



CONSOLIDATED DEPARTMENTAL FINANCIAL STATEMENTS

(Unaudited)

For the year ended March 31, 2018

2017-2018



Public Services and Procurement Canada

Statement of Management Responsibility Including Internal Control over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying consolidated financial statements for the year ended March 31, 2018, and all information contained in these financial statements rests with Public Services and Procurement Canada (PSPC) management. These consolidated financial statements have been prepared by management using the Government of Canada's accounting policies, which are based on Canadian public sector accounting standards.

Management is responsible for the integrity and objectivity of the information in these consolidated financial statements. Some of the information in the consolidated financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of PSPC's financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in PSPC's Departmental Results Report, is consistent with these consolidated financial statements.

Management is also responsible for maintaining an effective system of Internal Control over Financial Reporting (ICFR) designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout PSPC; and through conducting an annual risk-based assessment of the effectiveness of the system of ICFR.

The system of ICFR is designed to mitigate risks to a reasonable level based on an ongoing process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

A risk-based assessment of the system of ICFR for the year ended March 31, 2018 was completed in accordance with the Treasury Board Policy on Financial Management, and the results and action plans are summarized in Annex A.

The annex also provides information on the status of the risk-based assessment of the controls over common services provided by the Department that have a bearing on a recipient's departmental financial statements.

Public Services and Procurement Canada

Statement of Management Responsibility Including Internal Control over Financial Reporting

The effectiveness and adequacy of PSPC's system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of PSPC's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and which recommends the financial statements to the Deputy Minister.

The consolidated financial statements of PSPC have not been audited.

Original signed by

Marie Lemay, P.Eng., ing.
Deputy Minister

Original signed by

Marty Muldoon, CPA, CMA, MBA
Chief Financial Officer

Gatineau, Canada
September 6, 2018

Public Services and Procurement Canada

Consolidated Statement of Financial Position (*Unaudited*)

As at March 31

<i>(in thousands of dollars)</i>	2018	2017
Liabilities		
Accounts payable and accrued liabilities (<i>Note 4</i>)	1,121,449	977,778
Environmental liabilities (<i>Note 5</i>)	218,432	217,810
Vacation pay and compensatory leave	53,466	50,301
Other liabilities (<i>Note 6</i>)	45,873	45,268
Seized Property Working Capital Account	8,578	4,925
Lease obligations for tangible capital assets (<i>Note 7</i>)	2,157,034	2,251,222
Obligation under Public Private Partnership (<i>Note 8</i>)	133,931	135,989
Lease inducements	47,095	37,629
Employee future benefits (<i>Note 9</i>)	57,228	52,739
Total net liabilities	3,843,086	3,773,661
Financial assets		
Due from Consolidated Revenue Fund	794,886	649,260
Accounts receivable and advances (<i>Note 11</i>)	483,800	468,686
	1,278,686	1,117,946
Financial assets held on behalf of Government		
Accounts receivable (<i>Note 11</i>)	(13,878)	(26,550)
	(13,878)	(26,550)
Total net financial assets	1,264,808	1,091,396
Departmental net debt	2,578,278	2,682,265
Non-financial assets		
Prepaid expenses	3,110	5,146
Tangible capital assets (<i>Note 12</i>)	6,978,122	6,670,811
Total non-financial assets	6,981,232	6,675,957
Departmental net financial position (<i>Note 13</i>)	4,402,954	3,993,692

Contingent liabilities (*Note 10*)

Contractual obligations and contractual rights (*Note 14*)

The accompanying notes form an integral part of these consolidated financial statements.

Original signed by
 Marie Lemay, P.Eng., ing.
 Deputy Minister

Original signed by
 Marty Muldoon, CPA, CMA, MBA
 Chief Financial Officer

Gatineau, Canada
 September 6, 2018

Public Services and Procurement Canada

Consolidated Statement of Operations and Departmental Net Financial Position (Unaudited)

For the year ended March 31

<i>(in thousands of dollars)</i>	2018 <i>Planned results</i>	2018	2017
EXPENSES			
Accommodation and Real Property Services	5,303,891	4,628,452	4,314,144
Acquisitions	359,861	411,186	351,911
Federal Pay and Pension Administration	210,568	396,914	299,292
Internal Services	257,906	325,169	269,451
Specialized Programs and Services	161,661	182,169	177,921
Linguistic Management and Services	180,630	179,722	174,354
Receiver General for Canada	151,201	126,537	123,708
Integrity Programs and Services	37,383	41,491	31,504
Procurement Ombudsman	4,324	4,067	3,414
Total expenses	6,667,425	6,295,707	5,745,699
REVENUES			
Sales of goods and information products	1,341,504	1,559,548	1,489,928
Rentals	921,202	811,044	855,318
Services of a non-regulatory nature	507,894	497,756	484,207
Services of a regulatory nature	152,979	147,018	157,560
Other revenues	318,721	95,935	232,565
Revenues from Seized Property Proceeds Account (Note 13)	25,176	21,385	26,274
Revenues earned on behalf of Government	(103,983)	(104,878)	(216,077)
Total revenues	3,163,493	3,027,808	3,029,775
Net cost of operations before government funding and transfers	3,503,932	3,267,899	2,715,924
GOVERNMENT FUNDING AND TRANSFERS			
Net cash provided by Government of Canada		3,456,858	2,995,403
Change in due from Consolidated Revenue Fund		145,626	106,537
Services provided without charge by other government departments (Note 15)		80,233	73,520
Transfer of tangible capital assets (to) from other government departments (Note 15)		(5,507)	(42,577)
Transfer of salary overpayments to other government departments		(23)	(29)
Transfer of the transition payments for implementing salary payments in arrears		(26)	(7)
Net cost of operations after government funding and transfers		(409,262)	(416,923)
Departmental net financial position - Beginning of year		3,993,692	3,576,769
Departmental net financial position - End of year (Note 13)		4,402,954	3,993,692

Segmented information (Note 16)

The accompanying notes form an integral part of these consolidated financial statements.

Public Services and Procurement Canada

Consolidated Statement of Change in Departmental Net Debt (Unaudited)

For the year ended March 31

<i>(in thousands of dollars)</i>	2018	2017
Net cost of operations after government funding and transfers	(409,262)	(416,923)
Change due to tangible capital assets		
Acquisitions of tangible capital assets <i>(Note 12)</i>	662,523	617,098
Acquisitions of leased tangible capital assets <i>(Note 12)</i>	54,287	21,488
Amortization of tangible capital assets <i>(Note 12)</i>	(430,542)	(424,643)
Net loss on disposals of tangible capital assets including adjustments	(19,379)	(73,465)
Reclassification of assets under construction	40,422	71,490
Change due to tangible capital assets	307,311	211,968
Change due to non-capital assets		
Change due to prepaid expenses	(2,036)	6
Change due to non-capital assets	(2,036)	6
Net decrease in departmental net debt	(103,987)	(204,949)
Departmental net debt - Beginning of year	2,682,265	2,887,214
Departmental net debt - End of year	2,578,278	2,682,265

The accompanying notes form an integral part of these consolidated financial statements.

Public Services and Procurement Canada

Consolidated Statement of Cash Flows (Unaudited)

For the year ended March 31

<i>(in thousands of dollars)</i>	2018	2017
Operating activities		
Net cost of operations before government funding and transfers	3,267,899	2,715,924
Non-cash items:		
Amortization of tangible capital assets (Note 12)	(430,542)	(424,643)
Adjustments of tangible capital assets / Net loss on disposals	(19,379)	(73,465)
Reclassification of assets under construction	40,422	71,490
Services provided without charge by other government departments (Note 15)	(80,233)	(73,520)
Transition payments for implementing salary payments in arrears	26	7
Variations in Consolidated Statement of Financial Position:		
(Increase) in accounts payable and accrued liabilities	(143,671)	(119,951)
(Increase) decrease in environmental liabilities	(622)	40,781
(Increase) in vacation pay and compensatory leave	(3,165)	(2,108)
(Increase) decrease in other liabilities	(605)	15,569
(Increase) in Seized Property Working Capital Account	(3,653)	(2,176)
(Increase) in lease inducements	(9,466)	(555)
(Increase) decrease in employee future benefits	(4,489)	16,408
Increase (decrease) in accounts receivable and advances	27,786	(8,877)
(Decrease) increase in prepaid expenses	(2,036)	6
Transfers of tangible capital assets to (from) other government departments (Note 15)	5,507	42,577
Transfer of salary overpayments to other government departments	23	29
Cash used in operating activities	2,643,802	2,197,496
Capital investing activities		
Acquisitions of tangible capital assets (Note 12)	662,523	617,098
Acquisitions of assets under construction on leased tangible capital assets (Note 12)	353	591
Gain on variation of obligation including adjustments	81	1,179
Cash used in capital investing activities	662,957	618,868
Financing activities		
Payments on lease obligations for tangible capital assets	148,041	177,176
Payments on obligation under Public Private Partnership	2,058	1,863
Cash used in financing activities	150,099	179,039
Net cash provided by Government of Canada	3,456,858	2,995,403

The accompanying notes form an integral part of these consolidated financial statements.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

1. AUTHORITIES AND OBJECTIVES

The Department of Public Works and Government Services Canada (PWGSC) was established effective June 20, 1996, under the *Department of Public Works and Government Services Act*. This legislation specifies that PWGSC shall provide common, central and shared services to other government departments and agencies, thereby enabling them to provide programs and services to Canadians. Since November 4, 2015, PWGSC has been operating as Public Services and Procurement Canada (PSPC). PSPC's services are delivered through the following programs:

- Accommodation and Real Property Services Program provides federal departments and agencies with affordable office and common use accommodation that supports the delivery of their programs and services. The Department acts as steward for various public works such as buildings, bridges and dams, and national treasures such as the Parliamentary Precinct and other heritage assets across Canada. PSPC also provides other federal departments, agencies, and the Parliament of Canada with responsive and cost-effective real property services;
- Acquisitions Program provides federal organizations with procurement solutions such as specialized contracts, standing offers, supply arrangements, and memoranda of understanding for acquiring a broad range of goods and services, including construction services. This program delivers acquisitions and related common services using the smart procurement principles (early engagement, effective governance, independent advice, and benefits for Canadians) through an open, fair and transparent process to ensure best value to Canadians and the federal government;
- Federal Pay and Pension Administration Program provides reliable central systems and processes for pay and pension administration to other federal organizations. Through our pay and pension services, PSPC ensures that federal government employees and pensioners are paid accurately and on time;
- Internal Services are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization;
- Specialized Programs and Services provides federal organizations with high quality, timely and accessible specialized services and programs;
- Linguistic Management and Services Program defines the Translation Bureau of PSPC as a key component of the federal government's service delivery infrastructure. The bureau is the sole internal linguistic services provider and offers translation, revision, interpretation and other linguistic services for Parliament, the judiciary, and federal departments and agencies. It is also the terminology authority within the federal government and has been mandated to develop terminology standards to ensure clear, uniform and quality communications within government. The Linguistic Management and Services Program is mandated under the *Translation Bureau Act*;
- Receiver General for Canada Program manages the operations of the federal treasury, produces the Public Accounts and maintains the Accounts of Canada. It provides federal departments with an optional departmental financial and materiel management system offering and bill payment services;
- Integrity Programs and Services provides the government of Canada with high quality, timely and accessible specialized services and programs in support of sound, prudent and ethical management and operations; and
- Procurement Ombudsman Program, operating at arms-length from the government, reviews procurement practices of federal departments and agencies, investigates complaints from suppliers regarding the award or administration of federal contracts, and ensures the provision of an alternative dispute resolution process for existing contracts. This program helps promote fairness, openness and transparency in the federal procurement process.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared using the PSPC accounting policies stated below, which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

A. PARLIAMENTARY AUTHORITIES

PSPC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to PSPC does not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Consolidated Statement of Operations and Departmental Net Financial Position and in the Consolidated Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the bases of reporting. The planned results amounts in the "Expenses" and "Revenues" sections of the Consolidated Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-Oriented Statement of Operations included in the 2017-18 Departmental Plan. Planned results are not presented in the "Government funding and transfers" section of the Consolidated Statement of Operations and Departmental Net Financial Position and in the Consolidated Statement of Change in Departmental Net Debt because these amounts were not included in the 2017-18 Departmental Plan.

B. CONSOLIDATION

These consolidated financial statements include the accounts of four revolving funds as listed below, one of them being inactive. The three active revolving funds prepare a complete set of financial statements annually that are audited and published in the Public Accounts of Canada. The accounts of these revolving funds have been consolidated with those of PSPC and intradepartmental balances and transactions have been eliminated.

The PSPC revolving funds are as follows:

- Real Property Services Revolving Fund
- Translation Bureau Revolving Fund
- Optional Services Revolving Fund
- Defence Production Revolving Fund (inactive)

C. NET CASH PROVIDED BY GOVERNMENT

PSPC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by PSPC is deposited to the CRF and all cash disbursements made by PSPC are paid from the CRF. The Net cash provided by Government, with the exception of amounts held on behalf of government, is the difference between all cash receipts and all cash disbursements, including transactions between departments of the Government.

D. AMOUNTS DUE FROM THE CONSOLIDATED REVENUE FUND (CRF)

These 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 PSPC is entitled to draw from the CRF, without further authorities, in order to discharge its liabilities.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

E. REVENUES

Revenues are recorded on an accrual basis of accounting:

- Services of a regulatory nature are mainly comprised of cost recovery for services provided to administer the *Public Service Superannuation Act* (PSSA) and for payment services provided by the Receiver General to other government departments. Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Services of a non-regulatory nature are mainly comprised of special accommodation and real property services, real property project management services, translation services, as well as freight services, material transportation and travel procurement. They are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- All other revenues types are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues.
- Revenues earned on behalf of government are non-respendable and are not available to discharge PSPC's liabilities. While the Deputy Minister of PSPC is expected to maintain accounting control, the Deputy Minister has no authority regarding the disposition of non-respendable revenues. Therefore, those revenues are presented in reduction of PSPC's gross revenues.

F. EXPENSES

Expenses are recorded on an accrual basis of accounting:

- Expenses for the PSPC's operations are recorded when goods are received or services are rendered. This includes services provided without charge for employee contributions to health and dental insurance plans, legal services and workers' compensation, which are recorded as expenses at their estimated cost. Vacation pay and compensatory leave as well as severance benefits are accrued and expenses are recorded as the benefits are earned by employees under their respective terms of employment.
- PSPC administers the Payments in Lieu of Taxes (PILT) Program on behalf of all federal departments under the statutory authority of the *Payments in Lieu of Taxes Act*, which is disclosed under Grants in the Main Estimates. The Government of Canada voluntarily pays a fair share of the costs of local government, from which it is exempt, to municipalities and other taxation authorities having jurisdiction to levy and collect real property taxes in locations where federal lands and buildings are situated. The PILT issued by PSPC on behalf of other participating federal departments are recovered from them and are recorded as Transfer Payments in the Public Accounts of Canada.
- Expenses also include provisions to reflect changes in the value of assets, including provisions for bad debts on accounts receivable, investments, advances or liabilities, and including contingent liabilities and environmental liabilities to the extent the future event is likely to occur and a reasonable estimate can be made.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

G. EMPLOYEE FUTURE BENEFITS

i) **Pension benefits:** Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government of Canada. PSPC's contributions to the plan are charged to expenses in the year incurred and represent the total departmental obligation to the plan. PSPC's 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.

ii) **Severance benefits:** The accumulation of severance benefits for voluntary departures ceased for applicable employee groups. The remaining obligation for employees who did not withdraw benefits is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

H. ACCOUNTS RECEIVABLE AND ADVANCES

Accounts receivable and advances are stated at the lower of cost and net recoverable value; a valuation allowance is recorded for receivables where recovery is considered uncertain.

I. LEASE INDUCEMENTS

Lease inducements represent incentives received by PSPC to enter into a lease. Lease inducements include incentives such as: free rent, cash received to be applied to rent, lump sum cash, leasehold improvements and moving costs paid by the lessor. Lease inducements are accounted for as follows:

- Rent-free periods or periods of significantly reduced rent are allocated over the term of the lease on a straight-line basis;
- Cash payments from the lessor to the lessee are accounted by the lessee, as reductions in rental expense over the term of the lease;
- Leasehold improvements are amortized over the remaining life of the lease or the useful life of the improvement, whichever is shorter.

J. CONTINGENT LIABILITIES

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If 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. However, if the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the consolidated financial statements.

K. CONTINGENT ASSETS

Contingent assets are possible assets which may become actual assets when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, the contingent asset is disclosed in the notes to the financial statements.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

L. ENVIRONMENTAL LIABILITIES

An environmental liability for the remediation of contaminated sites is recognized when all of the following criteria are satisfied: an environmental standard exists, contamination exceeds the environmental standard, the Government is directly responsible or accepts responsibility, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. The liability reflects the Government's best estimate of the amount required to remediate the sites to the current minimum standard for its use prior to contamination. When the future cash flows required to settle or otherwise extinguish a liability are estimable, predictable and expected to occur over extended future periods, a present value technique is used. The discount rate used reflects the Government's cost of borrowing, associated with the estimated number of years to complete remediation.

The recorded liabilities are adjusted each year, for present value adjustments, inflation, new obligations, changes in management estimates and actual costs incurred.

If the likelihood of the Government's responsibility is not determinable, a contingent liability is disclosed in the notes to the consolidated statements.

M. TANGIBLE CAPITAL ASSETS

Tangible capital assets are recorded at their acquisition cost according to the following capitalization threshold:

- Betterments and leasehold improvements carried out on buildings and on works and infrastructure, having an initial cost of \$25,000 or more;
- All other tangible capital assets having an initial cost of \$10,000 or more.

Tangible capital assets do not include works of art, rare books and Crown land to which no acquisition cost is attributable and where no reasonable estimate of the future benefits associated with such property can be made. Works of art consist primarily of monuments, sculptures, statues, furniture, paintings, ruins and archeological artifacts.

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of each asset as follows:

Asset class	Amortization Period
Buildings	20 to 60 years
Works and infrastructure	20 to 40 years
Machinery and equipment	3 to 20 years
Informatics hardware and software	1 to 10 years
Vehicles	3 to 25 years
Leasehold improvements	Lesser of the remaining term of the lease or the useful life of the improvement
Leased tangible capital assets	In accordance with asset class if ownership is likely to transfer to PSPC; otherwise, over the lease term

Assets under construction are recorded in the applicable capital asset class in the year that they become available for use and are not amortized until they become available for use.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

N. SEIZED PROPERTY WORKING CAPITAL ACCOUNT

The Seized Property Working Capital Account was established pursuant to section 12 of the *Seized Property Management Act*. Expenses incurred, and advances made, to maintain and manage any seized or restrained property and other properties subject to a management order or forfeited to Her Majesty, are charged to this account. The Seized Property Working Capital Account is credited when expenses and advances to third parties are repaid or recovered and when revenues from these properties or proceeds from their disposal are received and credited with seized cash upon forfeiture.

The total amount authorized to be outstanding at any time is \$50 million.

Any shortfall between the proceeds from the disposition of any property forfeited to Her Majesty and the amounts that were charged to this account and that are still outstanding, is charged to a Seized Property Proceeds Account and credited to the Seized Property Working Capital Account.

O. MEASUREMENT UNCERTAINTY

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the consolidated financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are the allowance for doubtful accounts, contingent liabilities, environmental liabilities, accounts receivable held on behalf of government, the liability for vacation pay and compensatory leave, the liability for employee future 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 consolidated financial statements in the year they become known.

Environmental liabilities are subject to measurement uncertainty as discussed in Note 5 due to the evolving technologies used in the estimation of the costs for remediation of contaminated sites, the use of discounted present value of future estimated costs, and the fact that not all sites have had a complete assessment of the extent and nature of remediation costs. Changes to underlying assumptions, the timing of the expenditures, the technology employed, or the revisions to environmental standards or changes in regulatory requirements could result in significant changes to the environmental liabilities recorded.

P. RELATED PARTY TRANSACTIONS

Related party transactions, other than inter-entity transactions, are recorded at the exchange amount.

Inter-entity transactions are transactions between commonly controlled entities. Inter-entity transactions, other than restructuring transactions, are recorded on a gross basis and are measured at the carrying amount, except for the following:

- i) Services provided on a recovery basis are recognized as revenues and expenses on a gross basis and measured at the exchange amount.
- ii) Certain services received on a without charge basis are recorded for consolidated departmental financial statement purposes at the carrying amount.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

3. PARLIAMENTARY AUTHORITIES

PSPC receives most of its funding through annual parliamentary authorities. Items recognized in the Consolidated Statement of Operations and Departmental Net Financial Position and the Consolidated Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, PSPC has different net results of operations for the year on a government 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 AUTHORITIES USED

<i>(in thousands of dollars)</i>	2018	2017
Net cost of operations before government funding and transfers	3,267,899	2,715,924
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (note 12)	(430,542)	(424,643)
Net loss on disposal of tangible capital assets and other adjustments	(10,070)	(15,892)
Reclassification of assets under construction including capitalization of previous years	40,422	71,490
Services provided without charge by other government departments (note 15)	(80,233)	(73,520)
Refunds / Adjustments to previous years' expenses	51,956	38,815
Refund of program expenditures	(1,253)	10,422
Revenues not available for spending in the current year	437	(6,901)
Net revenue from seized property proceeds account (note 13)	(7,417)	(2,985)
(Increase) in vacation pay and compensatory leave	(3,165)	(2,205)
(Increase) decrease in employee future benefits	(3,985)	16,786
(Increase) decrease in environmental liabilities	(622)	40,781
Decrease allowance for contingent liabilities	100	2,259
Decrease (increase) in accrued liabilities not affecting authorities	19,404	(11,366)
Payment in lieu of taxes payment not yet recovered	6,790	31,455
Other	505	(376)
Total items affecting net cost of operations but not affecting authorities	(417,673)	(325,880)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets (note 12)	662,523	617,098
Acquisitions of assets under construction as leased tangible capital assets (note 12)	353	591
Payments of lease obligations for tangible capital assets	148,041	177,176
Payments of obligation under public private partnership	2,058	1,863
Transition payments for implementing salary payments in arrears	26	7
Net cash variation of prepaid expenses and advances	(1,260)	2,316
Variation of lease inducements	(8,638)	394
Account receivable related to salary overpayment	7,579	15,938
Total items not affecting net cost of operations but affecting authorities	810,682	815,383
Current year budgetary authorities used	3,660,908	3,205,427

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

3. PARLIAMENTARY AUTHORITIES (*continued*)

B. AUTHORITIES PROVIDED AND USED

<i>(in thousands of dollars)</i>	2018	2017
Vote 1 - Operating expenditures	2,382,568	2,005,221
Vote 5 - Capital expenditures	1,552,613	1,399,494
Statutory items:		
Revolving Funds	413,091	365,824
Other	120,701	134,973
Authorities provided	4,468,973	3,905,512
Less:		
Authorities available for future years	(401,413)	(413,413)
Lapsed authorities	(406,652)	(286,672)
Current year budgetary authorities used	3,660,908	3,205,427
Seized Property Management Act	(3,652)	(2,177)
Imprest Fund	1,029	34
Current year non-budgetary authorities used	(2,623)	(2,143)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table presents details of PSPC's accounts payable and accrued liabilities:

<i>(in thousands of dollars)</i>	2018	2017
Accounts payable - Other government departments and agencies	88,698	46,718
Accounts payable - External parties	480,368	428,312
Total accounts payable	569,066	475,030
Accrued salaries and wages	93,885	87,311
Accrued liabilities	355,982	327,606
Contractors' holdbacks	102,516	87,831
Total accounts payable and accrued liabilities	1,121,449	977,778

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

5. ENVIRONMENTAL LIABILITIES

REMEDIATION OF CONTAMINATED SITES

The Government's "*Federal Approach to Contaminated Sites*" sets out a framework for management of contaminated sites using a risk-based approach. Under this approach the Government has inventoried the contaminated sites identified on federal lands, allowing them to be classified, managed and recorded in a consistent manner. This systematic approach aids in identification of the high risk sites in order to allocate limited resources to those sites which pose the highest risk to human health and the environment.

The Department has identified 150 sites (150 sites in 2017) where contamination may exist and assessment, remediation and monitoring may be required. Of these, PSPC has assessed 79 sites (77 sites in 2017) where action is required and for which a gross liability of \$215,205 thousand (\$215,279 thousand in 2017) has been recorded. This liability estimate has been determined based on site assessments performed by environmental experts.

In addition, a statistical model based upon a projection of the number of sites that will proceed to remediation and upon which current and historical costs are applied is used to estimate the liability for a group of unassessed sites. As a result, there are 22 unassessed sites (10 sites in 2017) where a liability estimate of \$3,227 thousand (\$2,531 thousand in 2017) has been recorded using this model.

These two estimates combined, totalling \$218,432 thousand (\$217,810 thousand in 2017), represent management's best estimate of the costs required to remediate sites to the current minimum standard for its use prior to contamination, based on information available at the financial statement date.

For the remaining 49 sites (63 sites in 2017), no liability for remediation has been recognized. Some of these sites are at various stages of testing and evaluation and if remediation is required, liabilities will be reported as soon as a reasonable estimate can be determined.

For other sites, PSPC does not expect to give up any future economic benefits (there is likely no significant environmental impact or human health threats). These sites will be re-examined and if it is determined that future economic benefits will be given up a liability for remediation will be recognized.

The following table presents the total estimated amounts of these liabilities by nature and source, the associated expected recoveries and the total undiscounted future expenditures as at March 31, 2018 and March 31, 2017. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast Consumer Price Index (CPI) rate of 1.9% (2% in 2017). Inflation is included in the undiscounted amount.

The Government of Canada's cost of borrowing by reference to the actual zero-coupon yield curve for Government of Canada bonds has been used to discount the estimated future expenditures. The March 2018 rates range from 1.61% for a 1 year term to 2.34% for a 30 or greater year term.

Also, during the year, 6 sites (12 sites in 2017) were closed as they were either remediated or assessed to confirm that they no longer meet all the criteria required to record a liability for contaminated sites.

PSPC's ongoing efforts to assess contaminated sites, asset retirement obligations and unexploded explosive ordnance (UXO) affected sites may result in additional environmental liabilities.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

5. ENVIRONMENTAL LIABILITIES (continued)

(in thousands of dollars)

Nature and Source	Nature and Source of Liability							
	2018				2017			
	Total number of Sites	Number of Sites with a liability	Discounted Estimated Liability	Estimated Total Undiscounted Expenditures	Total Number of Sites	Number of Sites with a liability	Discounted Estimated Liability	Estimated Total Undiscounted Expenditures
Former Mineral Exploration Sites ⁽¹⁾	40	26	105,085	168,570	40	22	83,912	137,348
Military & Former Military Sites ⁽²⁾	14	12	3,723	3,788	15	14	7,587	6,538
Fuel Related Practices ⁽³⁾	8	5	9,636	10,063	9	5	6,989	7,091
Landfill/Waste Sites ⁽⁴⁾	4	4	26,037	28,195	4	3	24,765	25,890
Engineered Asset/Air & Land Transportation ⁽⁵⁾	47	36	59,104	59,964	40	29	92,151	93,164
Marine Facilities/Aquatic Sites ⁽⁶⁾	2	-	-	-	5	-	-	-
Parks & Protected Areas ⁽⁷⁾	1	3	1,287	78	1	2	752	77
Office/Commercial/Industrial Operations ⁽⁸⁾	29	14	1,884	1,406	31	12	1,654	1,430
Other ⁽⁹⁾	5	1	11,676	13,336	5	-	-	-
Total	150	101	218,432	285,400	150	87	217,810	271,538

- Contamination associated with former mine activities, e.g. heavy metals, petroleum hydrocarbons, etc. Sites often have multiple sources of contamination.
- Contamination associated with the operations of military and former military sites where activities such as fuel handling and storage activities, waste sites, metals/PCB-based paint used on buildings resulted in former or accidental contamination, e.g. petroleum hydrocarbons, PCBs, heavy metals. Sites often have multiple sources of contamination.
- Contamination primarily associated with fuel storage and handling, e.g. accidental spills related to fuel storage tanks or former fuel handling practices, e.g. petroleum hydrocarbons, polyaromatic hydrocarbons and BTEX (benzene, toluene, ethylbenzene, and xylenes).
- Contamination associated with former landfill/waste sites or leaching from materials deposited in the landfill/waste site, e.g. metals, petroleum hydrocarbons, BTEX, other organic contaminants, etc.
- Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as fuel storage/handling, waste sites, firefighting training facilities and chemical storage areas resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX and other organic contaminants. Sites often have multiple sources of contamination.
- Contamination associated with the operations of marine assets, e.g. port facilities, harbours, navigation systems, light stations, hydrometric stations, where activities such as fuel storage/handling, use of metal based paint (e.g. on light stations) resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons and other organic contaminants. Sites often have multiple sources of contamination.
- Contamination associated with the operations and maintenance of parks and protected areas where activities such as fuel storage/handling, waste sites and use of metal-based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, PCBs and other organic contaminants. Sites often have multiple sources of contamination.
- Contamination associated with the operations of office/commercial/industrial facilities where activities such as fuel storage/handling, waste sites and use of metal-based paint resulted in former or accidental contamination, e.g. metals, petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, etc. Sites often have multiple sources of contamination.
- Contamination from other sources, e.g. use of pesticides, herbicides, fertilizers at agricultural sites; use of PCBs, firefighting training areas, firing ranges and training facilities, etc.

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Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

6. OTHER LIABILITIES

SEIZED PROPERTY – CASH

This account was established pursuant to the *Seized Property Management Act*, to record seized cash. These funds will be deposited in the Consolidated Revenue Fund and credited to the account until returned to the owner or forfeited.

CONTRACTORS' SECURITY DEPOSITS – CASH

This account was established to record contractors' security deposits that are required for the satisfactory performance of work in accordance with the *Government Contracts Regulations*.

DEPOSITS

This account was established to report transactions associated with deposits on disposals for PSPC, security deposits and revenues of leased space belonging to PSPC.

The following table presents details of other liabilities:

<i>(in thousands of dollars)</i>	April 1, 2017	Receipts and credits	Payments and charges	March 31, 2018
Seized property - cash	40,849	27,617	(28,650)	39,816
Contractors' security deposits - cash	4,203	5,489	(3,875)	5,817
Deposits	216	25	(1)	240
Total	45,268	33,131	(32,526)	45,873

7. LEASE OBLIGATIONS FOR TANGIBLE CAPITAL ASSETS

PSPC has entered into capital lease agreements for tangible capital assets with a cost of \$2,534,272 thousand and accumulated amortization of \$1,078,575 thousand as at March 31, 2018 (\$2,613,089 thousand and \$1,096,481 thousand respectively as at March 31, 2017). The obligations related for the upcoming years include the following:

<i>(in thousands of dollars)</i>	Total future minimum lease payments	Imputed interest (weighted average rate 5.7%; 5.5% in 2017)	2018	2017
Land	2,880	281	2,599	3,672
Buildings	3,240,400	1,085,965	2,154,435	2,247,550
Total	3,243,280	1,086,246	2,157,034	2,251,222

The following table presents the future minimum capital lease payments:

<i>(in thousands of dollars)</i>	2019	2020	2021	2022	2023	2024 and subsequent	Total
Land	1,382	1,382	116	-	-	-	2,880
Buildings	301,838	233,802	213,833	204,337	201,172	2,085,418	3,240,400
Total	303,220	235,184	213,949	204,337	201,172	2,085,418	3,243,280

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

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8. OBLIGATION UNDER PUBLIC PRIVATE PARTNERSHIP

PSPC entered into a Public Private Partnership agreement for the construction and management of the Royal Canadian Mounted Police (RCMP) E Division building. Construction of the building was completed in 2013 and the cost of \$294,638 thousand was capitalized during the same year. The building was funded by a private partner (\$142,797 thousand) and PSPC (\$151,841 thousand). The obligations for upcoming years include the following:

<i>(in thousands of dollars)</i>	Total future minimum payments	Imputed Interest (10.52%)	2018	2017
Building	308,202	174,271	133,931	135,989
Total	308,202	174,271	133,931	135,989

The following table presents the future minimum payments:

<i>(in thousands of dollars)</i>	2019	2020	2021	2022	2023	2024 and subsequent	Total
Building	15,624	15,624	15,624	15,624	15,624	230,082	308,202
Total	15,624	15,624	15,624	15,624	15,624	230,082	308,202

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Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

9. EMPLOYEE FUTURE BENEFITS

A. PENSION BENEFITS

PSPC employees participate in the Public Service Pension Plan (the "Plan"), which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years. The benefits are integrated with Canada/Québec Pension Plan benefits such that the combined pension benefits equate to a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. Pension benefits are indexed to inflation.

Both the employees and the Department contribute to the cost of the Plan. Due to the amendment of the *Public Service Superannuation Act* following the implementation of provisions related to Economic Action Plan 2012, employee contributors have been divided into two groups – Group 1 relates to existing plan members as of December 31, 2012 and Group 2 relates to members joining the Plan as of January 1, 2013. Each group has a distinct contribution rate.

The 2018 expense amounts to \$110,800 thousand (\$102,480 thousand in 2017). For Group 1 members, the expense represents approximately 1.01 times (1.12 times in 2017) the employee contributions and, for Group 2 members, approximately 1.00 times (1.08 times in 2017) the employee contributions.

PSPC's 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. SEVERANCE BENEFITS

Severance benefits provided to PSPC employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2018, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

The changes in the obligations during the year were as follows:

<i>(in thousands of dollars)</i>	2018	2017
Accrued benefit obligation, beginning of year	52,739	69,147
Expense	10,452	(12,144)
Benefits paid during the year	(5,963)	(4,264)
Accrued benefit obligation, end of year	57,228	52,739

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Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

10. CONTINGENT LIABILITIES

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. PSPC is involved in contingent liabilities for claims and litigations.

CLAIMS AND LITIGATIONS

Claims have been made against PSPC in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. PSPC has recorded an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to \$73,919 thousand (\$38,859 thousand in 2017) at March 31, 2018.

11. ACCOUNTS RECEIVABLE AND ADVANCES

The following table presents details of PSPC's accounts receivable and advances:

<i>(in thousands of dollars)</i>	2018	2017
Accounts receivable - Other government departments and agencies	383,395	359,668
Accounts receivable - External parties	102,486	112,242
Advances	3,734	2,261
	489,615	474,171
Less: Allowance for doubtful accounts on receivables from external parties	(5,815)	(5,485)
Gross accounts receivable and advances	483,800	468,686
Accounts receivable held on behalf of Government	(13,878)	(26,550)
Net accounts receivable and advances	469,922	442,136

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

12. TANGIBLE CAPITAL ASSETS

<i>(in thousands of dollars)</i>	Cost				
	Opening Balance	Acquisitions	Adjustments	Disposals and Write-Offs	Closing Balance
Capital assets					
Land	245,782	3,818	(1,081)	(4,686)	243,833
Buildings	5,495,304	-	203,451	(24,478)	5,674,277
Works and infrastructure	1,413,857	-	106,057	(90)	1,519,824
Machinery and equipment	23,841	30	-	(681)	23,190
Informatics hardware and software	738,369	24	3,241	(59)	741,575
Vehicles	9,255	351	112	(986)	8,732
Leasehold improvements	954,853	-	22,484	(31,982)	945,355
	8,881,261	4,223	334,264	(62,962)	9,156,786
Assets under construction					
Buildings	1,092,632	585,125	(180,309)	-	1,497,448
Works and infrastructure	78,006	24,389	(100,493)	-	1,902
Informatics hardware and software	10,685	20,417	(3,855)	-	27,247
Leasehold improvements	16,235	28,369	(26,514)	-	18,090
	1,197,558	658,300	(311,171)	-	1,544,687
Public Private Partnership					
Building	294,657	-	(19)	-	294,638
	294,657	-	(19)	-	294,638
Leased tangible capital assets					
Land	30,716	1,485	-	-	32,201
Buildings	2,582,373	52,449	10,423	(143,174)	2,502,071
Assets under construction	1,204	353	(1,325)	-	232
	2,614,293	54,287	9,098	(143,174)	2,534,504
Total	12,987,769	716,810	32,172	(206,136)	13,530,615

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

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12. TANGIBLE CAPITAL ASSETS (continued)

	Accumulated amortization					Net Book Value	
	Opening Balance	Amortization	Adjustments	Disposals and Write-Offs	Closing Balance	2018	2017
<i>(in thousands of dollars)</i>							
Capital assets							
Land	-	-	-	-	-	243,833	245,782
Buildings	3,548,636	107,178	2,081	(20,779)	3,637,116	2,037,161	1,946,668
Works and infrastructure	624,281	52,857	215	(90)	677,263	842,561	789,576
Machinery and equipment	10,535	1,222	-	(664)	11,093	12,097	13,306
Informatics hardware and software	370,015	85,966	5	(59)	455,927	285,648	368,354
Vehicles	6,633	617	(11)	(953)	6,286	2,446	2,622
Leasehold improvements	623,972	50,281	(385)	(31,260)	642,608	302,747	330,881
	5,184,072	298,121	1,905	(53,805)	5,430,293	3,726,493	3,697,189
Assets under construction							
Buildings						1,497,448	1,092,632
Works and infrastructure						1,902	78,006
Informatics hardware and software						27,247	10,685
Leasehold improvements						18,090	16,235
						1,544,687	1,197,558
Public Private Partnership							
Building	36,405	7,223	(3)	-	43,625	251,013	258,252
	36,405	7,223	(3)	-	43,625	251,013	258,252
Leased tangible capital assets							
Land	-	-	-	-	-	32,201	30,716
Buildings	1,096,481	125,198	50	(143,154)	1,078,575	1,423,496	1,485,892
Assets under construction	-	-	-	-	-	232	1,204
	1,096,481	125,198	50	(143,154)	1,078,575	1,455,929	1,517,812
Total	6,316,958	430,542	1,952	(196,959)	6,552,493	6,978,122	6,670,811

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

13. DEPARTMENTAL NET FINANCIAL POSITION

A portion of PSPC's net financial position is restricted and earmarked for specified purposes.

The Seized Property Proceeds Account was established pursuant to section 13 of the *Seized Property Management Act*. The net proceeds, fines or funds received from the disposition of seized and forfeited properties to Her Majesty and governments of foreign states (respectively) pursuant to agreements for the purpose of the Act are to be earmarked for specified purposes. Under the Act, expenses to be charged against the revenues include: operating expenses incurred in carrying out the purpose of the Act, amounts paid as a result of claims and repayments of advances from the Minister of Finance, interest on the drawdown from the Seized Property Working Capital Account and distribution of the proceeds to the relevant jurisdictions and the Consolidated Revenue Fund.

Related revenues and expenses are included in the Consolidated Statement of Operations and Departmental Net Financial Position. Activity in the account is as follows:

<i>(in thousands of dollars)</i>	2018	2017
Seized Property Proceeds Account - Restricted, beginning of year	34,525	37,510
Revenues	21,385	26,274
Expenses	(28,802)	(29,259)
	(7,417)	(2,985)
Seized Property Proceeds Account - Restricted, end of year	27,108	34,525
Unrestricted	4,375,846	3,959,167
Departmental net financial position - End of year	4,402,954	3,993,692

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

14. CONTRACTUAL OBLIGATIONS AND CONTRACTUAL RIGHTS

A. CONTRACTUAL OBLIGATIONS

The nature of PSPC's activities may result in some large multi-year contracts and obligations whereby the Department will be obligated to make future payments when the services/goods are received. Significant contractual obligations (\$10 million or more) that can be reasonably estimated are summarized as follows:

<i>(in thousands of dollars)</i>	2019	2020	2021	2022	2023	2024 and subsequent	Total
Tangible capital assets	275,210	47,023	44,882	31,997	-	-	399,112
Tangible capital assets - future capital leases	-	3,265	3,265	3,265	3,265	52,240	65,300
Operating leases	300,005	323,732	312,755	261,816	217,724	668,789	2,084,821
Purchases	2,637,737	2,513,070	2,185,420	1,920,602	171,165	2,129,696	11,557,690
Purchases - future capital leases	-	2,345	2,381	2,417	2,453	44,647	54,243
Total	3,212,952	2,889,435	2,548,703	2,220,097	394,607	2,895,372	14,161,166

B. CONTRACTUAL RIGHTS

The activities of PSPC sometimes involve the negotiation of contracts or agreements with outside parties that result in PSPC having rights to both assets and revenues in the future. They principally involve leases of property. Major contractual rights (\$10 million or more) that will generate revenues in future years and that can be reasonably estimated are summarized as follows:

<i>(in thousands of dollars)</i>	2019	2020	2021	2022	2023	2024 and subsequent	Total
Leases of property	523	523	523	523	523	8,692	11,307
Total	523	523	523	523	523	8,692	11,307

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

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15. RELATED PARTY TRANSACTIONS

PSPC is related as a result of common ownership to all government departments, agencies and Crown Corporations of Canada. Related parties also include individuals who are members of key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

A. COMMON SERVICES PROVIDED WITHOUT CHARGE BY OTHER GOVERNMENT DEPARTMENTS

During the year, PSPC received services without charge from certain common service organizations related to legal services, the employer's contribution to the health and dental insurance plans and workers' compensation coverage. These services provided without charge have been recorded at the carrying value in PSPC's Consolidated Statement of Operations and Departmental Net Financial Position as follows:

<i>(in thousands of dollars)</i>	2018	2017
Employer's contribution to the health and dental insurance plans (excluding revolving funds) paid by Treasury Board	73,488	63,298
Legal services provided by Justice Canada	4,884	6,888
Workers' compensation coverage provided by Employment and Social Development Canada	1,861	3,334
Total	80,233	73,520

The government has centralized some of its administrative activities for efficiency, cost-effectiveness and economic delivery of programs to the public. As a result, the government uses central agencies and common service organizations so that one department performs services for all other departments and agencies without charge. The costs of these services, such as the audit services provided by the Office of the Auditor General and information technology infrastructure services provided by Shared Services Canada are not included in PSPC's Consolidated Statement of Operations and Departmental Net Financial Position.

B. COMMON SERVICES PROVIDED WITHOUT CHARGE TO OTHER GOVERNMENT DEPARTMENTS

As a federal common service provider, PSPC provides accommodation without charge to other government departments. Throughout the fiscal year, PSPC provided accommodation without charge to other government departments for a fair value amounting to \$1,432,835 thousand (\$1,258,528 thousand in 2017).

C. ADMINISTRATION OF PROGRAMS ON BEHALF OF OTHER GOVERNMENT DEPARTMENTS

The Government of Canada voluntarily pays a fair share of the costs of local government, from which it is exempt, to municipalities and other taxation authorities having jurisdiction to levy and collect real property taxes in locations where federal lands and buildings are situated. Under the statutory authority of the *Payments in Lieu of Taxes Act*, which is disclosed under Grants in the Main Estimates, PSPC administers the Payments in Lieu of Taxes (PILT) Program on behalf of other government departments. During the year, PSPC issued payments that amounted to \$575,815 thousand (\$595,925 thousand in 2017) on behalf of other participating government departments. Payments were subsequently recovered from participating departments and were recorded as statutory grants in the Public Accounts of Canada. These expenses are reflected in the financial statements of other participating government departments and are not recorded in these financial statements.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

15. RELATED PARTY TRANSACTIONS (*continued*)

D. OTHER TRANSACTIONS WITH OTHER GOVERNMENT DEPARTMENTS AND AGENCIES

PSPC enters into transactions with other government departments and agencies in the normal course of business and on normal trade terms.

<i>(in thousands of dollars)</i>	2018	2017
Accounts receivable - Other government departments and agencies	383,395	359,668
Accounts payable - Other government departments and agencies	88,698	46,718
Consolidated expenses - Other government departments and agencies	554,137	567,419
Consolidated revenues - Other government departments and agencies	2,669,169	2,781,113

Expenses and revenues disclosed above exclude common services provided without charge, which are already disclosed in note 15A and 15B.

E. TRANSFERS OF TANGIBLE CAPITAL ASSETS (TO) FROM OTHER GOVERNMENT DEPARTMENTS, AGENCIES AND CROWN CORPORATIONS

During the year, PSPC transferred out land and building to the Canada Border Services Agency, land to Fisheries and Oceans Canada, a vehicle to Shared Services Canada and building components and connectivity to the House of Commons. Land was received from Agriculture and Agri-Food Canada and a vehicle was received from Canadian Heritage. In the previous year, PSPC transferred out lands and buildings to Correctional Service of Canada and Library and Archives Canada. The transfers were measured at their net book value.

<i>(in thousands of dollars)</i>	2018	2017
Transfers of tangible capital assets (to) from other government departments		
Correctional Service of Canada	-	(920)
Canada Border Services Agency	(7,212)	-
Canadian Heritage	20	-
Fisheries and Oceans Canada	(36)	-
House of Commons	(37)	-
Library and Archives Canada	-	(41,657)
Shared Services Canada (net book value \$1 dollar)	-	-
Agriculture and Agri-Food Canada	5	-
Total transfers of tangible capital assets (to) from other government departments	(7,260)	(42,577)
Transfers of tangible capital assets from crown corporation		
National Capital Commission	1,753	-
Total transfers of tangible capital assets from crown corporation	1,753	-
Total transfers of tangible capital assets (to) from other government departments and crown corporation	(5,507)	(42,577)

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (Unaudited)

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16. SEGMENTED INFORMATION

Presentation by segment is based on PSPC program alignment architecture. The presentation by segment is based on the same accounting policies as described in the Summary of Significant Accounting Policies in Note 2.

The following table presents the expenses incurred and revenues generated by program, by major object of expense, and by major type of revenue. The segmented results for the period are as follows:

<i>(in thousands of dollars)</i>	Acquisitions	Accommodation and Real Property Services	Receiver General for Canada	Integrity Programs and Services	Federal Pay and Pension Administration	Linguistic Management and Services	Specialized Programs and Services	Procurement Ombudsman	Internal Services	Intradepartmental transactions	2018	2017
EXPENSES												
<i>Operating expenses</i>												
Salaries and employee benefits	202,375	425,401	33,594	39,756	237,512	117,886	76,586	3,421	277,581	(189)	1,413,923	1,218,211
Repairs and maintenance	22	1,119,558	364	64	2,146	105	1,544	1	1,354	(8,824)	1,116,334	1,042,737
Professional and special services	71,325	1,186,339	8,205	4,980	68,751	46,125	28,679	416	62,157	(386,750)	1,090,227	1,049,308
Rentals	839	1,006,160	127	929	4,222	5,122	25,262	14	18,540	(42,356)	1,018,859	987,322
Amortization of tangible capital assets	6	347,363	939	24	76,191	1,968	3,415	-	638	-	430,544	424,641
Land, buildings and works *	-	404,329	-	-	-	-	-	-	-	-	404,329	305,063
Utilities, materials and supplies	154,860	78,749	1,991	194	973	110	403	11	1,645	(8,422)	230,514	214,400
Payments in lieu of taxes	-	195,726	-	-	-	-	-	-	-	-	195,726	180,361
Interest on capital lease payments	-	122,957	-	-	-	-	-	-	-	-	122,957	132,842
Machinery and equipment *	290	86,332	155	90	1,649	588	304	5	20,022	(6,184)	103,251	68,110
Transportation and communications	3,468	23,743	27,111	801	4,490	1,540	12,116	35	3,223	(532)	75,995	67,964
Interest and banking fees	2	157	52,804	-	-	2	21	-	20	-	53,006	51,488
Expenses from Seized Property Proceeds Account (Note 13)	-	-	-	-	-	-	28,802	-	-	-	28,802	29,259
Other expenses	4,840	97,732	492	1,771	1,104	52,558	5,287	12	449	(144,847)	19,398	16,516
Information	1,265	2,385	1,170	39	1,175	241	11,417	152	2,152	(1,298)	18,698	15,205
Interest on obligation under Public Private Partnership	-	13,566	-	-	-	-	-	-	-	-	13,566	13,762
Reclassification of assets under construction	-	(40,422)	-	-	-	-	-	-	-	-	(40,422)	(71,490)
Intradepartmental transactions	(28,106)	(441,623)	(415)	(7,157)	(1,299)	(46,523)	(11,667)	-	(62,612)	599,402	-	-
TOTAL CONSOLIDATED EXPENSES	411,186	4,628,452	126,537	41,491	396,914	179,722	182,169	4,067	325,169	-	6,295,707	5,745,699

*These expenses are mainly related to tangible capital assets that are below PSPC's capitalization threshold (Note 2M).

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16. SEGMENTED INFORMATION (*continued*)

(in thousands of dollars)

	Acquisitions	Accommodation and Real Property Services	Receiver General for Canada	Integrity Programs and Services	Federal Pay and Pension Administration	Linguistic Management and Services	Specialized Programs and Services	Procurement Ombudsman	Internal Services	Intradepartmental transactions	2018	2017
REVENUES												
Sales of goods and information products	249	1,689,060	-	-	-	-	2,388	-	-	(132,149)	1,559,548	1,489,928
Rentals	-	841,118	-	-	-	-	-	-	14	(30,088)	811,044	855,318
Services of a non-regulatory nature	252,229	78,314	920	22,759	-	150,123	113,654	-	66,397	(186,640)	497,756	484,207
Services of a regulatory nature	-	9,375	20,159	-	119,045	-	-	-	133	(1,694)	147,018	157,560
Other revenues	7,655	263,655	325	3,302	26,067	8,128	20,839	-	14,795	(248,831)	95,935	232,565
Revenues from Seized Property Proceeds Account (<i>Note 13</i>)	-	-	-	-	-	-	21,385	-	-	-	21,385	26,274
Revenues earned on behalf of Government	(7,815)	(31,775)	(1,120)	(3,302)	(26,243)	(2)	(22,058)	-	(12,563)	-	(104,878)	(216,077)
Intradepartmental transactions	(28,106)	(441,623)	(415)	(7,157)	(1,299)	(46,523)	(11,667)	-	(62,612)	599,402	-	-
TOTAL CONSOLIDATED REVENUES	224,212	2,408,124	19,869	15,602	117,570	111,726	124,541	-	6,164	-	3,027,808	3,029,775
NET COST FROM CONTINUING OPERATIONS	186,974	2,220,328	106,668	25,889	279,344	67,996	57,628	4,067	319,005	-	3,267,899	2,715,924

Services of a non-regulatory nature are mainly comprised of special accommodation and real property services, real property project management services, translation services, as well as freight services, material transportation and travel procurement.

Services of a regulatory nature are mainly comprised of cost recovery for services provided to administer the *Public Service Superannuation Act (PSSA)* and for payment services for Receiver General functions.

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17. COMPARATIVE FIGURES

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