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# CONSOLIDATED DEPARTMENTAL FINANCIAL STATEMENTS

*(Unaudited)*

For the year ended March 31, 2020

2019-2020



# 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, 2020, 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, 2020 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.

The original version was signed by  
Bill Matthews  
Deputy Minister

The original version was signed by  
Wojciech Zielonka  
Chief Financial Officer

Gatineau, Canada  
October 9, 2020

# Public Services and Procurement Canada

## Consolidated Statement of Financial Position (*Unaudited*)

### As at March 31

	2020	2019
<i>(in thousands of dollars)</i>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities ( <i>Note 4</i> )	998,021	1,106,227
Environmental liabilities ( <i>Note 5</i> )	253,480	239,335
Vacation pay and compensatory leave	71,804	53,218
Other liabilities ( <i>Note 6</i> )	50,973	51,755
Seized Property Working Capital Account	6,759	9,474
Lease obligations for tangible capital assets ( <i>Note 7</i> )	1,964,549	2,004,140
Obligation under Public Private Partnership ( <i>Note 8</i> )	129,141	131,655
Lease inducements	66,310	59,290
Employee future benefits ( <i>Note 9</i> )	56,323	55,645
<b>Total net liabilities</b>	<b>3,597,360</b>	<b>3,710,739</b>
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	502,966	770,061
Accounts receivable and advances ( <i>Note 11</i> )	583,494	597,567
	<b>1,086,460</b>	<b>1,367,628</b>
<b>Financial assets held on behalf of Government</b>		
Accounts receivable ( <i>Note 11</i> )	(12,089)	(25,122)
	<b>(12,089)</b>	<b>(25,122)</b>
<b>Total net financial assets</b>	<b>1,074,371</b>	<b>1,342,506</b>
<b>Departmental net debt</b>	<b>2,522,989</b>	<b>2,368,233</b>
<b>Non-financial assets</b>		
Prepaid expenses	3,904	2,849
Tangible capital assets ( <i>Note 12</i> )	8,498,600	7,931,521
<b>Total non-financial assets</b>	<b>8,502,504</b>	<b>7,934,370</b>
<b>Departmental net financial position (<i>Note 13</i>)</b>	<b>5,979,515</b>	<b>5,566,137</b>

Contingent liabilities (*Note 10*)

Contractual obligations and contractual rights (*Note 14*)

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

The original version was signed by

Bill Matthews

Deputy Minister

Gatineau, Canada

October 9, 2020

The original version was signed by

Wojciech Zielonka

Chief Financial Officer

# 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>	<b>2020</b> <i>Planned results</i>	<b>2020</b>	<b>2019</b>
<b>EXPENSES</b>			
Property and Infrastructure	4,395,056	4,532,958	4,454,941
Payments and Accounting	404,183	742,967	670,428
Purchase of Goods and Services	441,838	431,045	433,878
Government-Wide Support	388,809	405,403	379,658
Internal Services	271,921	347,570	312,229
Procurement Ombudsman	4,326	4,164	4,579
<b>Total expenses</b>	<b>5,906,133</b>	<b>6,464,107</b>	<b>6,255,713</b>
<b>REVENUES</b>			
Sales of goods and information products	1,627,498	1,572,656	1,568,908
Rentals	695,379	836,676	793,698
Services of a non-regulatory nature	548,197	513,355	526,964
Services of a regulatory nature	150,918	149,414	143,204
Other revenues	152,023	74,590	148,711
Revenues from Seized Property Proceeds Account (Note 13)	21,385	25,320	24,461
Revenues earned on behalf of Government	(104,878)	(84,159)	(160,099)
<b>Total revenues</b>	<b>3,090,522</b>	<b>3,087,852</b>	<b>3,045,847</b>
<b>Net cost of operations before government funding and transfers</b>	<b>2,815,611</b>	<b>3,376,255</b>	<b>3,209,866</b>
<b>GOVERNMENT FUNDING AND TRANSFERS</b>			
Net cash provided by Government of Canada		3,976,769	3,939,429
Change in due from Consolidated Revenue Fund		(267,095)	(24,825)
Services provided without charge by other government departments (Note 15)		96,079	79,573
Transfer of tangible capital assets (to) from other government departments (Note 15)		(16,660)	(532)
Transfer of salary overpayments (to) from other government departments		540	127
<b>Net cost of operations after government funding and transfers</b>		<b>(413,378)</b>	<b>(783,906)</b>
<b>Departmental net financial position - Beginning of year</b>		<b>5,566,137</b>	<b>4,782,231</b>
<b>Departmental net financial position - End of year (Note 13)</b>		<b>5,979,515</b>	<b>5,566,137</b>

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

	2020	2019
<i>(in thousands of dollars)</i>		
<b>Net cost of operations after government funding and transfers</b>	<b>(413,378)</b>	<b>(783,906)</b>
<b>Change due to tangible capital assets</b>		
Acquisitions of tangible capital assets (Note 12)	949,984	1,071,110
Acquisitions of leased tangible capital assets (Note 12)	95,638	7,880
Amortization of tangible capital assets (Note 12)	(513,472)	(465,474)
Net loss on disposals of tangible capital assets including adjustments	(13,725)	(15,081)
Accounts payable for work in progress to be paid at a future date	70,468	-
Reclassification of assets under construction including capitalization of previous years	(5,154)	(23,781)
Transfer of tangible capital assets (to) from other government departments (Note 15)	(16,660)	(532)
<b>Change due to tangible capital assets</b>	<b>567,079</b>	<b>574,122</b>
<b>Change due to non-capital assets</b>		
Change due to prepaid expenses	1,055	(261)
<b>Change due to non-capital assets</b>	<b>1,055</b>	<b>(261)</b>
<b>Net increase (decrease) in departmental net debt</b>	<b>154,756</b>	<b>(210,045)</b>
<b>Departmental net debt - Beginning of year</b>	<b>2,368,233</b>	<b>2,578,278</b>
<b>Departmental net debt - End of year</b>	<b>2,522,989</b>	<b>2,368,233</b>

*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

	2020	2019
<i>(in thousands of dollars)</i>		
<b>Operating activities</b>		
<b>Net cost of operations before government funding and transfers</b>	3,376,255	3,209,866
<b>Non-cash items:</b>		
Amortization of tangible capital assets (Note 12)	(513,472)	(465,474)
Net loss on disposals of tangible capital assets including adjustments	(13,725)	(15,081)
Accounts payable for work in progress to be paid at a future date	70,468	-
Reclassification of assets under construction including capitalization of previous years	(5,154)	(23,781)
Services provided without charge by other government departments (Note 15)	(96,079)	(79,573)
<b>Variations in Consolidated Statement of Financial Position:</b>		
Decrease in accounts payable and accrued liabilities	108,206	15,222
(Increase) in environmental liabilities	(14,145)	(20,903)
(Increase) decrease in vacation pay and compensatory leave	(18,586)	248
Decrease (increase) in other liabilities	782	(5,882)
Decrease (increase) in Seized Property Working Capital Account	2,715	(896)
(Increase) in lease inducements	(7,020)	(12,195)
(Increase) decrease in employee future benefits	(678)	1,583
(Decrease) increase in accounts receivable and advances	(1,040)	102,523
Increase (decrease) in prepaid expenses	1,055	(261)
Transfer of salary overpayments to (from) other government departments	(540)	(127)
<b>Cash used in operating activities</b>	<b>2,889,042</b>	<b>2,705,269</b>
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets (Note 12)	949,984	1,071,110
Acquisitions of assets under construction on leased tangible capital assets (Note 12)	1,978	531
Gain on variation of obligation including adjustments	489	16,341
<b>Cash used in capital investing activities</b>	<b>952,451</b>	<b>1,087,982</b>
<b>Financing activities</b>		
Payments on lease obligations for tangible capital assets	132,762	143,902
Payments on obligation under Public Private Partnership	2,514	2,276
<b>Cash used in financing activities</b>	<b>135,276</b>	<b>146,178</b>
<b>Net cash provided by Government of Canada</b>	<b>3,976,769</b>	<b>3,939,429</b>

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 2015, PWGSC has been operating as Public Services and Procurement Canada (PSPC). PSPC's services are delivered through the following core responsibilities:

- **Property and Infrastructure:** PSPC provides federal employees and Parliamentarians with work space; builds, maintains and manages federal properties and other public works such as bridges and dams; and provides associated services to federal organizations;
- **Payments and Accounting:** PSPC collects revenues and issues payments, maintains the financial accounts of Canada, issues financial reports, and administers payroll and pension services for the Government of Canada;
- **Purchase of Goods and Services:** PSPC purchases goods and services on behalf of the Government of Canada;
- **Government-Wide Support:** PSPC provides administrative services and tools to federal organizations that help them deliver programs and services to Canadians;
- **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; and
- **Procurement Ombudsman:** The Office of the Procurement Ombudsman operates at arm's-length from federal organizations. It is legislated to review the procurement practices of federal organizations, review complaints from Canadian suppliers, and provide dispute resolution services.



# 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 two 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 2019-20 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 2019-20 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

These are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the consolidated revenue fund (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 revenue 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 as a reduction of PSPC's gross revenues.

#### F. EXPENSES

Expenses are recorded on an accrual basis of accounting:

- Expenses for 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 its 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 consolidated 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 financial 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.

Effective April, 2018, significant parts of a Crown-owned building are accounted for as separate items (components) with each component having its own useful life. All other asset types remain on the whole asset approach.

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 described in the table below. Amortization is recognized at the component level for Crown-owned buildings; the amortization periods noted below incorporate those applicable to components, if any, contained within the overall asset.

Asset class	Amortization Period
Buildings	10 to 125 years *
Works and infrastructure	10 to 80 years
Machinery and equipment	3 to 30 years
Informatics hardware and software	2 to 10 years
Vehicles	2 to 35 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

\* Heritage buildings have a maximum amortization period of 125 years.

Assets under construction are recorded in the applicable capital asset class in the year that they become ready for use and are not amortized until they become ready 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>	<b>2020</b>	<b>2019</b>
<b>Net cost of operations before government funding and transfers</b>	<b>3,376,255</b>	<b>3,209,866</b>
<b>Adjustments for items affecting net cost of operations but not affecting authorities:</b>		
Amortization of tangible capital assets ( <i>Note 12</i> )	(513,472)	(465,474)
Net loss on disposal of tangible capital assets affecting net cost of operations and other adjustments	(13,157)	1,256
Reclassification of assets under construction including capitalization of previous years	(5,154)	(23,781)
Services provided without charge by other government departments ( <i>Note 15</i> )	(96,079)	(79,573)
Refunds / Adjustments to previous years' expenses	36,598	37,599
Refund of program expenditures	537	7,969
Timing differences between revenues earned and collected	(4,524)	(1,073)
Net revenue from Seized Property Proceeds Account ( <i>Note 13</i> )	5,159	(362)
(Increase) decrease in vacation pay and compensatory leave	(18,586)	248
(Increase) decrease in employee future benefits	(765)	956
(Increase) in environmental liabilities	(14,145)	(20,903)
(Increase) in accrued liabilities not affecting authorities	(14,199)	(2,742)
Timing differences between payments in lieu of taxes and recoveries	325	(3,231)
Other	583	767
<b>Total items affecting net cost of operations but not affecting authorities</b>	<b>(636,879)</b>	<b>(548,344)</b>
<b>Adjustments for items not affecting net cost of operations but affecting authorities:</b>		
Acquisitions of tangible capital assets ( <i>Note 12</i> )	949,984	1,071,110
Acquisitions of assets under construction as leased tangible capital assets ( <i>Note 12</i> )	1,978	531
Payments of lease obligations for tangible capital assets	132,762	143,902
Payments of obligation under Public Private Partnership	2,514	2,276
Net cash variation of prepaid expenses and advances	1,984	440
Variation of lease inducements	(6,826)	(9,710)
Accounts receivable related to salary overpayments	6,915	9,006
<b>Total items not affecting net cost of operations but affecting authorities</b>	<b>1,089,311</b>	<b>1,217,555</b>
<b>Current year budgetary authorities used</b>	<b>3,828,687</b>	<b>3,879,077</b>

# 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>	2020	2019
Vote 1 - Operating expenditures	2,826,113	2,677,703
Vote 5 - Capital expenditures	1,401,557	1,300,638
Vote 10 - Cost and Profit Assurance Program	852	-
Vote 15 - Ensuring Proper Payments for Public Servants	71,194	-
Vote 25 - Industrial Security Systems Transformation Project	391	-
Vote 30 - Maintaining Service Levels of the Controlled Goods Program	588	-
Vote 35 - Predictable Capital Funding	102,360	-
<b>Statutory items:</b>		
Revolving Funds	404,853	401,226
Other	140,455	122,362
<b>Authorities provided</b>	<b>4,948,363</b>	<b>4,501,929</b>
Less:		
Authorities available for future years	(392,702)	(405,042)
Lapsed authorities	(726,974)	(217,810)
<b>Current year budgetary authorities used</b>	<b>3,828,687</b>	<b>3,879,077</b>
Seized Property Management Act	2,716	(896)
Imprest Funds	5,217	5,178
<b>Current year non-budgetary authorities used</b>	<b>7,933</b>	<b>4,282</b>

### 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>	2020	2019
Accounts payable - Other government departments and agencies	96,329	95,033
Accounts payable - External parties	454,869	527,286
<b>Total accounts payable</b>	<b>551,198</b>	<b>622,319</b>
Accrued salaries and wages	120,973	109,573
Accrued liabilities	245,074	298,229
Contractors' holdbacks	80,776	76,106
<b>Total accounts payable and accrued liabilities</b>	<b>998,021</b>	<b>1,106,227</b>



# 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 190 sites (193 sites in 2019) where contamination may exist and assessment, remediation and monitoring may be required. Of these, PSPC has assessed 77 sites (77 sites in 2019) where action is required and for which a gross liability of \$227,381 thousand (\$232,008 thousand in 2019) 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 72 unassessed sites (63 sites in 2019) where a liability estimate of \$26,099 thousand (\$7,327 thousand in 2019) has been recorded using this model.

These two estimates combined, totalling \$253,480 thousand (\$239,335 thousand in 2019), 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 41 sites (53 sites in 2019), 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, 2020 and March 31, 2019. 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 2.0% (2.2% in 2019). 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 2020 rates range from 0.37% for a 1 year term to 1.37% for a 30 or greater year term.

Also, during the year, 7 sites (29 sites in 2019) 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							
	2020				2019			
	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 <sup>(1)</sup>	29	26	117,043	145,997	29	26	115,196	166,636
Military and Former Military Sites <sup>(2)</sup>	12	10	1,264	1,297	14	11	2,747	2,582
Fuel Related Practices <sup>(3)</sup>	7	3	10,442	10,706	8	3	13,479	13,987
Landfill/Waste Sites <sup>(4)</sup>	4	4	24,731	26,403	4	4	21,978	23,941
Engineered Asset/Air and Land Transportation <sup>(5)</sup>	111	92	83,735	60,154	111	85	72,047	69,757
Marine Facilities/Aquatic Sites <sup>(6)</sup>	2	-	-	-	2	-	-	-
Parks and Protected Areas <sup>(7)</sup>	1	2	193	78	1	2	868	78
Office/Commercial/Industrial Operations <sup>(8)</sup>	20	11	3,515	3,127	20	8	820	508
Other <sup>(9)</sup>	4	1	12,557	12,900	4	1	12,200	13,301
<b>Total</b>	<b>190</b>	<b>149</b>	<b>253,480</b>	<b>260,662</b>	<b>193</b>	<b>140</b>	<b>239,335</b>	<b>290,790</b>

- 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, polycyclic aromatic 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, polycyclic aromatic 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, polycyclic aromatic 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, polycyclic aromatic 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.

# Public Services and Procurement Canada

## 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 record transactions associated with deposits on disposals for PSPC.

The following table presents details of other liabilities:

<i>(in thousands of dollars)</i>	April 1, 2019	Receipts and credits	Payments and charges	March 31, 2020
Seized property - cash	44,005	30,987	(33,589)	41,403
Contractors' security deposits - cash	6,751	1,964	(5,318)	3,397
Deposits	999	5,197	(23)	6,173
<b>Total</b>	<b>51,755</b>	<b>38,148</b>	<b>(38,930)</b>	<b>50,973</b>

## 7. LEASE OBLIGATIONS FOR TANGIBLE CAPITAL ASSETS

PSPC has entered into capital lease agreements for tangible capital assets with a cost of \$2,288,526 thousand and accumulated amortization of \$953,385 thousand as at March 31, 2020 (\$2,363,347 thousand and \$1,014,288 thousand respectively as at March 31, 2019). 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 5.5%; 5.6% in 2019)	2020	2019
Land	115	1	114	1,416
Buildings	2,872,168	907,733	1,964,435	2,002,724
<b>Total</b>	<b>2,872,283</b>	<b>907,734</b>	<b>1,964,549</b>	<b>2,004,140</b>

The following table presents the future minimum capital lease payments:

<i>(in thousands of dollars)</i>	2021	2022	2023	2024	2025	2026 and subsequent	Total
Land	115	-	-	-	-	-	115
Buildings	225,955	216,655	213,519	214,025	207,671	1,794,343	2,872,168
<b>Total</b>	<b>226,070</b>	<b>216,655</b>	<b>213,519</b>	<b>214,025</b>	<b>207,671</b>	<b>1,794,343</b>	<b>2,872,283</b>

# Public Services and Procurement Canada

## Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

### 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%)	<b>2020</b>	<b>2019</b>
Building	276,953	147,812	<b>129,141</b>	131,655
<b>Total</b>	<b>276,953</b>	<b>147,812</b>	<b>129,141</b>	<b>131,655</b>

The following table presents the future minimum payments:

<i>(in thousands of dollars)</i>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026 and subsequent</b>	<b>Total</b>
Building	15,624	15,624	15,624	15,624	15,624	198,833	<b>276,953</b>
<b>Total</b>	<b>15,624</b>	<b>15,624</b>	<b>15,624</b>	<b>15,624</b>	<b>15,624</b>	<b>198,833</b>	<b>276,953</b>

# Public Services and Procurement Canada

## 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 approximately 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 PSPC 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 2020 expense amounts to \$133,162 thousand (\$122,740 thousand in 2019). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2019) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2019) 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, 2020, 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>	<b>2020</b>	<b>2019</b>
Accrued benefit obligation, beginning of year	55,645	57,228
Expense	6,704	5,377
Benefits paid during the year	<b>(6,026)</b>	(6,960)
<b>Accrued benefit obligation, end of year</b>	<b>56,323</b>	55,645

# Public Services and Procurement Canada

## 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 \$12,188 thousand (\$8,718 thousand in 2019) at March 31, 2020.

## 11. ACCOUNTS RECEIVABLE AND ADVANCES

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

<i>(in thousands of dollars)</i>	<b>2020</b>	<b>2019</b>
Accounts receivable - Other government departments and agencies	449,959	384,422
Accounts receivable - External parties	121,505	209,457
Advances	15,738	9,484
	<b>587,202</b>	<b>603,363</b>
Less: Allowance for doubtful accounts on receivables from external parties	(3,708)	(5,796)
<b>Gross accounts receivable and advances</b>	<b>583,494</b>	<b>597,567</b>
Accounts receivable held on behalf of Government	(12,089)	(25,122)
<b>Net accounts receivable and advances</b>	<b>571,405</b>	<b>572,445</b>

# Public Services and Procurement Canada

## Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

### 12. TANGIBLE CAPITAL ASSETS

	Cost				
	Opening Balance	Acquisitions	Adjustments	Disposals and Write-Offs	Closing Balance
<i>(in thousands of dollars)</i>					
<b>Capital assets</b>					
Land	242,560	-	(1,751)	(1,015)	239,794
Buildings	7,004,705	-	508,826	(27,994)	7,485,537
Works and infrastructure	1,749,481	-	65,808	(15,146)	1,800,143
Machinery and equipment	44,743	719	1,053	-	46,515
Informatics hardware and software	791,182	55	64,670	(8,302)	847,605
Vehicles	9,262	1,097	769	(436)	10,692
Leasehold improvements	975,824	-	254,571	(4,501)	1,225,894
	10,817,757	1,871	893,946	(57,394)	11,656,180
<b>Assets under construction</b>					
Buildings	1,110,420	828,753	(841,369)	-	1,097,804
Works and infrastructure	73,377	36,014	64,060	-	173,451
Informatics hardware and software	48,355	64,522	(60,342)	-	52,535
Leasehold improvements	3,817	18,824	(6,724)	-	15,917
	1,235,969	948,113	(844,375)	-	1,339,707
<b>Public Private Partnership</b>					
Building	294,638	-	1,015	-	295,653
	294,638	-	1,015	-	295,653
<b>Leased tangible capital assets</b>					
Land	32,201	-	-	-	32,201
Buildings	2,331,146	93,660	(8,566)	(159,915)	2,256,325
Assets under construction	532	1,978	-	-	2,510
	2,363,879	95,638	(8,566)	(159,915)	2,291,036
<b>Total</b>	14,712,243	1,045,622	42,020	(217,309)	15,582,576

# Public Services and Procurement Canada

## Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

### 12. TANGIBLE CAPITAL ASSETS (continued)

	Accumulated amortization					Net Book Value	
	Opening Balance	Amortization	Adjustments	Disposals and Write-Offs	Closing Balance	2020	2019
<i>(in thousands of dollars)</i>							
<b>Capital assets</b>							
Land	-	-	-	-	-	239,794	242,560
Buildings	3,724,450	190,247	4,472	(22,365)	3,896,804	3,588,733	3,280,255
Works and infrastructure	753,867	68,475	(4,100)	(9,275)	808,967	991,176	995,614
Machinery and equipment	12,480	3,617	129	-	16,226	30,289	32,263
Informatics hardware and software	532,948	80,347	175	(8,302)	605,168	242,437	258,234
Vehicles	6,900	581	(42)	(397)	7,042	3,650	2,362
Leasehold improvements	683,753	55,807	(381)	(3,705)	735,474	490,420	292,071
	5,714,398	399,074	253	(44,044)	6,069,681	5,586,499	5,103,359
<b>Assets under construction</b>							
Buildings						1,097,804	1,110,420
Works and infrastructure						173,451	73,377
Informatics hardware and software						52,535	48,355
Leasehold improvements						15,917	3,817
						1,339,707	1,235,969
<b>Public Private Partnership</b>							
Building	52,036	8,591	283	-	60,910	234,743	242,602
	52,036	8,591	283	-	60,910	234,743	242,602
<b>Leased tangible capital assets</b>							
Land	-	-	-	-	-	32,201	32,201
Buildings	1,014,288	105,807	(7,171)	(159,539)	953,385	1,302,940	1,316,858
Assets under construction	-	-	-	-	-	2,510	532
	1,014,288	105,807	(7,171)	(159,539)	953,385	1,337,651	1,349,591
<b>Total</b>	<b>6,780,722</b>	<b>513,472</b>	<b>(6,635)</b>	<b>(203,583)</b>	<b>7,083,976</b>	<b>8,498,600</b>	<b>7,931,521</b>

# 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>	<b>2020</b>	<b>2019</b>
<b>Seized Property Proceeds Account - Restricted, beginning of year</b>	<b>26,746</b>	27,108
Revenues	<b>25,320</b>	24,461
Expenses	<b>(20,161)</b>	(24,823)
	<b>5,159</b>	(362)
<b>Seized Property Proceeds Account - Restricted, end of year</b>	<b>31,905</b>	26,746
<b>Unrestricted</b>	<b>5,947,610</b>	5,539,391
<b>Departmental net financial position - End of year</b>	<b>5,979,515</b>	5,566,137



# 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>	2021	2022	2023	2024	2025	2026 and subsequent	Total
Tangible capital assets	427,078	334,539	360,406	301,993	2,012	559,149	1,985,177
Operating leases	327,343	316,571	286,563	226,633	206,690	608,953	1,972,753
Purchases	3,697,354	3,071,700	270,207	220,028	202,427	3,020,049	10,481,765
<b>Total</b>	<b>4,451,775</b>	<b>3,722,810</b>	<b>917,176</b>	<b>748,654</b>	<b>411,129</b>	<b>4,188,151</b>	<b>14,439,695</b>

#### 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>	2021	2022	2023	2024	2025	2026 and subsequent	Total
Leases of property	523	523	523	523	523	7,646	10,261
<b>Total</b>	<b>523</b>	<b>523</b>	<b>523</b>	<b>523</b>	<b>523</b>	<b>7,646</b>	<b>10,261</b>

# Public Services and Procurement Canada

## Notes to the Consolidated Financial Statements (*Unaudited*)

### For the year ended March 31

## 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>	2020	2019
Employer's contribution to the health and dental insurance plans (excluding revolving funds) paid by Treasury Board	89,531	73,187
Legal services provided by Justice Canada	5,114	4,862
Workers' compensation coverage provided by Employment and Social Development Canada	1,434	1,524
<b>Total</b>	<b>96,079</b>	<b>79,573</b>

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 \$1,524,068 thousand (\$1,503,034 thousand in 2019).

### C. ADMINISTRATION OF PROGRAMS ON BEHALF OF OTHER GOVERNMENT DEPARTMENTS

The Government of Canada voluntarily pays its 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 \$563,264 thousand (\$562,678 thousand in 2019) 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>	2020	2019
Accounts receivable - Other government departments and agencies	449,959	384,422
Accounts payable - Other government departments and agencies	96,329	95,033
Consolidated expenses - Other government departments and agencies	523,033	594,955
Consolidated revenues - Other government departments and agencies	2,655,441	2,697,846

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 OTHER GOVERNMENT DEPARTMENTS AND AGENCIES

During the year, PSPC transferred vehicles, buildings, lands and works and infrastructure to other government departments and agencies. The transfers were measured at their net book value.

<i>(in thousands of dollars)</i>	2020	2019
<b>Transfers of tangible capital assets (to) from other government departments and agencies</b>		
Employment and Social Development Canada	(44)	-
Fisheries and Oceans Canada	(94)	-
Canada Border Services Agency	(2,091)	-
House of Commons	(14,431)	(201)
Parliamentary Protective Service	-	(331)
<b>Total transfers of tangible capital assets (to) from other government departments and agencies</b>	<b>(16,660)</b>	<b>(532)</b>

# Public Services and Procurement Canada

## Notes to the Consolidated Financial Statements (Unaudited)

For the year ended March 31

### 16. SEGMENTED INFORMATION

Presentation by segment is based on PSPC's core responsibilities. 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 core responsibility, 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>	Purchase of Goods and Services	Payments and Accounting	Property and Infrastructure	Government-Wide Support	Procurement Ombudsman	Internal Services	Intradepartmental transactions	2020	2019
<b>EXPENSES</b>									
<i>Operating expenses</i>									
Salaries and employee benefits	223,483	421,742	471,883	255,213	3,294	310,151	(1,270)	1,684,496	1,489,877
Rentals	614	9,339	1,000,342	30,974	17	10,542	(36,332)	1,015,496	1,002,831
Repairs and maintenance	28	1,231	958,480	2,455	-	3,643	(12,076)	953,761	977,969
Professional and special services	51,319	125,969	1,028,768	81,407	572	66,321	(482,160)	872,196	954,483
Land, buildings and works *	-	-	569,332	-	-	9	(901)	568,440	471,553
Amortization of tangible capital assets	3	67,755	440,129	5,096	-	489	-	513,472	465,474
Utilities, materials and supplies	159,731	3,579	86,321	695	14	1,576	(10,329)	241,587	236,682
Payments in lieu of taxes	-	-	172,826	-	-	-	-	172,826	181,653
Interest on capital lease payments	-	-	110,121	-	-	-	-	110,121	115,720
Machinery and equipment *	548	24,666	74,419	1,588	18	9,934	(4,143)	107,030	120,222
Transportation and communications	13,788	32,116	15,490	3,599	126	8,180	(3,642)	69,657	78,957
Interest and banking fees	3	56,762	234	20	-	11	-	57,030	52,918
Other expenses	9,407	879	77,978	57,447	-	1,539	(118,738)	28,512	9,951
Expenses from Seized Property Proceeds Account (Note 13)	-	-	-	20,161	-	-	-	20,161	24,823
Information	285	1,009	1,610	11,780	123	2,592	(486)	16,913	14,567
Environmental liabilities	-	-	14,145	-	-	-	-	14,145	20,903
Interest on obligation under Public Private Partnership	-	-	13,110	-	-	-	-	13,110	13,349
Reclassification of assets under construction including capitalization of previous years	-	(782)	6,769	(556)	-	(277)	-	5,154	23,781
Intradepartmental transactions	(28,164)	(1,298)	(508,999)	(64,476)	-	(67,140)	670,077	-	-
<b>TOTAL CONSOLIDATED EXPENSES</b>	<b>431,045</b>	<b>742,967</b>	<b>4,532,958</b>	<b>405,403</b>	<b>4,164</b>	<b>347,570</b>	<b>-</b>	<b>6,464,107</b>	<b>6,255,713</b>

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

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For the year ended March 31

### 16. SEGMENTED INFORMATION (*continued*)

(in thousands of dollars)

	Purchase of Goods and Services	Payments and Accounting	Property and Infrastructure	Government-Wide Support	Procurement Ombudsman	Internal Services	Intradepartmental transactions	2020	2019
<b>REVENUES</b>									
Sales of goods and information products	274	-	1,748,415	2,065	-	-	(178,098)	1,572,656	1,568,908
Rentals	-	-	856,699	-	-	19	(20,042)	836,676	793,698
Services of a non-regulatory nature **	274,360	858	51,905	292,384	-	69,248	(175,400)	513,355	526,964
Services of a regulatory nature ***	-	139,192	11,461	-	-	136	(1,375)	149,414	143,204
Other revenues	9,461	28,400	291,830	23,724	-	16,337	(295,162)	74,590	148,711
Revenues from Seized Property Proceeds Account ( <i>Note 13</i> )	-	-	-	25,320	-	-	-	25,320	24,461
Revenues earned on behalf of Government	(9,476)	(29,169)	(14,440)	(17,197)	-	(13,877)	-	(84,159)	(160,099)
Intradepartmental transactions	(28,164)	(1,298)	(508,999)	(64,476)	-	(67,140)	670,077	-	-
<b>TOTAL CONSOLIDATED REVENUES</b>	246,455	137,983	2,436,871	261,820	-	4,723	-	3,087,852	3,045,847
<b>NET COST FROM CONTINUING OPERATIONS</b>	184,590	604,984	2,096,087	143,583	4,164	342,847	-	3,376,255	3,209,866

\*\* 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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### For the year ended March 31

#### 17. SUBSEQUENT EVENTS

On May 8, 2020, the President of the Treasury Board provided the Department with access to a statutory appropriation under the *Public Health Events of National Concern Payments Act* of up to \$500M in the fiscal year ending March 31, 2021 to procure supplies for the broader health system, essential service providers, and other organizations to combat the COVID-19 pandemic. On July 13, 2020, the Department received approval to access an additional \$500M from the statutory appropriation under the *Public Health Events of National Concern Payments Act*, bringing its total authority to \$1B for the fiscal year ending March 31, 2021.

#### 18. COMPARATIVE FIGURES

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