




# **CONSOLIDATED DEPARTMENTAL FINANCIAL STATEMENTS**

*(Unaudited)*

**For the year ended March 31, 2022**

**2021-2022**



# 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, 2022, 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.

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.

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.

# Public Services and Procurement Canada

## Statement of Management Responsibility Including Internal Control over Financial Reporting

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 Internal Control over Financial Management (ICFM) and amounts recognized and/or disclosed in the consolidated departmental financial statements. Controls remained in compliance with policies and we have not identified deficiencies in the operation of the Department's ICFM 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, 2022 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 financial statements.

The consolidated financial statements of PSPC have not been audited.

The original version was signed by  
Paul Thompson  
Deputy Minister

The original version was signed by  
Wojo Zielonka  
Assistant Deputy Minister and  
Chief Financial Officer

Gatineau, Canada  
September 7, 2022

# Public Services and Procurement Canada

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

### As at March 31

	2022	2021
<i>(in thousands of dollars)</i>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities ( <i>Note 4</i> )	1,404,863	1,111,122
Environmental liabilities ( <i>Note 5</i> )	203,679	234,191
Vacation pay and compensatory leave	109,166	91,577
Other liabilities ( <i>Note 6</i> )	44,670	51,207
Seized Property Working Capital Account	19,759	11,897
Lease obligations for tangible capital assets ( <i>Note 7</i> )	1,881,743	1,870,964
Obligation under Public Private Partnership ( <i>Note 8</i> )	123,290	126,362
Lease inducements	86,403	78,453
Employee future benefits ( <i>Note 9</i> )	43,688	49,905
<b>Total net liabilities</b>	<b>3,917,261</b>	<b>3,625,678</b>
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	447,889	594,342
Accounts receivable and advances ( <i>Note 11</i> )	804,264	595,187
	<b>1,252,153</b>	<b>1,189,529</b>
<b>Financial assets held on behalf of Government</b>		
Accounts receivable ( <i>Note 11</i> )	(23,448)	(29,422)
	<b>(23,448)</b>	<b>(29,422)</b>
<b>Total net financial assets</b>	<b>1,228,705</b>	<b>1,160,107</b>
<b>Departmental net debt</b>	<b>2,688,556</b>	<b>2,465,571</b>
<b>Non-financial assets</b>		
Prepaid expenses	3,164	3,587
Tangible capital assets ( <i>Note 12</i> )	9,870,206	9,069,409
<b>Total non-financial assets</b>	<b>9,873,370</b>	<b>9,072,996</b>
<b>Departmental net financial position (<i>Note 13</i>)</b>	<b>7,184,814</b>	<b>6,607,425</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  
Paul Thompson  
Deputy Minister

Gatineau, Canada  
September 7, 2022

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

	2022 <i>Planned results</i>	2022	2021
<i>(in thousands of dollars)</i>			
<b>EXPENSES</b>			
Property and Infrastructure	4,980,021	4,487,133	4,465,793
Purchase of Goods and Services	453,823	999,454	786,191
Payments and Accounting	760,280	795,986	832,871
Government-Wide Support	420,088	458,066	431,734
Internal Services	330,460	382,132	338,197
Procurement Ombudsman	4,423	4,325	4,572
<b>Total expenses</b>	<b>6,949,095</b>	<b>7,127,096</b>	<b>6,859,358</b>
<b>REVENUES</b>			
Sales of goods and information products	1,636,729	1,446,758	1,498,931
Services of a non-regulatory nature	590,328	1,048,670	562,904
Rentals	738,831	831,668	845,180
Services of a regulatory nature	150,591	170,461	180,368
Other revenues	152,289	107,044	84,014
Revenues from Seized Property Proceeds Account (Note 13)	25,320	24,007	19,169
Revenues earned on behalf of Government	(84,159)	(119,240)	(186,111)
<b>Total revenues</b>	<b>3,209,929</b>	<b>3,509,368</b>	<b>3,004,455</b>
<b>Net cost of operations before government funding and transfers</b>	<b>3,739,166</b>	<b>3,617,728</b>	<b>3,854,903</b>
<b>GOVERNMENT FUNDING AND TRANSFERS</b>			
Net cash provided by Government of Canada		4,264,224	4,282,442
Change in due from Consolidated Revenue Fund		(146,453)	91,376
Services provided without charge by other government departments (Note 15)		106,859	103,119
Transfer of tangible capital assets (to) from other government departments, agencies and Crown corporations (Note 15)		(29,256)	5,966
Transfer of salary overpayments (to) from other government departments		(257)	537
Transfer of Minister's Regional Office Program to Privy Council Office		-	(627)
<b>Net cost of operations after government funding and transfers</b>		<b>(577,389)</b>	<b>(627,910)</b>
<b>Departmental net financial position - Beginning of year</b>		<b>6,607,425</b>	<b>5,979,515</b>
<b>Departmental net financial position - End of year (Note 13)</b>		<b>7,184,814</b>	<b>6,607,425</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

	2022	2021
<i>(in thousands of dollars)</i>		
<b>Net cost of operations after government funding and transfers</b>	<b>(577,389)</b>	<b>(627,910)</b>
<b>Change due to tangible capital assets</b>		
Acquisitions of tangible capital assets (Note 12)	1,063,948	1,023,965
Acquisitions of leased tangible capital assets (Note 12)	143,766	33,845
Amortization of tangible capital assets (Note 12)	(544,735)	(556,472)
Proceeds from disposal of tangible capital assets	(2,816)	(7,558)
Net loss on disposals of tangible capital assets including adjustments	(11,129)	(965)
Accounts payable for work in progress to be paid at a future date	209,725	86,400
Reclassification of assets under construction including capitalization of previous years	(28,706)	(14,372)
Transfer of tangible capital assets (to) from other government departments, agencies and Crown corporations (Note 15)	(29,256)	5,966
<b>Change due to tangible capital assets</b>	<b>800,797</b>	<b>570,809</b>
<b>Change due to non-capital assets</b>		
Change due to prepaid expenses	(423)	(317)
<b>Change due to non-capital assets</b>	<b>(423)</b>	<b>(317)</b>
<b>Net increase (decrease) in departmental net debt</b>	<b>222,985</b>	<b>(57,418)</b>
<b>Departmental net debt - Beginning of year</b>	<b>2,465,571</b>	<b>2,522,989</b>
<b>Departmental net debt - End of year</b>	<b>2,688,556</b>	<b>2,465,571</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

	2022	2021
<i>(in thousands of dollars)</i>		
<b>Operating activities</b>		
<b>Net cost of operations before government funding and transfers</b>	3,617,728	3,854,903
<b>Non-cash items:</b>		
Amortization of tangible capital assets (Note 12)	(544,735)	(556,472)
Net loss on disposals of tangible capital assets including adjustments	(11,129)	(965)
Accounts payable for work in progress to be paid at a future date	209,725	86,400
Reclassification of assets under construction including capitalization of previous years	(28,706)	(14,372)
Services provided without charge by other government departments (Note 15)	(106,859)	(103,119)
<b>Variations in Consolidated Statement of Financial Position:</b>		
(Increase) in accounts payable and accrued liabilities	(293,741)	(113,101)
Decrease in environmental liabilities	30,512	19,289
(Increase) in vacation pay and compensatory leave	(17,589)	(19,773)
Decrease (increase) in other liabilities	6,537	(234)
(Increase) in Seized Property Working Capital Account	(7,862)	(5,138)
(Increase) in lease inducements	(7,950)	(12,143)
Decrease in employee future benefits	6,217	6,418
Increase (decrease) in accounts receivable and advances	215,051	(5,640)
(Decrease) in prepaid expenses	(423)	(317)
Transfer of salary overpayments to (from) other government departments	257	(537)
Transfer of Minister's Regional Office Program to Privy Council Office	-	627
<b>Cash used in operating activities</b>	<b>3,067,033</b>	<b>3,135,826</b>
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets (Note 12)	1,063,948	1,023,965
Acquisitions of assets under construction on leased tangible capital assets (Note 12)	8,447	4,812
Proceeds from disposal of tangible capital assets	(2,816)	(7,558)
<b>Cash used in capital investing activities</b>	<b>1,069,579</b>	<b>1,021,219</b>
<b>Financing activities</b>		
Payments on lease obligations for tangible capital assets	124,540	122,618
Payments on obligation under Public Private Partnership	3,072	2,779
<b>Cash used in financing activities</b>	<b>127,612</b>	<b>125,397</b>
<b>Net cash provided by Government of Canada</b>	<b>4,264,224</b>	<b>4,282,442</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;
- **Purchase of Goods and Services:** PSPC purchases goods and services on behalf of the Government of Canada;
- **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;
- **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 2021-2022 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 2021-22 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 2021-22 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.

# Public Services and Procurement Canada

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

### For the year ended March 31

#### 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.

#### 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.

# Public Services and Procurement Canada

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

### For the year ended March 31

#### 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;
- Asset pooled items are tangible capital assets that have a lower value, per unit, than the capitalization threshold, but are typically purchased or held in large quantities so as to represent significant expenditures overall. These assets are grouped in a given asset class or pool in order to be capitalized as one asset.

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 a material effect on PSPC's financial reporting results in future years.

##### a) Standards coming into effect on April 1, 2022:

###### Section PS 3280 – Asset Retirement Obligations

This section 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 being expensed at the time of asset retirement. These legally obligated costs could result from agreements or contracts, legislation or promises enforceable by law.

PSPC intends to apply this new standard by using the modified retroactive method. As such, PSPC will apply the standard retrospectively only to the most current period presented in the consolidated financial statements. PSPC will recognize the cumulative effect of initially applying PS 3280 as an adjustment to the opening balance of the departmental net debt at the date of initial application. The expected impact of adopting this new standard on the opening departmental net debt is estimated at \$355,000 thousand. The adoption of PS 3280 is expected to increase total liabilities and total assets at April 1, 2022 by an estimated amount of \$430,000 thousand and \$221,000 thousand, respectively.

###### Section PS 3450 – Financial Instruments

This section 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.

PSPC is currently evaluating the impact of this standard for new contracts entered into on or after April 1, 2022, or amendments to existing contracts where the amendment causes a significant change to the cash flow under the contract. Based on the assessment work completed to date, the adoption of PS 3450 is not expected to have a material impact on PSPC's consolidated financial statements.

##### b) Standards coming into effect on April 1, 2023:

###### Section PS 3160 – Public Private Partnerships

This section establishes standards for the recognition, measurement, presentation and disclosure of infrastructure procured through public private partnership arrangements. Typically, the private sector is engaged to design, build, acquire or better new/existing infrastructure; finance the infrastructure for at least a portion of the time in use; and maintain and/or operate the infrastructure. PSPC entered into a public private partnership agreement for the construction and management of the Royal Canadian Mounted Police (RCMP) E division building, which was completed in 2013. PSPC is currently analyzing the impact of this standard on its consolidated financial statements.

# Public Services and Procurement Canada

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

### For the year ended March 31

#### **Section PS 3400 – Revenue**

This section establishes standards for the recognition, measurement, presentation and disclosure of revenues, including the requirement to differentiate between revenue arising from transactions that include performance obligations (exchange transactions) and transactions without performance obligations (unilateral transactions). Revenue related to transactions with performance obligations is recognized only when each performance obligation is satisfied. For transactions without performance obligations, revenue is recognized when the entity has authority to claim or retain an inflow of economic resources as a result of a past event. In addition, the Department needs to evaluate the characteristics of transactions to determine if it is acting as a principal or an agent. When acting as a principal, revenue is recognized on a gross basis and, when acting as an agent, revenue is recognized on a net basis. PSPC is currently analyzing the impact of this standard on its consolidated financial statements.

#### **Accounting Guideline PSG-8 – Purchased intangibles**

This new guideline explains the scope of intangibles allowed to be recognized in financial statements. Purchased intangibles are identifiable non-monetary economic resources without physical substance acquired through an arm's length exchange transaction between knowledgeable, willing parties who are under no compulsion to act. Based on the assessment work completed to date, the guideline is not expected to have a material impact on PSPC's consolidated financial statements.



# 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>	2022	2021
<b>Net cost of operations before government funding and transfers</b>	<b>3,617,728</b>	<b>3,854,903</b>
<b>Adjustments for items affecting net cost of operations but not affecting authorities:</b>		
Amortization of tangible capital assets ( <i>Note 12</i> )	(544,735)	(556,472)
Net loss on disposals of tangible capital assets including adjustments	(11,129)	(965)
Reclassification of assets under construction including capitalization of previous years	(28,706)	(14,372)
Services provided without charge by other government departments ( <i>Note 15</i> )	(106,859)	(103,119)
Refunds/adjustments to previous years' expenses	49,360	38,375
Refund of program expenditures	426	9,173
Timing differences between revenues earned and collected	(5,419)	25,799
Net revenue from Seized Property Proceeds Account ( <i>Note 13</i> )	1,709	11,339
(Increase) in vacation pay and compensatory leave	(17,589)	(19,773)
Decrease in employee future benefits not affecting authorities	6,116	6,197
Decrease in environmental liabilities	30,512	19,289
(Increase) decrease in accrued liabilities not affecting authorities	(15,880)	12,657
Timing differences between payments in lieu of taxes and recoveries	(1,567)	35,758
Bad debt expense	6,347	(11,152)
Revenues earned on behalf of Government not affecting authorities	(2,732)	(6,447)
Other	(1,046)	719
<b>Total items affecting net cost of operations but not affecting authorities</b>	<b>(641,192)</b>	<b>(552,994)</b>
<b>Adjustments for items not affecting net cost of operations but affecting authorities:</b>		
Acquisitions of tangible capital assets ( <i>Note 12</i> )	1,063,948	1,023,965
Acquisitions of assets under construction as leased tangible capital assets ( <i>Note 12</i> )	8,447	4,812
Payments of lease obligations for tangible capital assets	124,540	122,618
Payments of obligation under Public Private Partnership	3,072	2,779
Net cash variation of prepaid expenses and advances	(605)	(192)
Variation of lease inducements	(7,984)	(12,717)
Accounts receivable related to salary overpayments	4,398	3,697
<b>Total items not affecting net cost of operations but affecting authorities</b>	<b>1,195,816</b>	<b>1,144,962</b>
<b>Current year budgetary authorities used</b>	<b>4,172,352</b>	<b>4,446,871</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>	2022	2021
Vote 1 - Operating expenditures	3,575,473	3,759,080
Vote 5 - Capital expenditures	1,633,060	1,584,605
<b>Statutory items:</b>		
Revolving Funds	383,791	392,300
Other	159,985	420,533
<b>Authorities provided</b>	<b>5,752,309</b>	<b>6,156,518</b>
Less:		
Authorities available for future years	(397,656)	(374,074)
Lapsed authorities	(1,182,301)	(1,335,573)
<b>Current year budgetary authorities used</b>	<b>4,172,352</b>	<b>4,446,871</b>
<i>Seized Property Management Act</i>	(7,861)	(5,139)
Imprest Funds	1,684	(60)
<b>Current year non-budgetary authorities used</b>	<b>(6,177)</b>	<b>(5,199)</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>	2022	2021
Accounts payable - External parties	477,572	363,622
Accounts payable - Other government departments and agencies	85,232	129,074
<b>Total accounts payable</b>	<b>562,804</b>	<b>492,696</b>
Accrued liabilities	661,239	448,714
Contractors' holdbacks	90,423	82,703
Accrued salaries and wages	90,397	87,009
<b>Total accounts payable and accrued liabilities</b>	<b>1,404,863</b>	<b>1,111,122</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 197 sites (194 sites in 2021) where contamination may exist and assessment, remediation and monitoring may be required. Of these, PSPC has assessed 70 sites (76 sites in 2021) where action is required and for which a gross liability of \$175,786 thousand (\$207,475 thousand in 2021) 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 (71 sites in 2021) where a liability estimate of \$27,893 thousand (\$26,716 thousand in 2021) has been recorded using this model.

These two estimates combined, totalling \$203,679 thousand (\$234,191 thousand in 2021), 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 56 sites (47 sites in 2021), 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, 2022 and March 31, 2021. 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 2021). 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 2022 rates range from 1.88% for a 1 year term to 2.35% for a 30 year or greater term.

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*)

Nature and Source of Liability								
(in thousands of dollars)	2022				2021			
Nature and Source	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>	27	24	88,308	137,938	27	24	96,336	137,205
Military and Former Military Sites <sup>(2)</sup>	10	10	954	1,026	10	10	1,208	1,251
Fuel Related Practices <sup>(3)</sup>	18	2	10,806	11,495	15	2	9,854	10,087
Landfill/Waste Sites <sup>(4)</sup>	6	6	13,497	16,552	5	5	15,738	18,022
Engineered Asset/Air and Land Transportation <sup>(5)</sup>	110	84	73,778	48,280	111	91	94,944	69,611
Marine Facilities/Aquatic Sites <sup>(6)</sup>	2	-	-	-	2	-	-	-
Parks and Protected Areas <sup>(7)</sup>	1	1	79	81	1	1	79	80
Office/Commercial/Industrial Operations <sup>(8)</sup>	19	13	3,981	3,459	19	13	3,665	3,054
Other <sup>(9)</sup>	4	1	12,276	12,995	4	1	12,367	12,647
<b>Total</b>	<b>197</b>	<b>141</b>	<b>203,679</b>	<b>231,826</b>	<b>194</b>	<b>147</b>	<b>234,191</b>	<b>251,957</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, 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.

### DEPOSITS

This account was established to record transactions associated with deposits on disposals for PSPC.

### 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*.

### THE WORKPLACE NETWORK

This account was established pursuant to section 21(1) of the *Financial Administration Act*, to record funds received for specific purposes from the participating members countries of The Workplace Network (TWN) and to record the costs associated with hosting TWN's annual conference on the management of public real estate portfolios and workplaces. Once the duration of the mandate is completed, all remaining funds are to be transferred to the next presiding country.

The following table presents details of other liabilities:

<i>(in thousands of dollars)</i>	April 1, 2021	Receipts and credits	Payments and charges	March 31, 2022
Seized property - Cash	40,882	19,726	(25,197)	35,411
Deposits	6,391	2,598	(2,569)	6,420
Contractors' security deposits - Cash	3,934	2,010	(3,106)	2,838
The Workplace Network	-	1	-	1
<b>Total</b>	<b>51,207</b>	<b>24,335</b>	<b>(30,872)</b>	<b>44,670</b>

# Public Services and Procurement Canada

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

### For the year ended March 31

## 7. LEASE OBLIGATIONS FOR TANGIBLE CAPITAL ASSETS

PSPC has entered into capital lease agreements for tangible capital assets with a cost of \$2,212,013 thousand and accumulated amortization of \$933,282 thousand as at March 31, 2022 (\$2,131,829 thousand and \$892,819 thousand respectively as at March 31, 2021). 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 5.4%; 5.5% in 2021)	2022	2021
Buildings	2,631,825	750,082	1,881,743	1,870,964
<b>Total</b>	2,631,825	750,082	1,881,743	1,870,964

The following table presents the future minimum capital lease payments:

<i>(in thousands of dollars)</i>	2023	2024	2025	2026	2027	2028 and subsequent	Total
Buildings	229,386	229,891	223,538	220,423	206,772	1,521,815	2,631,825
<b>Total</b>	229,386	229,891	223,538	220,423	206,772	1,521,815	2,631,825

## 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%)	2022	2021
Building	245,705	122,415	123,290	126,362
<b>Total</b>	245,705	122,415	123,290	126,362

The following table presents the future minimum payments:

<i>(in thousands of dollars)</i>	2023	2024	2025	2026	2027	2028 and subsequent	Total
Building	15,624	15,624	15,624	15,624	15,624	167,585	245,705
<b>Total</b>	15,624	15,624	15,624	15,624	15,624	167,585	245,705

# 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 2022 expense amounts to \$145,892 thousand (\$153,407 thousand in 2021). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2021) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2021) 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>	2022	2021
Accrued benefit obligation, beginning of year	49,905	56,323
Expense	(1,597)	910
Benefits paid during the year	(4,620)	(7,328)
<b>Accrued benefit obligation, end of year</b>	<b>43,688</b>	<b>49,905</b>

# 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 \$6,292 thousand at March 31, 2022 (\$27,018 thousand in 2021).

## 11. ACCOUNTS RECEIVABLE AND ADVANCES

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

<i>(in thousands of dollars)</i>	<b>2022</b>	<b>2021</b>
Accounts receivable - Other government departments and agencies	615,709	397,828
Accounts receivable - External parties	176,360	196,319
Advances	20,524	15,764
	<b>812,593</b>	<b>609,911</b>
Less: Allowance for doubtful accounts on receivables from external parties	(8,329)	(14,724)
<b>Gross accounts receivable and advances</b>	<b>804,264</b>	<b>595,187</b>
Accounts receivable held on behalf of Government	(23,448)	(29,422)
<b>Net accounts receivable and advances</b>	<b>780,816</b>	<b>565,765</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	287,242	13,000	-	(130)	300,112
Buildings	7,720,308	6,931	365,909	(36,519)	8,056,629
Works and infrastructure	1,903,301	-	38,802	(5,771)	1,936,332
Machinery and equipment	56,722	244	5,302	(720)	61,548
Informatics hardware and software	912,903	144	60,779	(73)	973,753
Vehicles	10,085	1,019	1,031	(562)	11,573
Leasehold improvements	1,258,325	-	90,446	(14,952)	1,333,819
	12,148,886	21,338	562,269	(58,727)	12,673,766
<b>Assets under construction</b>					
Buildings	1,574,504	834,941	(526,364)	-	1,883,081
Works and infrastructure	263,027	118,292	187,622	-	568,941
Informatics hardware and software	97,727	68,937	(54,452)	-	112,212
Other assets under construction	6,961	20,440	(13,292)	-	14,109
	1,942,219	1,042,610	(406,486)	-	2,578,343
<b>Public Private Partnership</b>					
Building	295,653	-	-	-	295,653
	295,653	-	-	-	295,653
<b>Leased tangible capital assets</b>					
Land	14,801	-	-	-	14,801
Buildings	2,117,028	135,319	1,672	(56,807)	2,197,212
Assets under construction	7,322	8,447	(3,059)	-	12,710
	2,139,151	143,766	(1,387)	(56,807)	2,224,723
<b>Total</b>	16,525,909	1,207,714	154,396	(115,534)	17,772,485

# 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	2022	2021
<i>(in thousands of dollars)</i>							
<b>Capital assets</b>							
Land	-	-	-	-	-	300,112	287,242
Buildings	4,148,673	196,864	4,744	(29,760)	4,320,521	3,736,108	3,571,635
Works and infrastructure	881,359	67,731	(2,993)	(2,170)	943,927	992,405	1,021,942
Machinery and equipment	20,364	4,886	903	(180)	25,973	35,575	36,358
Informatics hardware and software	654,989	87,492	(152)	(73)	742,256	231,497	257,914
Vehicles	5,994	803	54	(562)	6,289	5,284	4,091
Leasehold improvements	782,801	81,306	(11)	(12,037)	852,059	481,760	475,524
	6,494,180	439,082	2,545	(44,782)	6,891,025	5,782,741	5,654,706
<b>Assets under construction</b>							
Buildings						1,883,081	1,574,504
Works and infrastructure						568,941	263,027
Informatics hardware and software						112,212	97,727
Other assets under construction						14,109	6,961
						2,578,343	1,942,219
<b>Public Private Partnership</b>							
Building	69,501	8,471	-	-	77,972	217,681	226,152
	69,501	8,471	-	-	77,972	217,681	226,152
<b>Leased tangible capital assets</b>							
Land	-	-	-	-	-	14,801	14,801
Buildings	892,819	97,182	88	(56,807)	933,282	1,263,930	1,224,209
Assets under construction	-	-	-	-	-	12,710	7,322
	892,819	97,182	88	(56,807)	933,282	1,291,441	1,246,332
<b>Total</b>	<b>7,456,500</b>	<b>544,735</b>	<b>2,633</b>	<b>(101,589)</b>	<b>7,902,279</b>	<b>9,870,206</b>	<b>9,069,409</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>	2022	2021
<b>Seized Property Proceeds Account - Restricted, beginning of year</b>	43,244	31,905
Revenues	24,007	19,169
Expenses	(22,298)	(7,830)
	1,709	11,339
<b>Seized Property Proceeds Account - Restricted, end of year</b>	44,953	43,244
<b>Unrestricted</b>	7,139,861	6,564,181
<b>Departmental net financial position - End of year</b>	7,184,814	6,607,425

# 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>	2023	2024	2025	2026	2027	2028 and subsequent	Total
Capital assets	1,410,694	1,312,538	298,951	758,786	160,560	153,895	4,095,424
Operating leases	404,098	431,056	389,221	350,272	264,348	749,401	2,588,396
Purchases	1,710,031	1,480,367	1,583,239	1,304,403	1,045,701	3,495,630	10,619,371
<b>Total</b>	<b>3,524,823</b>	<b>3,223,961</b>	<b>2,271,411</b>	<b>2,413,461</b>	<b>1,470,609</b>	<b>4,398,926</b>	<b>17,303,191</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. At March 31, 2022, 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*)

### 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 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>	2022	2021
Employer's contribution to the health and dental insurance plans (excluding revolving funds) paid by Treasury Board	100,188	96,246
Legal services provided by Justice Canada	5,559	5,518
Workers' compensation coverage provided by Employment and Social Development Canada	1,112	1,355
<b>Total</b>	<b>106,859</b>	<b>103,119</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 \$1,553,117 thousand (\$1,540,613 thousand in 2021).

### 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 \$582,343 thousand (\$557,833 thousand in 2021) 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>	2022	2021
Accounts receivable - Other government departments and agencies	615,709	397,828
Accounts payable - Other government departments and agencies	85,232	129,074
Consolidated expenses - Other government departments and agencies	472,125	487,795
Consolidated revenues - Other government departments and agencies	3,222,023	2,673,246

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

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

During the year, PSPC transferred vehicles, assets under construction, buildings, computer hardware and leasehold improvements to other government departments and agencies; and received machinery and equipment from the Correctional Service of Canada. Also, PSPC transferred assets under construction to Crown corporations. The transfers were measured at their net book value.

<i>(in thousands of dollars)</i>	2022	2021
<b>Transfers of tangible capital assets (to) from other government departments and agencies</b>		
National Defence	(21)	11,137
Federal Economic Development Agency for Southern Ontario	(29)	-
National Research Council of Canada	(885)	-
House of Commons	(1,196)	(4,819)
Health Canada	(8,219)	-
Senate of Canada	-	(352)
Correctional Service of Canada (net book value \$1 dollar in 2022)	-	-
Parks Canada Agency (net book value \$1 dollar in 2021)	-	-
<b>Total transfers of tangible capital assets (to) from other government departments and agencies</b>	<b>(10,350)</b>	<b>5,966</b>
<b>Transfers of tangible capital assets to Crown corporations</b>		
National Gallery of Canada	(1,192)	-
National Capital Commission	(2,482)	-
Canada Post Corporation	(4,613)	-
National Arts Centre	(10,619)	-
<b>Total transfers of tangible capital assets to Crown corporations</b>	<b>(18,906)</b>	<b>-</b>
<b>Total transfers of tangible capital assets (to) from other government departments, agencies and Crown corporations</b>	<b>(29,256)</b>	<b>5,966</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	Intra departmental transactions	2022	2021
<b>EXPENSES</b>									
<i>Operating expenses</i>									
Salaries and employee benefits	264,786	462,637	516,353	265,111	3,855	349,784	(3,741)	1,858,785	1,860,865
Rentals	556	8,149	1,061,917	44,776	19	11,185	(39,559)	1,087,043	1,053,931
Professional and special services	65,416	139,797	1,143,726	96,474	281	71,170	(562,199)	954,665	852,646
Repairs and maintenance	100	3,657	941,983	1,662	-	2,916	(21,812)	928,506	897,072
Utilities, materials and supplies	506,150	2,812	77,848	318	7	1,803	(9,308)	579,630	561,806
Amortization of tangible capital assets	3	62,508	467,500	6,830	-	7,894	-	544,735	556,472
Land, buildings and works *	-	-	443,936	-	-	-	(451)	443,485	556,522
Transportation and communications	184,317	29,349	9,378	1,109	65	839	(22)	225,035	60,634
Payments in lieu of taxes	-	-	178,595	-	-	-	-	178,595	172,180
Interest on capital lease payments	-	-	102,259	-	-	-	-	102,259	105,668
Machinery and equipment *	733	18,583	30,894	19,909	22	2,432	(341)	72,232	72,721
Interest and banking fees	3	60,876	2,627	20	-	11	-	63,537	49,790
Other expenses	7,107	6,046	92,340	59,022	-	283	(122,966)	41,832	30,092
Reclassification of assets under construction including capitalization of previous years	-	2,172	18,687	4,560	-	3,287	-	28,706	14,372
Expenses from Seized Property Proceeds Account (Note 13)	-	-	-	22,298	-	-	-	22,298	7,830
Information	564	649	2,682	9,843	76	558	(660)	13,712	13,201
Interest on obligation under Public Private Partnership	-	-	12,553	-	-	-	-	12,553	12,845
Environmental liability adjustments	-	-	(30,512)	-	-	-	-	(30,512)	(19,289)
Intra departmental transactions	(30,281)	(1,249)	(585,633)	(73,866)	-	(70,030)	761,059	-	-
<b>TOTAL CONSOLIDATED EXPENSES</b>	999,454	795,986	4,487,133	458,066	4,325	382,132	-	7,127,096	6,859,358

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

# Public Services and Procurement Canada

## 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	2022	2021
<b>REVENUES</b>									
Sales of goods and information products	1,955	-	1,650,456	2,683	-	-	(208,336)	1,446,758	1,498,931
Services of a non-regulatory nature **	774,841	1,068	59,926	329,671	-	75,947	(192,783)	1,048,670	562,904
Rentals	-	-	848,873	-	-	-	(17,205)	831,668	845,180
Services of a regulatory nature ***	-	162,094	9,473	-	-	113	(1,219)	170,461	180,368
Other revenues	12,196	40,338	336,487	41,501	-	18,038	(341,516)	107,044	84,014
Revenues from Seized Property Proceeds Account ( <i>Note 13</i> )	-	-	-	24,007	-	-	-	24,007	19,169
Revenues earned on behalf of Government	(26,509)	(41,468)	(14,272)	(21,863)	-	(15,128)	-	(119,240)	(186,111)
Intradepartmental transactions	(30,281)	(1,249)	(585,633)	(73,866)	-	(70,030)	761,059	-	-
<b>TOTAL CONSOLIDATED REVENUES</b>	732,202	160,783	2,305,310	302,133	-	8,940	-	3,509,368	3,004,455
<b>NET COST OF OPERATIONS</b>	267,252	635,203	2,181,823	155,933	4,325	373,192	-	3,617,728	3,854,903

\*\* 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.



# Public Services and Procurement Canada

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

For the year ended March 31

### **17. COMPARATIVE FIGURES**

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