



CONSOLIDATED DEPARTMENTAL FINANCIAL STATEMENTS *(Unaudited)*

For the year ended March 31, 2021

2020-2021

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, 2021, 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.

The outbreak of the Coronavirus disease (COVID-19) represents a serious global health threat that has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown.

In this fiscal year, PSPC played a key role in supporting the Government of Canada's response to the COVID-19 pandemic by procuring essential medical supplies, equipment, and services to keep our front line health care workers, public servants, essential workers and Canadians safe. This procurement was primarily done on behalf of other government departments and the impacts are reflected in their respective financial results.

COVID-19 will continue to have an impact on PSPC's financial situation for the foreseeable future as the Department continues to play a central role in response and recovery efforts. PSPC secured additional funding and the required authorities to support its increased activities and ensure financial sustainability for the Government of Canada's pandemic response.

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

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Statement of Management Responsibility Including Internal Control over Financial Reporting

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.

We have assessed the impact of the COVID-19 pandemic on the Department's ICFR and amounts recognized and/or disclosed in the consolidated departmental financial statements. Controls were adjusted as required to suit the circumstances, remained in compliance with policies, and we have not identified deficiencies in the operation of the Department's ICFR as a result of the COVID-19 pandemic which could have a material impact on PSPC's consolidated departmental financial statements.

A risk-based assessment of the system of ICFR for the year ended March 31, 2021 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.

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
Wojo Zielonka
Assistant Deputy Minister and
Chief Financial Officer

Gatineau, Canada
August 31, 2021

Public Services and Procurement Canada

Consolidated Statement of Financial Position (Unaudited)

As at March 31

	2021	2020
<i>(in thousands of dollars)</i>		
Liabilities		
Accounts payable and accrued liabilities (Note 4)	1,111,122	998,021
Environmental liabilities (Note 5)	234,191	253,480
Vacation pay and compensatory leave	91,577	71,804
Other liabilities (Note 6)	51,207	50,973
Seized Property Working Capital Account	11,897	6,759
Lease obligations for tangible capital assets (Note 7)	1,870,964	1,964,549
Obligation under Public Private Partnership (Note 8)	126,362	129,141
Lease inducements	78,453	66,310
Employee future benefits (Note 9)	49,905	56,323
Total net liabilities	3,625,678	3,597,360
Financial assets		
Due from Consolidated Revenue Fund	594,342	502,966
Accounts receivable and advances (Note 11)	595,187	583,494
	1,189,529	1,086,460
Financial assets held on behalf of Government		
Accounts receivable (Note 11)	(29,422)	(12,089)
	(29,422)	(12,089)
Total net financial assets	1,160,107	1,074,371
Departmental net debt	2,465,571	2,522,989
Non-financial assets		
Prepaid expenses	3,587	3,904
Tangible capital assets (Note 12)	9,069,409	8,498,600
Total non-financial assets	9,072,996	8,502,504
Departmental net financial position (Note 13)	6,607,425	5,979,515

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

August 31, 2021

The original version was signed by

Wojo Zielonka

Assistant Deputy Minister and
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>	2021 <i>Planned results</i>	2021	2020
EXPENSES			
Property and Infrastructure	4,769,850	4,465,793	4,532,958
Payments and Accounting	514,912	832,871	742,967
Purchase of Goods and Services	469,441	786,191	431,045
Government-Wide Support	413,462	431,734	405,403
Internal Services	308,504	338,197	347,570
Procurement Ombudsman	4,358	4,572	4,164
Total expenses	6,480,527	6,859,358	6,464,107
REVENUES			
Sales of goods and information products	1,734,711	1,498,931	1,572,656
Rentals	703,934	845,180	836,676
Services of a non-regulatory nature	554,722	562,904	513,355
Services of a regulatory nature	149,290	180,368	149,414
Other revenues	140,134	84,014	74,590
Revenues from Seized Property Proceeds Account (Note 13)	24,461	19,169	25,320
Revenues earned on behalf of Government	(81,874)	(186,111)	(84,159)
Total revenues	3,225,378	3,004,455	3,087,852
Net cost of operations before government funding and transfers	3,255,149	3,854,903	3,376,255
GOVERNMENT FUNDING AND TRANSFERS			
Net cash provided by Government of Canada		4,282,442	3,976,769
Change in due from Consolidated Revenue Fund		91,376	(267,095)
Services provided without charge by other government departments (Note 15)		103,119	96,079
Transfer of tangible capital assets from (to) other government departments (Note 15)		5,966	(16,660)
Transfer of salary overpayments from other government departments		537	540
Transfer of Minister's Regional Office Program to Privy Council Office (Note 17)		(627)	-
Net cost of operations after government funding and transfers		(627,910)	(413,378)
Departmental net financial position - Beginning of year		5,979,515	5,566,137
Departmental net financial position - End of year (Note 13)		6,607,425	5,979,515

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

	2021	2020
<i>(in thousands of dollars)</i>		
Net cost of operations after government funding and transfers	(627,910)	(413,378)
Change due to tangible capital assets		
Acquisitions of tangible capital assets (Note 12)	1,023,965	949,984
Acquisitions of leased tangible capital assets (Note 12)	33,845	95,638
Amortization of tangible capital assets (Note 12)	(556,472)	(513,472)
Proceeds from disposal of tangible capital assets	(7,558)	(1,760)
Net loss on disposals of tangible capital assets including adjustments	(965)	(11,965)
Accounts payable for work in progress to be paid at a future date	86,400	70,468
Reclassification of assets under construction including capitalization of previous years	(14,372)	(5,154)
Transfer of tangible capital assets from (to) other government departments (Note 15)	5,966	(16,660)
Change due to tangible capital assets	570,809	567,079
Change due to non-capital assets		
Change due to prepaid expenses	(317)	1,055
Change due to non-capital assets	(317)	1,055
Net (decrease) increase in departmental net debt	(57,418)	154,756
Departmental net debt - Beginning of year	2,522,989	2,368,233
Departmental net debt - End of year	2,465,571	2,522,989

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

	2021	2020
<i>(in thousands of dollars)</i>		
Operating activities		
Net cost of operations before government funding and transfers	3,854,903	3,376,255
Non-cash items:		
Amortization of tangible capital assets (Note 12)	(556,472)	(513,472)
Net loss on disposals of tangible capital assets including adjustments	(965)	(11,965)
Accounts payable for work in progress to be paid at a future date	86,400	70,468
Reclassification of assets under construction including capitalization of previous years	(14,372)	(5,154)
Services provided without charge by other government departments (Note 15)	(103,119)	(96,079)
Variations in Consolidated Statement of Financial Position:		
(Increase) decrease in accounts payable and accrued liabilities	(113,101)	108,206
Decrease (increase) in environmental liabilities	19,289	(14,145)
(Increase) in vacation pay and compensatory leave	(19,773)	(18,586)
(Increase) decrease in other liabilities	(234)	782
(Increase) decrease in Seized Property Working Capital Account	(5,138)	2,715
(Increase) in lease inducements	(12,143)	(7,020)
Decrease (increase) in employee future benefits	6,418	(678)
(Decrease) in accounts receivable and advances	(5,640)	(1,040)
(Decrease) increase in prepaid expenses	(317)	1,055
Transfer of salary overpayments from other government departments	(537)	(540)
Transfer of Minister's Regional Office Program to Privy Council Office (Note 17)	627	-
Cash used in operating activities	3,135,826	2,890,802
Capital investing activities		
Acquisitions of tangible capital assets (Note 12)	1,023,965	949,984
Acquisitions of assets under construction on leased tangible capital assets (Note 12)	4,812	1,978
Proceeds from disposal of tangible capital assets	(7,558)	(1,760)
Gain on variation of obligation including adjustments	-	489
Cash used in capital investing activities	1,021,219	950,691
Financing activities		
Payments on lease obligations for tangible capital assets	122,618	132,762
Payments on obligation under Public Private Partnership	2,779	2,514
Cash used in financing activities	125,397	135,276
Net cash provided by Government of Canada	4,282,442	3,976,769

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.

For additional context, including details on PSPC's role in supporting the Government of Canada's response to the COVID-19 pandemic, these consolidated financial statements should be read in conjunction with PSPC's 2020 to 2021 Departmental Results Report (DRR), which highlights the department's achievements in delivering on its diverse mandate and serves as the annual report to Parliamentarians and Canadians. This report is available as part of the [Department's published reports](#).

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 2020-21 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 2020-21 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 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 1, 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

Q. FUTURE CHANGES TO ACCOUNTING STANDARDS

The Public Sector Accounting Board (PSAB) issued new accounting standards that will or may have an effect on PSPC's financial reporting results in future years. PSPC is currently analyzing the impact of the following upcoming standards on its consolidated financial statements:

i. Section PS 3280 - Asset Retirement Obligations

This section, coming into effect on April 1, 2022, establishes standards for the recognition, measurement, presentation and disclosure of a liability for retirement of a tangible capital asset. An asset retirement obligation is a legal obligation associated with the retirement of a tangible capital asset, for which legally obligated costs need to be capitalized and amortized over the life of the asset, as opposed to be expensed at the time of asset retirement. These legally obligated costs could result from agreements or contracts, legislations or promises that may be enforceable by law.

ii. Section PS 3450 - Financial Instruments

This section, coming into effect on April 1, 2022, establishes standards for the recognition, measurement, presentation and disclosure of all types of financial instruments. The standard requires the categorization and measurement of financial instruments based either on fair value (derivatives and certain equity instruments) or cost/amortized cost (financial assets and liabilities). This may necessitate the addition of a new financial statement titled "Statement of remeasurement gains and losses" for reporting unrealized fair value gains and losses. The standard also emphasizes a significant increase in quantitative and qualitative disclosures, including information on exposure to credit, liquidity, and market risks as well as the processes for managing them.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

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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>	2021	2020
Net cost of operations before government funding and transfers	3,854,903	3,376,255
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (<i>Note 12</i>)	(556,472)	(513,472)
Net loss on disposals of tangible capital assets including adjustments	(965)	(11,965)
Gain on variation of obligation including adjustments	-	489
Reclassification of assets under construction including capitalization of previous years	(14,372)	(5,154)
Services provided without charge by other government departments (<i>Note 15</i>)	(103,119)	(96,079)
Refunds/adjustments to previous years' expenses	38,615	36,598
Refund of program expenditures	7,356	537
Timing differences between revenues earned and collected	25,799	(4,524)
Net revenue from Seized Property Proceeds Account (<i>Note 13</i>)	11,339	5,159
(Increase) in vacation pay and compensatory leave	(19,773)	(18,586)
Decrease (increase) in employee future benefits not affecting authorities	6,197	(765)
Decrease (increase) in environmental liabilities	19,289	(14,145)
Decrease (increase) in accrued liabilities not affecting authorities	12,657	(14,199)
Timing differences between payments in lieu of taxes and recoveries	35,758	325
Bad debt expense	(11,152)	(94)
Revenues earned on behalf of Government not affecting authorities	(6,447)	(1,681)
Other	719	677
Total items affecting net cost of operations but not affecting authorities	(554,571)	(636,879)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets (<i>Note 12</i>)	1,023,965	949,984
Acquisitions of assets under construction as leased tangible capital assets (<i>Note 12</i>)	4,812	1,978
Payments of lease obligations for tangible capital assets	122,618	132,762
Payments of obligation under Public Private Partnership	2,779	2,514
Net cash variation of prepaid expenses and advances	(192)	1,984
Variation of lease inducements	(12,717)	(6,826)
Accounts receivable related to salary overpayments	5,274	6,915
Total items not affecting net cost of operations but affecting authorities	1,146,539	1,089,311
Current year budgetary authorities used	4,446,871	3,828,687

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>	2021	2020
Vote 1 - Operating expenditures	3,759,080	2,826,113
Vote 5 - Capital expenditures	1,584,605	1,401,557
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
Statutory items:		
Revolving Funds	392,300	404,853
Other	420,533	140,455
Authorities provided	6,156,518	4,948,363
Less:		
Authorities available for future years	(374,074)	(392,702)
Lapsed authorities	(1,335,573)	(726,974)
Current year budgetary authorities used	4,446,871	3,828,687
Seized Property Management Act	(5,139)	2,716
Imprest Funds	(60)	5,217
Current year non-budgetary authorities (provided) used	(5,199)	7,933

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>	2021	2020
Accounts payable - Other government departments and agencies	129,074	96,329
Accounts payable - External parties	363,622	454,869
Total accounts payable	492,696	551,198
Accrued salaries and wages	87,009	120,973
Accrued liabilities	448,714	245,074
Contractors' holdbacks	82,703	80,776
Total accounts payable and accrued liabilities	1,111,122	998,021

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 194 sites (190 sites in 2020) where contamination may exist and assessment, remediation and monitoring may be required. Of these, PSPC has assessed 76 sites (77 sites in 2020) where action is required and for which a gross liability of \$207,475 thousand (\$227,381 thousand in 2020) 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 71 unassessed sites (72 sites in 2020) where a liability estimate of \$26,716 thousand (\$26,099 thousand in 2020) has been recorded using this model.

These two estimates combined, totalling \$234,191 thousand (\$253,480 thousand in 2020), 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 47 sites (41 sites in 2020), 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, 2021 and March 31, 2020. Undiscounted expenditures only reflect the liabilities of the sites assessed by PSPC and do not include the liabilities estimated by the statistical model. 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% (2.0% in 2020). 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 2021 rates range from 0.16% for a 1 year term to 2.01% for a 30 year or greater term.

Also, during the year, 8 sites (7 sites in 2020) 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							
	2021				2020			
	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⁾	27	24	96,336	137,205	29	26	117,043	145,997
Military and Former Military Sites ⁽²⁾	10	10	1,208	1,251	12	10	1,264	1,297
Fuel Related Practices ⁽³⁾	15	2	9,854	10,087	7	3	10,442	10,706
Landfill/Waste Sites ⁽⁴⁾	5	5	15,738	18,022	4	4	24,731	26,403
Engineered Asset/Air and Land Transportation ⁽⁵⁾	111	91	94,944	69,611	111	92	83,735	60,154
Marine Facilities/Aquatic Sites ⁽⁶⁾	2	-	-	-	2	-	-	-
Parks and Protected Areas ⁽⁷⁾	1	1	79	80	1	1	78	78
Office/Commercial/Industrial Operations ⁽⁸⁾	19	13	3,665	3,054	20	12	3,630	3,127
Other ⁽⁹⁾	4	1	12,367	12,647	4	1	12,557	12,900
Total	194	147	234,191	251,957	190	149	253,480	260,662

- 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, polycyclic aromatic 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, 2020	Receipts and credits	Payments and charges	March 31, 2021
Seized property - cash	41,403	21,327	(21,848)	40,882
Contractors' security deposits - cash	3,397	2,091	(1,554)	3,934
Deposits	6,173	935	(717)	6,391
Total	50,973	24,353	(24,119)	51,207

7. LEASE OBLIGATIONS FOR TANGIBLE CAPITAL ASSETS

PSPC has entered into capital lease agreements for tangible capital assets with a cost of \$2,131,829 thousand and accumulated amortization of \$892,819 thousand as at March 31, 2021 (\$2,288,526 thousand and \$953,385 thousand respectively as at March 31, 2020). 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%; 5.5% in 2020)	2021	2020
Land	-	-	-	114
Buildings	2,679,383	808,419	1,870,964	1,964,435
Total	2,679,383	808,419	1,870,964	1,964,549

The following table presents the future minimum capital lease payments:

<i>(in thousands of dollars)</i>	2022	2023	2024	2025	2026	2027 and subsequent	Total
Buildings	220,286	217,141	217,646	211,293	208,178	1,604,839	2,679,383
Total	220,286	217,141	217,646	211,293	208,178	1,604,839	2,679,383

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%)	2021	2020
Building	261,329	134,967	126,362	129,141
Total	261,329	134,967	126,362	129,141

The following table presents the future minimum payments:

<i>(in thousands of dollars)</i>	2022	2023	2024	2025	2026	2027 and subsequent	Total
Building	15,624	15,624	15,624	15,624	15,624	183,209	261,329
Total	15,624	15,624	15,624	15,624	15,624	183,209	261,329

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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 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 2021 expense amounts to \$153,407 thousand (\$133,162 thousand in 2020). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2020) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2020) 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. 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>	2021	2020
Accrued benefit obligation, beginning of year	56,323	55,645
Expense	910	6,704
Benefits paid during the year	(7,328)	(6,026)
Accrued benefit obligation, end of year	49,905	56,323

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, with the exception of certain unresolved claims where litigation is ongoing. Due to the magnitude of these latter claims, an allowance has been recorded centrally by the Office of the Comptroller General in the Consolidated Financial Statements of the Government of Canada which are audited by the Auditor General of Canada. Upon resolution in the future, any resulting liability for these claims will be recorded by the department and could be material. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to \$27,018 thousand at March 31, 2021 (\$12,188 thousand in 2020).

11. ACCOUNTS RECEIVABLE AND ADVANCES

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

<i>(in thousands of dollars)</i>	2021	2020
Accounts receivable - Other government departments and agencies	397,828	449,959
Accounts receivable - External parties	196,319	121,505
Advances	15,764	15,738
	609,911	587,202
Less: Allowance for doubtful accounts on receivables from external parties	(14,724)	(3,708)
Gross accounts receivable and advances	595,187	583,494
Accounts receivable held on behalf of Government	(29,422)	(12,089)
Net accounts receivable and advances	565,765	571,405

Public Services and Procurement Canada

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12. TANGIBLE CAPITAL ASSETS

	Cost				
	Opening Balance	Acquisitions	Adjustments	Disposals and Write-Offs	Closing Balance
<i>(in thousands of dollars)</i>					
Capital assets					
Land	239,794	35,356	13,250	(1,158)	287,242
Buildings	7,485,537	-	249,508	(14,737)	7,720,308
Works and infrastructure	1,800,143	-	104,399	(1,241)	1,903,301
Machinery and equipment	46,515	212	10,981	(986)	56,722
Informatics hardware and software	847,605	-	100,576	(35,278)	912,903
Vehicles	10,692	1,267	-	(1,874)	10,085
Leasehold improvements	1,225,894	27	62,112	(29,708)	1,258,325
	11,656,180	36,862	540,826	(84,982)	12,148,886
Assets under construction					
Buildings	1,097,804	792,847	(316,147)	-	1,574,504
Works and infrastructure	173,451	82,655	6,921	-	263,027
Informatics hardware and software	52,535	95,585	(50,393)	-	97,727
Other assets under construction	15,917	16,016	(24,972)	-	6,961
	1,339,707	987,103	(384,591)	-	1,942,219
Public Private Partnership					
Building	295,653	-	-	-	295,653
	295,653	-	-	-	295,653
Leased tangible capital assets					
Land	32,201	-	(13,000)	(4,400)	14,801
Buildings	2,256,325	29,033	(56,772)	(111,558)	2,117,028
Assets under construction	2,510	4,812	-	-	7,322
	2,291,036	33,845	(69,772)	(115,958)	2,139,151
Total	15,582,576	1,057,810	86,463	(200,940)	16,525,909

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	2021	2020
<i>(in thousands of dollars)</i>							
Capital assets							
Land	-	-	-	-	-	287,242	239,794
Buildings	3,896,804	212,413	51,511	(12,055)	4,148,673	3,571,635	3,588,733
Works and infrastructure	808,967	73,039	427	(1,074)	881,359	1,021,942	991,176
Machinery and equipment	16,226	4,548	550	(960)	20,364	36,358	30,289
Informatics hardware and software	605,168	82,956	2,143	(35,278)	654,989	257,914	242,437
Vehicles	7,042	775	(21)	(1,802)	5,994	4,091	3,650
Leasehold improvements	735,474	75,385	1,632	(29,690)	782,801	475,524	490,420
	6,069,681	449,116	56,242	(80,859)	6,494,180	5,654,706	5,586,499
Assets under construction							
Buildings						1,574,504	1,097,804
Works and infrastructure						263,027	173,451
Informatics hardware and software						97,727	52,535
Other assets under construction						6,961	15,917
						1,942,219	1,339,707
Public Private Partnership							
Building	60,910	8,591	-	-	69,501	226,152	234,743
	60,910	8,591	-	-	69,501	226,152	234,743
Leased tangible capital assets							
Land	-	-	-	-	-	14,801	32,201
Buildings	953,385	98,765	(47,773)	(111,558)	892,819	1,224,209	1,302,940
Assets under construction	-	-	-	-	-	7,322	2,510
	953,385	98,765	(47,773)	(111,558)	892,819	1,246,332	1,337,651
Total	7,083,976	556,472	8,469	(192,417)	7,456,500	9,069,409	8,498,600

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>	2021	2020
Seized Property Proceeds Account - Restricted, beginning of year	31,905	26,746
Revenues	19,169	25,320
Expenses	(7,830)	(20,161)
	11,339	5,159
Seized Property Proceeds Account - Restricted, end of year	43,244	31,905
Unrestricted	6,564,181	5,947,610
Departmental net financial position - End of year	6,607,425	5,979,515

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>	2022	2023	2024	2025	2026	2027 and subsequent	Total
Capital assets	916,741	782,923	659,848	176,233	944,366	21,828	3,501,939
Operating leases	443,035	443,640	406,459	359,588	324,660	908,478	2,885,860
Purchases	2,439,644	2,224,168	2,141,811	976,212	509,674	2,896,935	11,188,444
Total	3,799,420	3,450,731	3,208,118	1,512,033	1,778,700	3,827,241	17,576,243

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. At March 31, 2021, there are no major contractual rights (\$10 million or more) that will generate revenues in future years.

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 PSPC's key management personnel or close family members of those individuals, and entities controlled by, or under shared control of, a member of PSPC's 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>	2021	2020
Employer's contribution to the health and dental insurance plans (excluding revolving funds) paid by Treasury Board	96,246	89,531
Legal services provided by Justice Canada	5,518	5,114
Workers' compensation coverage provided by Employment and Social Development Canada	1,355	1,434
Total	103,119	96,079

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 \$1,540,613 thousand (\$1,524,068 thousand in 2020).

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 \$557,833 thousand (\$563,264 thousand in 2020) 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>	2021	2020
Accounts receivable - Other government departments and agencies	397,828	449,959
Accounts payable - Other government departments and agencies	129,074	96,329
Consolidated expenses - Other government departments and agencies	487,795	523,033
Consolidated revenues - Other government departments and agencies	2,673,246	2,655,441

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 FROM (TO) OTHER GOVERNMENT DEPARTMENTS AND AGENCIES

During the year, PSPC received land, buildings and works and infrastructure from other government departments and agencies; and transferred office equipment, vehicles 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>	2021	2020
Transfers of tangible capital assets from (to) other government departments and agencies		
National Defence	11,137	-
Parks Canada Agency (net book value \$1 dollar)	-	-
Senate of Canada	(352)	-
House of Commons	(4,819)	(14,431)
Employment and Social Development Canada	-	(44)
Fisheries and Oceans Canada	-	(94)
Canada Border Services Agency	-	(2,091)
Total transfers of tangible capital assets from (to) other government departments and agencies	5,966	(16,660)

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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	2021	2020
EXPENSES									
<i>Operating expenses</i>									
Salaries and employee benefits	249,758	524,547	503,264	281,981	4,077	298,581	(1,343)	1,860,865	1,684,496
Rentals	417	9,466	1,037,736	35,025	19	9,737	(38,469)	1,053,931	1,015,496
Repairs and maintenance	86	2,148	900,779	1,672	-	2,924	(10,537)	897,072	953,761
Professional and special services	60,644	125,550	1,006,298	93,468	362	70,410	(504,086)	852,646	872,196
Utilities, materials and supplies	486,419	3,074	80,233	429	9	1,836	(10,194)	561,806	241,587
Land, buildings and works *	-	-	563,785	-	-	-	(7,263)	556,522	568,440
Amortization of tangible capital assets	3	64,191	482,850	6,397	-	3,031	-	556,472	513,472
Payments in lieu of taxes	-	-	172,180	-	-	-	-	172,180	172,826
Interest on capital lease payments	-	-	105,668	-	-	-	-	105,668	110,121
Machinery and equipment *	1,249	15,285	46,646	2,384	23	7,936	(802)	72,721	107,030
Transportation and communications	13,858	37,532	7,613	897	9	1,548	(823)	60,634	69,657
Interest and banking fees	1	49,654	119	11	-	5	-	49,790	57,030
Other expenses	2,964	4,669	76,741	59,278	-	9,581	(123,141)	30,092	28,512
Reclassification of assets under construction including capitalization of previous years	-	(2,722)	16,844	423	-	(173)	-	14,372	5,154
Information	486	717	1,263	9,126	73	1,701	(165)	13,201	16,913
Interest on obligation under Public Private Partnership	-	-	12,845	-	-	-	-	12,845	13,110
Expenses from Seized Property Proceeds Account (Note 13)	-	-	-	7,830	-	-	-	7,830	20,161
Environmental liability adjustments	-	-	(19,289)	-	-	-	-	(19,289)	14,145
Intradepartmental transactions	(29,694)	(1,240)	(529,782)	(67,187)	-	(68,920)	696,823	-	-
TOTAL CONSOLIDATED EXPENSES	786,191	832,871	4,465,793	431,734	4,572	338,197	-	6,859,358	6,464,107

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

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Notes to the Consolidated Financial Statements (*Unaudited*)

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	2021	2020
REVENUES									
Sales of goods and information products	84,733	-	1,577,481	2,284	-	-	(165,567)	1,498,931	1,572,656
Rentals	-	-	862,974	-	-	7	(17,801)	845,180	836,676
Services of a non-regulatory nature **	327,784	997	50,246	295,425	-	70,728	(182,276)	562,904	513,355
Services of a regulatory nature ***	-	172,057	9,406	-	-	117	(1,212)	180,368	149,414
Other revenues	10,890	35,899	329,336	20,855	-	17,001	(329,967)	84,014	74,590
Revenues from Seized Property Proceeds Account (<i>Note 13</i>)	-	-	-	19,169	-	-	-	19,169	25,320
Revenues earned on behalf of Government	(100,574)	(38,861)	(18,364)	(14,199)	-	(14,113)	-	(186,111)	(84,159)
Intradepartmental transactions	(29,694)	(1,240)	(529,782)	(67,187)	-	(68,920)	696,823	-	-
TOTAL CONSOLIDATED REVENUES	293,139	168,852	2,281,297	256,347	-	4,820	-	3,004,455	3,087,852
NET COST OF OPERATIONS	493,052	664,019	2,184,496	175,387	4,572	333,377	-	3,854,903	3,376,255

** 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. TRANSFER OF THE MINISTER'S REGIONAL OFFICE PROGRAM

Effective June 29, 2020, the Department transferred the control and supervision for the Minister's Regional Office Program to the Privy Council Office (PCO) in accordance with Order-in-Council (PC Number 2020-0525). The expenses incurred by PSPC before the transfer of this program amount to \$611 thousand in 2021 (\$6,989 thousand in 2020). These expenses are included in these financial statements.

During the transition period, PSPC continued to incur operating expenses of \$627 thousand in 2021 that were subsequently transferred to PCO and are not included in PSPC's expenses.

18. COMPARATIVE FIGURES

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