |
| <b>Operating</b>  |                  |                  |             |
| Salaries and benefits                                       | 328,516          | <b>348,002</b>   | 323,586     |
| Accommodations  | 60,081           | <b>60,081</b>    | 59,994      |
| Transportation and communications                           | 48,080           | <b>33,104</b>    | 35,603      |
| Professional and special services                           | 21,351           | <b>18,745</b>    | 17,913      |
| Rentals   | 11,961           | <b>17,055</b>    | 13,739      |
| Computer, office equipment, furniture and fixtures          | 9,577            | <b>13,065</b>    | 6,532       |
| Utilities, materials and supplies                           | 10,579           | <b>6,948</b>     | 9,358       |
| Information   | 9,266            | <b>5,117</b>     | 6,948       |
| Amortization of tangible capital assets                     | 5,587            | <b>5,587</b>     | 6,166       |
| Repair and maintenance                                      | 10,021           | <b>3,704</b>     | 2,614       |
| Net loss on disposal of tangible capital assets             | 34               | <b>34</b>        | 57          |
| Other   | 250              | <b>826</b>       | 415         |
| <i>Total operating expenses</i>                             | 515,303          | <b>512,268</b>   | 482,925     |
| <b>Transfer payments to international associations</b>      | 1,002            | <b>1,002</b>     | 983         |
| <b>Total expenses (note 17)</b>                             | 516,305          | <b>513,270</b>   | 483,908     |
| <b>Revenues</b>   |                  |                  |             |
| Cost recoveries   | -                | <b>14,923</b>    | 15,123      |
| Food services – sales                                       | 2,648            | <b>2,286</b>     | 2,684       |
| Other   | 62               | <b>75</b>        | 99          |
| <b>Total revenues</b>                                       | 2,710            | <b>17,284</b>    | 17,906      |
| <b>Net cost of continuing operations</b>                    | 513,595          | <b>495,986</b>   | 466,002     |
| Transferred operations to Parliamentary Protective Service  | 5,698            | <b>5,698</b>     | 23,410      |
| <b>Net cost of operations</b>                               | 519,293          | <b>501,684</b>   | 489,412     |
| <b>Funding and transfers</b>                                |                  |                  |             |
| Net cash provided by the Consolidated Revenue Fund          | -                | <b>(421,032)</b> | (411,292)   |
| Change in due from the Consolidated Revenue Fund            | -                | <b>(3,255)</b>   | (10,137)    |
| Services received without charge (note 15 (a))              | -                | <b>(77,908)</b>  | (77,671)    |
| Transfer of transition salary payments in arrears (note 16) | -                | <b>50</b>        | 7,598       |
| Transfer to Parliamentary Protective Service (note 18)      | -                | <b>(2,842)</b>   | -           |
| <b>Net cost of operations after funding and transfers</b>   | -                | <b>(3,303)</b>   | (2,090)     |
| <b>Net financial position – beginning of year</b>           | -                | <b>14,461</b>    | 16,551      |
| <b>Net financial position – end of year</b>                 | -                | <b>11,158</b>    | 14,461      |



## Statement of Change in Net Debt For the year ended March 31

| <i>(in thousands of dollars)</i>                                | 2016           | 2015    |
|---|----------------|---------|
| <b>Net cost of operations after funding and transfers</b>       | <b>(3,303)</b> | (2,090) |
| <b>Change due to tangible capital assets</b>                    |                |         |
| Acquisitions of tangible capital assets                         | 10,364         | 7,323   |
| Amortization of tangible capital assets                         | (5,587)        | (6,166) |
| Net loss on disposal of tangible capital assets                 | (34)           | (57)    |
| Transfer of capital assets to federal<br>government departments | (67)           | -       |
| Proceeds from disposal of tangible capital assets               | (87)           | (160)   |
| <b>Total change due to tangible capital assets</b>              | <b>4,589</b>   | 940     |
| Change due to inventory held for use                            | 1,283          | (62)    |
| Change due to prepaid expenses                                  | 1,033          | 850     |
| Net increase (decrease) in net debt                             | 3,602          | (362)   |
| <b>Net debt - beginning of year</b>                             | <b>38,334</b>  | 38,696  |
| <b>Net debt - end of year</b>                                   | <b>41,936</b>  | 38,334  |





## Statement of Cash Flows

For the year ended March 31

| <i>(in thousands of dollars)</i>  | 2016     | 2015     |
|---|----------|----------|
| <b>Operating activities</b>   |          |          |
| Net cost of operations  | 501,684  | 489,412  |
| <b>Non-cash items</b>   |          |          |
| Services received without charge <i>(note 15 (a))</i>                                       | (77,908) | (77,671) |
| Amortization of tangible capital assets   | (5,587)  | (6,166)  |
| Net loss on disposal of tangible capital assets   | (34)     | (57)     |
| <b>Transition payments for implementing salary payments<br/>in arrears <i>(note 16)</i></b> | 50       | 7,598    |
| <b>Variations in Statement of Financial Position</b>  |          |          |
| Decrease (increase) in cash   | (444)    | 254      |
| Increase in accounts receivable   | 2,966    | 2,135    |
| Decrease in advances  | (86)     | (706)    |
| Increase in prepaid expenses  | 1,033    | 850      |
| Increase in inventory   | 1,471    | 4        |
| Transfer of assets to Parliamentary Protective Service <i>(note 18)</i>                     | 532      | -        |
| Increase in accounts payable and accrued liabilities  | (5,966)  | (9,045)  |
| Decrease (increase) in vacation pay and compensatory leave                                  | 716      | (200)    |
| Increase in employee benefits   | (4,969)  | (3,188)  |
| Increase (decrease) in Centennial Flame Research Award Fund                                 | (3)      | 2        |
| Transfer of liabilities to Parliamentary Protective Service <i>(note 18)</i>                | (3,374)  | -        |
| <b>Cash used in operating activities</b>  | 410,081  | 403,222  |
| <b>Capital investing activities</b>   |          |          |
| Acquisition of tangible capital assets  | 10,364   | 7,323    |
| Proceeds from disposal of tangible capital assets   | (87)     | (160)    |
| Transfer of capital assets to federal<br>government departments                             | (67)     | -        |
| <b>Cash used in capital investing activities</b>  | 10,210   | 7,163    |
| <b>Financing activities</b>   |          |          |
| Lease payments for tangible capital assets  | 741      | 907      |
| <b>Cash used in financing activities</b>  | 741      | 907      |
| <b>Net cash provided by the Consolidated Revenue Fund</b>                                   | 421,032  | 411,292  |

The accompanying notes form an integral part of these Financial Statements.



# Notes to the Financial Statements

For the year ended March 31

## 1. Authority and objectives

The **House of Commons** is a self-governing institution established under the *Constitution Act, 1867*. The Board of Internal Economy and its predecessors have the authority to act on all financial and administrative matters relating to the House of Commons and its Members pursuant to the *Parliament of Canada Act*.

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

The **Clerk of the House of Commons** is the Secretary to the Board of Internal Economy and is also the senior official of the House Administration, reporting to the Speaker.

**Members** carry out the roles of legislators and elected representatives of their constituencies. In their constituencies, Members participate in events and activities and hold discussions with constituents about their concerns. In the Chamber, Members participate in debates and study and vote on legislation. Members sit on standing committees and special or joint committees, since the House of Commons delegates in-depth consideration of bills and the thorough scrutiny of the Government's programs and policies to its committees. Members also participate in parliamentary associations and interparliamentary groups, and are members of delegations in parliamentary exchanges. Finally, in caucus, Members develop strategy, discuss policy and examine important issues with fellow caucus Members, and direct the work of research offices. Some Members, such as the Speaker, Deputy Speaker, House Leaders and Chief Whips, assume additional functions as House Officers.

The **House Administration** provides the support required by Members during a Parliament and, in addition, serves the House as an institution on a permanent basis by providing continuity from one Parliament to another, access to parliamentary records, and a stable infrastructure to support Members in the legislative process. Advice and support are provided through a wide variety of services such as procedural, legislative, legal, information technology and management, building management, food, finance, human resources, health and safety. The staff of the House of Commons strives to support the institution and Members in their roles as legislators and representatives of 338 constituencies in the Chamber, in committee and in caucus. The House Administration comprises six Service Areas that employ the equivalent of 1,543 full-time workers and report to the Clerk: Procedural Services; the Office of the Law Clerk and Parliamentary Counsel; Information Services; Parliamentary Precinct Operations; Finance Services; and Human Resources Services.



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# Notes to the Financial Statements

For the year ended March 31

## 1. Authority and objectives (continued)

### Significant changes

In accordance with the Constitution and the *Electoral Boundaries Readjustment Act*, federal electoral districts, also known as constituencies, were readjusted following the last decennial census to reflect changes and movements in Canada's population. The readjustments to the federal electoral districts came into effect on the day of the 42nd general election, which was held on Monday, October 19, 2015. As a result, the number of constituencies increased from 308 to 338.

On June 23, 2015, Bill C-59, *Economic Action Plan 2015 Act, No. 1*, received Royal Assent and a new statutory office called the Parliamentary Protective Service was established, responsible for all matters relating to physical security throughout the Parliamentary Precinct and the grounds of Parliament Hill. The Speaker of the Senate and the Speaker of the House of Commons are responsible for and provide general policy direction to this new office. As a result, the House of Commons transferred responsibility for the physical security throughout the Parliamentary Precinct and the grounds of Parliament Hill to the Parliamentary Protective Service, including the administration of all related financial and administrative matters as well as stewardship responsibility for the assets and liabilities.



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# Notes to the Financial Statements

For the year ended March 31

## 2. Summary of significant accounting policies

### (a) Basis of presentation

These Financial Statements have been prepared in accordance with Canadian public sector accounting standards.

### (b) Parliamentary authorities

The House of Commons is funded through parliamentary authorities. Financial reporting of authorities provided to the House of Commons do not parallel financial reporting according to Canadian public sector accounting standards, since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and Net Financial Position and in the Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a high-level reconciliation between the bases of reporting.

### (c) Net cash provided by the Consolidated Revenue Fund

The House of Commons operates within the Consolidated Revenue Fund (CRF), which 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. The net cash provided by the CRF is the difference between all cash receipts and all cash disbursements including transactions with departments of the Government of Canada.

### (d) Due from the Consolidated Revenue Fund

Amounts due from the Consolidated Revenue Fund (CRF) are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that the House of Commons is entitled to draw from the CRF without further appropriations to discharge its liabilities.

### (e) Accounts receivable and advances

Accounts receivable and advances are stated as amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

### (f) Inventory

#### i. Inventory held for sale

Inventory held for sale consists of items in the canteens, cafeterias and the Parliamentary Dining Room. This inventory is valued at the lower of cost or net realizable value using the first in, first out method.



## Notes to the Financial Statements

For the year ended March 31

### 2. Summary of significant accounting policies (continued)

ii. Inventory held for use

Inventory held for use consists of consumable parts, material, stationery and office supplies held for future activities and having an original value of \$50,000 or more. Inventory is valued at the lower of cost or net realizable value using the average cost method, and using the first in, first out method for other items.

**(g) Tangible capital assets**

All tangible capital assets having an initial cost of \$10,000 or more are recorded at their acquisition cost. Similar items under \$10,000 are expensed in the Statement of Operations and Net Financial Position. The House of Commons does not capitalize intangibles, works of art or historical treasures that have cultural, aesthetic or historical value. Amounts included in assets under development are transferred to the appropriate class of asset upon completion and are then amortized. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows:

| <u>Asset Class</u>                      | <u>Amortization Period</u>          |
|---|-------------------------------------|
| Informatics hardware and infrastructure | 3 years                             |
| Software                                | 3 to 5 years                        |
| Machinery and equipment                 | 5 to 10 years                       |
| Vehicles                                | 5 to 7 years                        |
| Other equipment                         | 5 to 10 years                       |
| Leasehold improvements                  | Lesser of 10 years or term of lease |
| Leased equipment                        | Lesser of 10 years or term of lease |

**(h) Employee Benefits**

i. Salaries, benefits, and vacation leave

Salaries, benefits, and vacation leave are expensed as they accrue in accordance with the terms of employment. The salaries and benefits liability is calculated based on terms of employment using the salary levels at year-end and the number of days remaining unpaid at the end of the year. The liability for vacation leave is calculated at the salary levels in effect at March 31 for all unused vacation leave benefits. Vacation pay liabilities payable upon cessation of employment represent House of Commons obligations that are normally funded through future years' parliamentary authorities.



## Notes to the Financial Statements

For the year ended March 31

### 2. Summary of significant accounting policies (continued)

#### ii. Employee severance benefits

Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as the services necessary to earn them are rendered. 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 of Canada as a whole.

#### iii. Pension benefits

##### a. Employee pension benefits

Eligible employees participate in the Public Service Pension Plan under the *Public Service Superannuation Act*, which is sponsored and 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 obligation of the House of Commons to the Plan. The House of Commons is not required under current legislation to make contributions for any actuarial deficiencies of the Plan.

##### b. Members' pension benefits

Eligible Members participate in a defined benefit pension plan under the *Members of Parliament Retiring Allowances Act*, which is sponsored and administered by the Government of Canada. Assets and liabilities for the Members' pension accounts are not included in the House of Commons Statement of Financial Position, as these accounts are the responsibility of the Government of Canada. The House of Commons' contributions to these accounts are charged to the salaries and benefits expense in the year incurred. Members who are not eligible for an immediate pension are entitled to a severance allowance under the *Parliament of Canada Act* upon ceasing to perform their parliamentary functions. The severance allowance liability is reported in the Government of Canada financial statements.



## Notes to the Financial Statements

For the year ended March 31

### 2. Summary of significant accounting policies (continued)

#### iv. Sick leave benefits

Employees of the House of Commons are eligible to accumulate sick leave until termination of employment. Unused sick leave is not eligible for payment on retirement or termination and may not be used as vacation. All sick leave is an accumulating non-vesting benefit. A liability is recorded for sick leave balances expected to be taken in excess of future allotments. The cost of sick leave as well as the present value of the obligation is determined using an actuarial valuation. Any gains and losses are recognized in net results in the period in which they arise.

#### (i) Contingent liabilities

Contingent liabilities are potential liabilities that 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.

#### (j) Revenues

Revenues are mostly derived from the provision of information technology and information management services to parliamentary institutions; long-term accommodation planning related to the Parliamentary Precinct renovations; and food services from catering and restaurants. Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.

#### (k) Services received without charge

Services received without charge from federal government departments for accommodation, employer contributions to the health and dental insurance plans, and workers' compensation are recorded as operating expenses at their estimated cost.

#### (l) Transfer payments

Transfer payments to international parliamentary and independent associations are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.



## Notes to the Financial Statements

For the year ended March 31

### 2. Summary of significant accounting policies (continued)

#### **(m) Foreign currency transactions**

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

#### **(n) Measurement uncertainty**

The preparation of these Financial Statements in accordance with Canadian public sector accounting standards requires that management make estimates and assumptions that affect the 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 items where estimates are used are contingent liabilities, the liability for employee severance benefits, the liability of employee sick leave 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.





## Notes to the Financial Statements

For the year ended March 31

### 3. Parliamentary authorities

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

#### (a) Reconciliation of net cost of operations to current year parliamentary authorities used

| <i>(in thousands of dollars)</i>   | 2016           | 2015           |
|--|----------------|----------------|
| Net cost of operations   | 501,684        | 489,412        |
| <i>Adjustments for items affecting net cost of operations but not affecting authorities:</i> |                |                |
| Services received without charge ( <i>note 15 (a)</i> )                                      | (77,908)       | (77,671)       |
| Inventory used   | (2,839)        | (6,007)        |
| Amortization of tangible capital assets  | (5,587)        | (6,166)        |
| Employee benefits  | (7,523)        | (3,188)        |
| Refund of previous years' expenditures   | 427            | 2,875          |
| Net loss on disposal of tangible capital assets  | (34)           | (57)           |
| Vacation pay and compensatory leave  | (267)          | (200)          |
| Prepaid expenses consumption   | (4,688)        | (3,836)        |
| Other  | (874)          | 139            |
|  | (99,293)       | (94,111)       |
| <i>Adjustments for items not affecting net cost of operations but affecting authorities:</i> |                |                |
| Acquisitions of tangible capital assets  | 10,364         | 7,323          |
| Transition payments for implementing salary payments in arrears ( <i>note 16</i> )           | 50             | 7,598          |
| Purchases of inventory   | 5,064          | 6,011          |
| Tangible capital asset lease principal payments  | 741            | 907            |
| Prepaid expenses   | 5,721          | 4,688          |
|  | 21,940         | 26,527         |
| <b>Current year authorities used</b>   | <b>424,331</b> | <b>421,828</b> |



## Notes to the Financial Statements

For the year ended March 31

### 3. Parliamentary authorities (continued)

#### (b) Authorities provided and used

| <i>(in thousands of dollars)</i>     | 2016           | 2015           |
|--------------------------------------|----------------|----------------|
| Vote 5 – Operating expenditures      | 296,490        | 300,137        |
| Statutory amounts                    | 145,451        | 135,948        |
|                                      | 441,941        | 436,085        |
| Less:                                |                |                |
| Lapsed – Operating                   | (17,610)       | (14,257)       |
| <b>Current year authorities used</b> | <b>424,331</b> | <b>421,828</b> |

### 4. Accounts payable and accrued liabilities

| <i>(in thousands of dollars)</i>  | 2016          | 2015          |
|---|---------------|---------------|
| Payables – External parties   | 19,820        | 13,790        |
| Payables – Federal government departments, agencies and<br>Crown corporations | 1,324         | 2,154         |
|   | 21,144        | 15,944        |
| Accrued liabilities   | 15,957        | 15,191        |
| <b>Total accounts payable and accrued liabilities</b>                         | <b>37,101</b> | <b>31,135</b> |



## Notes to the Financial Statements

For the year ended March 31

### 5. Lease obligations for tangible capital assets

The House of Commons has entered into agreements to lease equipment under capital leases with a cost of \$4,251,362 and accumulated amortization of \$4,251,362 as at March 31, 2016 (\$4,363,651 and \$3,695,178 respectively as at March 31, 2015). The House of Commons has no capital lease obligation as at March 31, 2016 (\$741,292 as at March 31, 2015).

### 6. Employee benefits

#### (a) Employee severance benefits

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

| <i>(in thousands of dollars)</i>                           | <b>2016</b>     | <b>2015</b> |
|--|-----------------|-------------|
| Employee severance benefit obligation – beginning of year  | <b>29,026</b>   | 26,478      |
| Expense for the year                                       | <b>25,110</b>   | 5,940       |
| Benefits paid during the year                              | <b>(22,633)</b> | (3,392)     |
| <b>Employee severance benefit obligation – end of year</b> | <b>31,503</b>   | 29,026      |

As part of collective agreement negotiations with certain employee groups and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination of their employment. These changes have been reflected in the calculation of the outstanding severance benefit obligation.



## Notes to the Financial Statements

For the year ended March 31

### 6. Employee benefits (continued)

#### (b) Sick leave benefits

The House of Commons provides benefits for sick leave to its eligible employees consisting of one and one-quarter (1¼) days of sick leave per calendar month. Sick leave can only be used for paid time off at the employee's normal rate of pay when the employee is unable to perform their duties because of illness or injury. Unused sick leave benefits accumulate during the employee's period of service and no payment is due to employees upon termination of employment for unused days. Information about the sick leave benefits, measured as at March 31, is as follows:

| <i>(in thousands of dollars)</i>                            | <b>2016</b>    | <b>2015</b> |
|---|----------------|-------------|
| Employee sick leave benefit obligation – beginning of year  | <b>6,683</b>   | 6,043       |
| Expense for the year:                                       |                |             |
| Current service cost  | <b>1,221</b>   | 721         |
| Interest cost   | <b>151</b>     | 115         |
| Actuarial loss  | <b>3,806</b>   | 1,639       |
| Curtailment gain  | <b>(1,113)</b> | -           |
|   | <b>4,065</b>   | 2,475       |
| Benefits paid during the year                               | <b>(1,573)</b> | (1,835)     |
| <b>Employee sick leave benefit obligation – end of year</b> | <b>9,175</b>   | 6,683       |

At the end of fiscal year 2015, an actuarial valuation of the House of Commons' employee sick leave benefit obligation was completed using the projected benefit method prorated on services, extrapolated at the end of fiscal year 2016. The significant actuarial assumptions adopted in measuring the employee sick leave benefit obligation are as follows:

|  | <b>2016</b>              | <b>2015</b> |
|--|--------------------------|-------------|
| Discount rate  | <b>1.30%<sup>1</sup></b> | 1.25%       |
| Rate of compensation economic increase per year:     |                          |             |
| 2015   | <b>2.0%</b>              | 2.0%        |
| 2016 and thereafter                                  | <b>2.0%</b>              | 2.0%        |
| Average remaining service period of active employees | <b>14.5 years</b>        | 16 years    |

<sup>1</sup> Curtailment as a result of the transferred responsibility for the physical security throughout the Parliamentary Precinct and the grounds of Parliament Hill to the Parliamentary Protective Service as at June 23, 2015: 1.80%.



## Notes to the Financial Statements

For the year ended March 31

### 7. Centennial Flame Research Award Fund

The purpose of the Centennial Flame Research Award Fund is to provide awards of money to enable persons with disabilities to conduct research and prepare reports on the contributions of one or more persons with disabilities to the public life of Canada or the activities of Parliament. Pursuant to section 3 of the *Centennial Flame Research Award Act*, the Centennial Flame Research Award Fund is credited with money collected from the Centennial Flame monument on Parliament Hill in Ottawa, as well as any money otherwise received as a donation.

### 8. Accounts receivable

| <i>(in thousands of dollars)</i>  | 2016         | 2015         |
|---|--------------|--------------|
| Receivables – Federal government departments, agencies and Crown corporations | 6,660        | 3,562        |
| Receivables – External parties  | 3,347        | 3,478        |
|   | 10,007       | 7,040        |
| Allowance for doubtful accounts on external receivables                       | (10)         | (10)         |
| <b>Total accounts receivable</b>  | <b>9,997</b> | <b>7,030</b> |

### 9. Advances

| <i>(in thousands of dollars)</i>                     | 2016       | 2015       |
|--|------------|------------|
| Petty cash for Members                               | 552        | 410        |
| Travel and tuition advances                          | 137        | 355        |
| Petty cash and floats for House of Commons employees | 28         | 39         |
| Postage-related advances                             | 19         | 19         |
| <b>Total advances</b>                                | <b>736</b> | <b>823</b> |



## Notes to the Financial Statements

For the year ended March 31

### 10. Tangible capital assets

(in thousands of dollars)

|  | Cost              |                   |                                 |   | March 31,<br>2016 | Accumulated Amortization |                   |                                 |                   | Net Book Value |        |
|--|-------------------|-------------------|---------------------------------|---|-------------------|--------------------------|-------------------|---------------------------------|-------------------|----------------|--------|
|  | March 31,<br>2015 | Acquisi-<br>tions | Disposals<br>and<br>adjustments | Transfers of<br>assets under<br>development |                   | March 31,<br>2015        | Amorti-<br>zation | Disposals<br>and<br>adjustments | March 31,<br>2016 | 2016           | 2015   |
| Informatics hardware<br>and infrastructure | 17,009            | 1,773             | (2,338)                         | -   | <b>16,444</b>     | 14,245                   | 1,558             | (2,339)                         | <b>13,464</b>     | <b>2,980</b>   | 2,764  |
| Software                                   | 18,101            | 5,912             | -                               | 2,640                                       | <b>26,653</b>     | 14,003                   | 2,065             | -                               | <b>16,068</b>     | <b>10,585</b>  | 4,098  |
| Machinery and equipment                    | 4,415             | 278               | (320)                           | -   | <b>4,373</b>      | 3,493                    | 220               | (252)                           | <b>3,461</b>      | <b>912</b>     | 922    |
| Vehicles                                   | 1,758             | 616               | (427)                           | -   | <b>1,947</b>      | 795                      | 256               | (364)                           | <b>687</b>        | <b>1,260</b>   | 963    |
| Other equipment                            | 3,304             | 107               | (155)                           | -   | <b>3,256</b>      | 2,783                    | 146               | (147)                           | <b>2,782</b>      | <b>474</b>     | 521    |
| Leasehold improvements                     | 7,948             | 1,216             | (1,189)                         | 236   | <b>8,211</b>      | 4,353                    | 674               | (1,191)                         | <b>3,836</b>      | <b>4,375</b>   | 3,595  |
| Assets under development                   | 3,009             | 462               | (50)                            | (2,876)                                     | <b>545</b>        | -                        | -                 | -                               | -                 | <b>545</b>     | 3,009  |
| Subtotal                                   | 55,544            | 10,364            | (4,479)                         | -   | <b>61,429</b>     | 39,672                   | 4,919             | (4,293)                         | <b>40,298</b>     | <b>21,131</b>  | 15,872 |
| Leased equipment                           | 4,364             | -                 | (113)                           | -   | <b>4,251</b>      | 3,695                    | 668               | (112)                           | <b>4,251</b>      | -              | 669    |
| <b>Total</b>                               | <b>59,908</b>     | <b>10,364</b>     | <b>(4,592)</b>                  | -   | <b>65,680</b>     | <b>43,367</b>            | <b>5,587</b>      | <b>(4,405)</b>                  | <b>44,549</b>     | <b>21,131</b>  | 16,541 |



## Notes to the Financial Statements

For the year ended March 31

### 11. Contractual obligations

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

| <i>(in thousands of dollars)</i> | <b>2017</b> | <b>2018</b> | <b>2019</b> | <b>2020</b> | <b>2021 and thereafter</b> | <b>Total</b> |
|----------------------------------|-------------|-------------|-------------|-------------|----------------------------|--------------|
| Leases                           | 48          | -           | -           | -           | -                          | 48           |
| Supplier's Agreements            | 447         | 619         | 231         | 14          | 14                         | 1,325        |

In the normal course of operations, the House of Commons assumes a contractual obligation through guarantees provided with respect to Members' constituency office leases. These guarantees cover up to three months of lease costs in the event a lease is terminated for various operational reasons. Based on lease costs that can be incurred by the House as at March 31, 2016, the maximum obligation is estimated to be \$2,223,820 (\$1,543,271 as at March 31, 2015).

### 12. Contingent liabilities

As of March 31, 2016, management is not aware of any claims or possible claims against the House of Commons.

### 13. Budget figures

Given the difference between parliamentary authorities and Canadian public sector accounting standards, the budget figures presented have been adjusted to conform to the basis of accounting for these Financial Statements. Budget figures were also adjusted as a result of the transferred responsibility for the physical security throughout the Parliamentary Precinct and the grounds of Parliament Hill to the Parliamentary Protective Service. Note 3 reflects the transfer of appropriation to the Parliamentary Protective Service and provides a high-level reconciliation between the bases of reporting.



## Notes to the Financial Statements

For the year ended March 31

### 14. Pension benefits

#### (a) Employee 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 two percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with the Canada and Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and the House of Commons contribute to the cost of the plan. Contributions made by the House of Commons, included in salaries and benefits expense, totalled \$23,155,433 (\$21,975,392 in 2014–2015). This amount represents approximately 1.25 times (1.41 times in 2014–2015) the employees' contributions for existing members who were required to contribute to the cost of the plan prior to January 1, 2013 and 1.24 times (1.39 times in 2014–2015) for new members required to contribute on or after January 1, 2013.

The House of Commons' responsibility 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) Members' pension benefits

Members participate in a pension plan consisting of two separate accounts, the Members of Parliament Retiring Allowances (MPRA) and the Members of Parliament Retirement Compensation Arrangements (RCA), which are sponsored and administered by the Government of Canada. Members are eligible to receive a retirement allowance from age 65 or a reduced retirement allowance from age 55, upon termination of their parliamentary functions and after having contributed to the plan for at least six years. Pension benefits accrue at a rate of three percent of the highest average of annual pensionable earnings over any period of five consecutive years, multiplied by the number of years of pensionable service, to a maximum of seventy-five percent of the average annual pensionable earnings. Retirement allowances are indexed to inflation once recipients reach age 60.

Both the Members and the House of Commons contribute to the cost of the plan. Contributions made by the House of Commons, included in salaries and benefits expense, totalled \$19,956,466 (\$22,556,790 in 2014–2015).

The House of Commons' responsibility 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.





## Notes to the Financial Statements

For the year ended March 31

### 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.

#### (a) Services received without charge

During the year, the House of Commons received services that were obtained without charge from federal government departments and agencies. These services received without charge have been recorded in the House of Commons' Statement of Operations and Net Financial Position as follows:

| <i>(in thousands of dollars)</i>  | <b>2016</b>   | <b>2015</b> |
|---|---------------|-------------|
| Public Services and Procurement Canada –<br>Accommodation   | <b>60,081</b> | 59,994      |
| Treasury Board Secretariat – Employer's share of<br>insurance premiums  | <b>17,520</b> | 17,362      |
| Employment and Social Development Canada –<br>Administrative charges related to Worker's<br>Compensation payments | <b>307</b>    | 315         |
| <b>Total services received without charge</b>   | <b>77,908</b> | 77,671      |

The Government of Canada has centralized some of its administrative activities for efficiency purposes and economic delivery of programs to the public. As a result, common service organizations provide specific services to all federal government departments and agencies without charge. The cost of these services, such as payroll and cheque issuance services provided by Public Services and Procurement Canada, is not included as an expense in the House of Commons' Statement of Operations and Net Financial Position.

#### (b) Other transactions with related parties

Expenses shown below include services received without charge as described in section (a) of this note.

| <i>(in thousands of dollars)</i>                         | <b>2016</b>    | <b>2015</b> |
|--|----------------|-------------|
| Expenses – Federal government departments and agencies   | <b>139,340</b> | 139,471     |
| Recoveries – Federal government departments and agencies | <b>13,806</b>  | 15,065      |



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## Notes to the Financial Statements

For the year ended March 31

### 16. Transfer of the transition salary payments in arrears

As part of a transformation initiative to streamline and modernize the pay processes, salary payments in arrears were implemented in June 2014. As a result, the House of Commons issued a one-time transition payment of \$49,894 (\$7,598,101 in 2014–2015) to employees that were paid every two weeks on a current basis in replacement of their basic pay. Employees that were on leave without pay when the initial one-time transition payments were issued will receive the transition payment shortly after their return to work from their leave without pay. This transition payment was transferred to a central account administered by Public Services and Procurement Canada, the common service organization responsible for the payroll and cheque issuance services. This change had no impact on the expenses for the year ended March 31, 2016; however, it resulted in the use of additional spending authorities by the House of Commons.

### 17. Expenses by function

| <i>(in thousands of dollars)</i> | <b>2016</b>    | <b>2015</b> |
|----------------------------------|----------------|-------------|
| Members and House Officers       | <b>272,764</b> | 248,264     |
| House Administration             | <b>240,506</b> | 235,644     |
| <b>Total expenses</b>            | <b>513,270</b> | 483,908     |



## Notes to the Financial Statements

For the year ended March 31

### 18. Transfer to the Parliamentary Protective Service

The House of Commons transferred responsibility for the physical security throughout the Parliamentary Precinct and the grounds of Parliament Hill to the Parliamentary Protective Service, including the administration of all related financial and administrative matters as well as stewardship responsibility for the assets and liabilities. Accordingly, the House of Commons transferred the following assets and liabilities to the Parliamentary Protective Service on June 23, 2015:

| <i>(in thousands of dollars)</i>                    | <b>2016</b>    |
|---|----------------|
| <b>Liabilities:</b>                                 |                |
| Vacation pay and compensatory leave                 | <b>1,012</b>   |
| Employee severance benefits                         | <b>1,249</b>   |
| Sick leave benefits                                 | <b>1,113</b>   |
| <b>Total liabilities transferred</b>                | <b>3,374</b>   |
| <b>Assets:</b>                                      |                |
| Accounts receivable                                 | <b>1</b>       |
| Inventory held for use                              | <b>498</b>     |
| Tangible capital assets (net book value)            | <b>33</b>      |
| <b>Total assets transferred</b>                     | <b>532</b>     |
| <b>Transfer to Parliamentary Protective Service</b> | <b>(2,842)</b> |

These assets and liabilities are not recorded in these financial statements.

### 19. Comparative information

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