



Public Services and
Procurement Canada

Services publics et
Approvisionnement Canada

Canada



Serving
GOVERNMENT,
serving
CANADIANS.

CONSOLIDATED DEPARTMENTAL FINANCIAL STATEMENTS

(Unaudited)

For the year ended March 31, 2019

2018-2019



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, 2019, and all information contained in these financial statements rests with Public Services and Procurement Canada (PSPC) management. These consolidated financial statements have been prepared by management using the Government of Canada's accounting policies, which are based on Canadian public sector accounting standards.

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

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

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

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

A risk-based assessment of the system of ICFR for the year ended March 31, 2019 was completed in accordance with the Treasury Board Policy on Financial Management, and the results and action plans are summarized in Annex A.

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

Public Services and Procurement Canada

Statement of Management Responsibility Including Internal Control over Financial Reporting

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

The consolidated financial statements of PSPC have not been audited.

Original signed by

Bill Matthews
Deputy Minister

Gatineau, Canada
September 3, 2019

Original signed by

Marty Muldoon, CPA, CMA, MBA
Chief Financial Officer

Public Services and Procurement Canada

Consolidated Statement of Financial Position (*Unaudited*)

As at March 31

	2019	2018 Restated (Note 17)
<i>(in thousands of dollars)</i>		
Liabilities		
Accounts payable and accrued liabilities (Note 4)	1,106,227	1,121,449
Environmental liabilities (Note 5)	239,335	218,432
Vacation pay and compensatory leave	53,218	53,466
Other liabilities (Note 6)	51,755	45,873
Seized Property Working Capital Account	9,474	8,578
Lease obligations for tangible capital assets (Note 7)	2,004,140	2,157,034
Obligation under Public Private Partnership (Note 8)	131,655	133,931
Lease inducements	59,290	47,095
Employee future benefits (Note 9)	55,645	57,228
Total net liabilities	3,710,739	3,843,086
Financial assets		
Due from Consolidated Revenue Fund	770,061	794,886
Accounts receivable and advances (Note 11)	597,567	483,800
	1,367,628	1,278,686
Financial assets held on behalf of Government		
Accounts receivable (Note 11)	(25,122)	(13,878)
	(25,122)	(13,878)
Total net financial assets	1,342,506	1,264,808
Departmental net debt	2,368,233	2,578,278
Non-financial assets		
Prepaid expenses	2,849	3,110
Tangible capital assets (Note 12)	7,931,521	7,357,399
Total non-financial assets	7,934,370	7,360,509
Departmental net financial position (Note 13)	5,566,137	4,782,231

Contingent liabilities (Note 10)

Contractual obligations and contractual rights (Note 14)

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

Original signed by

Bill Matthews

Deputy Minister

Original signed by

Marty Muldoon, CPA, CMA, MBA

Chief Financial Officer

Gatineau, Canada

September 3, 2019

Public Services and Procurement Canada

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

For the year ended March 31

	2019 <i>Planned results</i>	2019	2018 Restated (Note 17)
<i>(in thousands of dollars)</i>			
EXPENSES			
Property and Infrastructure	4,139,849	4,454,941	4,328,360
Payments and Accounting	371,867	670,428	552,139
Purchase of Goods and Services	375,070	433,878	423,962
Government-Wide Support	364,815	379,658	390,606
Internal Services	276,765	312,229	325,207
Procurement Ombudsman	4,323	4,579	4,067
Total expenses	5,532,689	6,255,713	6,024,341
REVENUES			
Sales of goods and information products	1,577,830	1,568,908	1,559,548
Rentals	628,359	793,698	811,044
Services of a non-regulatory nature	527,469	526,964	497,756
Other revenues	144,754	148,711	95,935
Services of a regulatory nature	147,121	143,204	147,018
Revenues from Seized Property Proceeds Account (<i>Note 13</i>)	26,274	24,461	21,385
Revenues earned on behalf of Government	(75,586)	(160,099)	(104,878)
Total revenues	2,976,221	3,045,847	3,027,808
Net cost of operations before government funding and transfers	2,556,468	3,209,866	2,996,533
GOVERNMENT FUNDING AND TRANSFERS			
Net cash provided by Government of Canada		3,939,429	3,456,858
Change in due from Consolidated Revenue Fund		(24,825)	145,626
Services provided without charge by other government departments (<i>Note 15</i>)		79,573	80,233
Transfer of tangible capital assets (to) from other government departments (<i>Note 15</i>)		(532)	(5,507)
Transfer of salary overpayments (to) from other government departments		127	(23)
Transfer of the transition payments for implementing salary payments in arrears		-	(26)
Net cost of operations after government funding and transfers		(783,906)	(680,628)
Departmental net financial position - Beginning of year		4,782,231	4,101,603
Departmental net financial position - End of year (<i>Note 13</i>)		5,566,137	4,782,231

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

	2019	2018 Restated (Note 17)
<i>(in thousands of dollars)</i>		
Net cost of operations after government funding and transfers	(783,906)	(680,628)
Change due to tangible capital assets		
Acquisitions of tangible capital assets (Note 12)	1,071,110	933,889
Acquisitions of leased tangible capital assets (Note 12)	7,880	54,287
Amortization of tangible capital assets (Note 12)	(465,474)	(430,542)
Net loss on disposals of tangible capital assets including adjustments	(15,613)	(19,379)
Reclassification of assets under construction	(23,781)	40,422
Change due to tangible capital assets	574,122	578,677
Change due to non-capital assets		
Change due to prepaid expenses	(261)	(2,036)
Change due to non-capital assets	(261)	(2,036)
Net decrease in departmental net debt	(210,045)	(103,987)
Departmental net debt - Beginning of year	2,578,278	2,682,265
Departmental net debt - End of year	2,368,233	2,578,278

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

	2019	2018 Restated (Note 17)
<i>(in thousands of dollars)</i>		
Operating activities		
Net cost of operations before government funding and transfers	3,209,866	2,996,533
Non-cash items:		
Amortization of tangible capital assets (Note 12)	(465,474)	(430,542)
Adjustments of tangible capital assets / Net loss on disposals	(15,613)	(19,379)
Reclassification of assets under construction	(23,781)	40,422
Services provided without charge by other government departments (Note 15)	(79,573)	(80,233)
Transition payments for implementing salary payments in arrears	-	26
Variations in Consolidated Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities	15,222	(143,671)
(Increase) in environmental liabilities	(20,903)	(622)
Decrease (increase) in vacation pay and compensatory leave	248	(3,165)
(Increase) in other liabilities	(5,882)	(605)
(Increase) in Seized Property Working Capital Account	(896)	(3,653)
(Increase) in lease inducements	(12,195)	(9,466)
Decrease (increase) in employee future benefits	1,583	(4,489)
Increase in accounts receivable and advances	102,523	27,786
(Decrease) in prepaid expenses	(261)	(2,036)
Transfers of tangible capital assets to (from) other government departments (Note 15)	532	5,507
Transfer of salary overpayments to (from) other government departments	(127)	23
Cash used in operating activities	2,705,269	2,372,436
Capital investing activities		
Acquisitions of tangible capital assets (Note 12)	1,071,110	933,889
Acquisitions of assets under construction on leased tangible capital assets (Note 12)	531	353
Gain on variation of obligation including adjustments	16,341	81
Cash used in capital investing activities	1,087,982	934,323
Financing activities		
Payments on lease obligations for tangible capital assets	143,902	148,041
Payments on obligation under Public Private Partnership	2,276	2,058
Cash used in financing activities	146,178	150,099
Net cash provided by Government of Canada	3,939,429	3,456,858

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. AUTHORITY 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 workspace; 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, issues payments, maintains the financial accounts of Canada, issues financial reports, and administers payroll and pension services for the Government of Canada;
- **Purchase of Goods and Services:** PSPC purchases goods and services on behalf of the Government of Canada;
- **Government-Wide Support:** PSPC provides administrative services and tools to federal organizations that help them deliver programs and services to Canadians;
- **Internal services** are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization; and
- **Procurement Ombudsman:** The Office of the Procurement Ombudsman operates at arm's-length from federal organizations. It is legislated to review the procurement practices of federal organizations, review complaints from Canadian suppliers, and provide dispute resolution services.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Significant accounting policies are as follows:

A. PARLIAMENTARY AUTHORITIES

PSPC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to PSPC does not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the Consolidated Statement of Operations and Departmental Net Financial Position and in the Consolidated Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 3 provides a reconciliation between the 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 2018-19 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 2018-19 Departmental Plan.

B. CONSOLIDATION

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

The PSPC revolving funds are as follows:

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

C. NET CASH PROVIDED BY GOVERNMENT

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

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

These are the result of timing differences at year-end between when a transaction affects authorities and when it is processed through the CRF. Amounts due from the CRF represent the net amount of cash that PSPC is entitled to draw from the CRF, without further authorities, in order to discharge its liabilities.

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

E. REVENUES

Revenues are recorded on an accrual basis of accounting:

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

F. EXPENSES

Expenses are recorded on an accrual basis of accounting:

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

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

G. EMPLOYEE FUTURE BENEFITS

i) **Pension benefits:** Eligible employees participate in the Public Service Pension Plan, a multiemployer pension plan administered by the Government of Canada. PSPC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. PSPC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the plan's sponsor.

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

H. ACCOUNTS RECEIVABLE AND ADVANCES

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

I. LEASE INDUCEMENTS

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

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

J. CONTINGENT LIABILITIES

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. If the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. However, if the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the consolidated financial statements.

K. CONTINGENT ASSETS

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

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

L. ENVIRONMENTAL LIABILITIES

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

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

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

M. TANGIBLE CAPITAL ASSETS

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

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

PSPC has changed its accounting policy this fiscal year to apply the component approach to the departmental Crown-owned buildings to replace the whole asset approach, resulting in change in the amortization expense (see note 18).

Effective April, 2018, significant parts of a Crown-owned building are accounted for as separate items (components) with each component having its own useful life.

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	25 to 100 years *
Works and infrastructure	20 to 40 years
Machinery and equipment	3 to 20 years
Informatics hardware and software	1 to 10 years
Vehicles	3 to 25 years
Leasehold improvements	Lesser of the remaining term of the lease or the useful life of the improvement
Leased tangible capital assets	In accordance with asset class if ownership is likely to transfer to PSPC; otherwise, over the lease term

* Heritage buildings have a maximum useful life of 125 years.

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

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

N. SEIZED PROPERTY WORKING CAPITAL ACCOUNT

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

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

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

O. MEASUREMENT UNCERTAINTY

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the consolidated financial statements and accompanying notes at March 31. The estimates are based on facts and circumstances, historical experience, general economic conditions and reflect the Government's best estimate of the related amount at the end of the reporting period. The most significant items where estimates are used are the allowance for doubtful accounts, contingent liabilities, environmental liabilities, accounts receivable held on behalf of government, the liability for vacation pay and compensatory leave, the liability for employee future benefits and the useful life of tangible capital assets. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the consolidated financial statements in the year they become known.

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

P. RELATED PARTY TRANSACTIONS

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

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

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

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

3. PARLIAMENTARY AUTHORITIES

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

A. RECONCILIATION OF NET COST OF OPERATIONS TO CURRENT YEAR AUTHORITIES USED

<i>(in thousands of dollars)</i>	2019	2018 Restated (Note 17)
Net cost of operations before government funding and transfers	3,209,866	2,996,533
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets (<i>Note 12</i>)	(465,474)	(430,542)
Net loss on disposal of tangible capital assets and other adjustments	1,256	(10,070)
Reclassification of assets under construction	(23,781)	40,422
Services provided without charge by other government departments (<i>Note 15</i>)	(79,573)	(80,233)
Refunds / Adjustments to previous years' expenses	37,599	51,956
Refund of program expenditures	9,504	(1,253)
Timing differences between revenues earned and collected	(1,073)	437
Net revenue from seized property proceeds account (<i>Note 13</i>)	(362)	(7,417)
Decrease (increase) in vacation pay and compensatory leave	248	(3,165)
Decrease (increase) in employee future benefits	956	(3,985)
(Increase) in environmental liabilities	(20,903)	(622)
(Increase) decrease in accrued liabilities not affecting authorities	(2,742)	19,404
Timing differences between payments in lieu of taxes and recoveries	(3,231)	6,790
Other	767	605
Total items affecting net cost of operations but not affecting authorities	(546,809)	(417,673)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets (<i>Note 12</i>)	1,071,110	933,889
Acquisitions of assets under construction as leased tangible capital assets (<i>Note 12</i>)	531	353
Payments of lease obligations for tangible capital assets	143,902	148,041
Payments of obligation under public private partnership	2,276	2,058
Transition payments for implementing salary payments in arrears	-	26
Net cash variation of prepaid expenses and advances	440	(1,260)
Variation of lease inducements	(9,710)	(8,638)
Account receivable related to salary overpayment	7,471	7,579
Total items not affecting net cost of operations but affecting authorities	1,216,020	1,082,048
Current year budgetary authorities used	3,879,077	3,660,908

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>	2019	2018
Vote 1 - Operating expenditures	2,677,703	2,382,568
Vote 5 - Capital expenditures	1,300,638	1,552,613
Statutory items:		
Revolving Funds	401,226	413,091
Other	122,362	120,701
Authorities provided	4,501,929	4,468,973
Less:		
Authorities available for future years	(405,042)	(401,413)
Lapsed authorities	(217,810)	(406,652)
Current year budgetary authorities used	3,879,077	3,660,908
Seized Property Management Act	(896)	(3,652)
Imprest Fund	5,178	1,029
Current year non-budgetary authorities used	4,282	(2,623)

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>	2019	2018
Accounts payable - Other government departments and agencies	95,478	88,698
Accounts payable - External parties	526,841	480,368
Total accounts payable	622,319	569,066
Accrued salaries and wages	109,573	93,885
Accrued liabilities	298,229	355,982
Contractors' holdbacks	76,106	102,516
Total accounts payable and accrued liabilities	1,106,227	1,121,449

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 193 sites (150 sites in 2018) where contamination may exist and assessment, remediation and monitoring may be required. Of these, PSPC has assessed 77 sites (79 sites in 2018) where action is required and for which a gross liability of \$232,008 thousand (\$215,205 thousand in 2018) 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 63 unassessed sites (22 sites in 2018) where a liability estimate of \$7,327 thousand (\$3,227 thousand in 2018) has been recorded using this model.

These two estimates combined, totalling \$239,335 thousand (\$218,432 thousand in 2018), 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 53 sites (49 sites in 2018), 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, 2019 and March 31, 2018. 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 2.2% (1.9% in 2018). 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 2019 rates range from 1.68% for a 1 year term to 2.02% for a 30 or greater year term.

Also, during the year, 29 sites (6 sites in 2018) 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							
	2019				2018			
	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⁾	29	26	115,196	166,636	40	26	105,085	168,570
Military & Former Military Sites ⁽²⁾	14	11	2,747	2,582	14	12	3,723	3,788
Fuel Related Practices ⁽³⁾	8	3	13,479	13,987	8	5	9,636	10,063
Landfill/Waste Sites ⁽⁴⁾	4	4	21,978	23,941	4	4	26,037	28,195
Engineered Asset/Air & Land Transportation ⁽⁵⁾	111	85	72,047	69,757	47	36	59,104	59,964
Marine Facilities/Aquatic Sites ⁽⁶⁾	2	-	-	-	2	-	-	-
Parks & Protected Areas ⁽⁷⁾	1	2	868	78	1	3	1,287	78
Office/Commercial/Industrial Operations ⁽⁸⁾	20	8	820	508	29	14	1,884	1,406
Other ⁽⁹⁾	4	1	12,200	13,301	5	1	11,676	13,336
Total	193	140	239,335	290,790	150	101	218,432	285,400

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

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

The following table presents details of other liabilities:

(in thousands of dollars)	April 1, 2018	Receipts and credits	Payments and charges	March 31, 2019
Seized property - cash	39,816	24,114	(19,925)	44,005
Contractors' security deposits - cash	5,817	2,932	(1,998)	6,751
Deposits	240	1,144	(385)	999
Total	45,873	28,190	(22,308)	51,755

7. LEASE OBLIGATIONS FOR TANGIBLE CAPITAL ASSETS

PSPC has entered into capital lease agreements for tangible capital assets with a cost of \$2,363,347 thousand and accumulated amortization of \$1,014,288 thousand as at March 31, 2019 (\$2,534,272 thousand and \$1,078,575 thousand respectively as at March 31, 2018). The obligations related for the upcoming years include the following:

(in thousands of dollars)	Total future minimum lease payments	Imputed interest (weighted average rate 5.6%; 5.7% in 2018)	2019	2018
Land	1,497	81	1,416	2,599
Buildings	2,985,682	982,958	2,002,724	2,154,435
Total	2,987,179	983,039	2,004,140	2,157,034

The following table presents the future minimum capital lease payments:

(in thousands of dollars)	2020	2021	2022	2023	2024	2025 and subsequent	Total
Land	1,382	115	-	-	-	-	1,497
Buildings	236,353	216,945	207,644	204,479	204,919	1,915,342	2,985,682
Total	237,735	217,060	207,644	204,479	204,919	1,915,342	2,987,179

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%)	2019	2018
Building	292,578	160,923	131,655	133,931
Total	292,578	160,923	131,655	133,931

The following table presents the future minimum payments:

<i>(in thousands of dollars)</i>	2020	2021	2022	2023	2024	2025 and subsequent	Total
Building	15,624	15,624	15,624	15,624	15,624	214,458	292,578
Total	15,624	15,624	15,624	15,624	15,624	214,458	292,578

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 2019 expense amounts to \$122,740 thousand (\$110,800 thousand in 2018). For Group 1 members, the expense represents approximately 1.01 times (1.01 times in 2018) the employee contributions and, for Group 2 members, approximately 1.00 times (1.00 times in 2018) the employee contributions.

PSPC's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

B. SEVERANCE BENEFITS

Severance benefits provided to PSPC employees were previously based on an employee's eligibility, years of service and salary at termination of employment. However, since 2011 the accumulation of severance benefits for voluntary departures progressively ceased for substantially all employees. Employees subject to these changes were given the option to be paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits upon departure from the public service. By March 31, 2019, substantially all settlements for immediate cash out were completed. Severance benefits are unfunded and, consequently, the outstanding obligation will be paid from future authorities.

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

<i>(in thousands of dollars)</i>	2019	2018
Accrued benefit obligation, beginning of year	57,228	52,739
Expense	5,377	10,452
Benefits paid during the year	(6,960)	(5,963)
Accrued benefit obligation, end of year	55,645	57,228

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

10. CONTINGENT LIABILITIES

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

CLAIMS AND LITIGATIONS

Claims have been made against PSPC in the normal course of operations. These claims include items with pleading amounts and others for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. PSPC has recorded an allowance for claims and litigations where it is likely that there will be a future payment and a reasonable estimate of the loss can be made. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to \$8,718 thousand (\$73,919 thousand in 2018) at March 31, 2019.

11. ACCOUNTS RECEIVABLE AND ADVANCES

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

<i>(in thousands of dollars)</i>	2019	2018
Accounts receivable - Other government departments and agencies	384,422	383,395
Accounts receivable - External parties	209,457	102,486
Advances	9,484	3,734
	603,363	489,615
Less: Allowance for doubtful accounts on receivables from external parties	(5,796)	(5,815)
Gross accounts receivable and advances	597,567	483,800
Accounts receivable held on behalf of Government	(25,122)	(13,878)
Net accounts receivable and advances	572,445	469,922

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 Restated (Note 17)	Acquisitions	Adjustments	Disposals and Write-Offs	Closing Balance
<i>(in thousands of dollars)</i>					
Capital assets					
Land	243,833	-	-	(1,273)	242,560
Buildings	5,674,277	-	1,388,303	(57,875)	7,004,705
Works and infrastructure	1,519,824	-	229,657	-	1,749,481
Machinery and equipment	23,190	768	20,785	-	44,743
Informatics hardware and software	741,575	-	49,607	-	791,182
Vehicles	8,732	501	29	-	9,262
Leasehold improvements	945,355	-	33,397	(2,928)	975,824
	9,156,786	1,269	1,721,778	(62,076)	10,817,757
Assets under construction					
Buildings	1,861,056	1,023,411	(1,774,047)	-	1,110,420
Works and infrastructure	17,147	11,159	45,071	-	73,377
Informatics hardware and software	27,209	22,000	(854)	-	48,355
Leasehold improvements	18,552	13,271	(28,006)	-	3,817
	1,923,964	1,069,841	(1,757,836)	-	1,235,969
Public Private Partnership					
Building	294,638	-	-	-	294,638
	294,638	-	-	-	294,638
Leased tangible capital assets					
Land	32,201	-	-	-	32,201
Buildings	2,502,071	7,349	10,028	(188,302)	2,331,146
Assets under construction	232	531	(231)	-	532
	2,534,504	7,880	9,797	(188,302)	2,363,879
Total	13,909,892	1,078,990	(26,261)	(250,378)	14,712,243

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	2019	2018 Restated (Note 17)
<i>(in thousands of dollars)</i>							
Capital assets							
Land	-	-	-	-	-	242,560	243,833
Buildings	3,637,116	157,236	(16,864)	(53,038)	3,724,450	3,280,255	2,037,161
Works and infrastructure	677,263	60,691	15,913	-	753,867	995,614	842,561
Machinery and equipment	11,093	1,201	186	-	12,480	32,263	12,097
Informatics hardware and software	455,927	77,021	-	-	532,948	258,234	285,648
Vehicles	6,286	584	30	-	6,900	2,362	2,446
Leasehold improvements	642,608	45,230	(1,216)	(2,869)	683,753	292,071	302,747
	5,430,293	341,963	(1,951)	(55,907)	5,714,398	5,103,359	3,726,493
Assets under construction							
Buildings						1,110,420	1,861,056
Works and infrastructure						73,377	17,147
Informatics hardware and software						48,355	27,209
Leasehold improvements						3,817	18,552
						1,235,969	1,923,964
Public Private Partnership							
Building	43,625	8,411	-	-	52,036	242,602	251,013
	43,625	8,411	-	-	52,036	242,602	251,013
Leased tangible capital assets							
Land	-	-	-	-	-	32,201	32,201
Buildings	1,078,575	115,100	-	(179,387)	1,014,288	1,316,858	1,423,496
Assets under construction	-	-	-	-	-	532	232
	1,078,575	115,100	-	(179,387)	1,014,288	1,349,591	1,455,929
Total	6,552,493	465,474	(1,951)	(235,294)	6,780,722	7,931,521	7,357,399

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>	2019	2018 Restated (Note 17)
Seized Property Proceeds Account - Restricted, beginning of year	27,108	34,525
Revenues	24,461	21,385
Expenses	(24,823)	(28,802)
	(362)	(7,417)
Seized Property Proceeds Account - Restricted, end of year	26,746	27,108
Unrestricted	5,539,391	4,755,123
Departmental net financial position - End of year	5,566,137	4,782,231

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>	2020	2021	2022	2023	2024	2025 and subsequent	Total
Tangible capital assets	213,604	73,353	31,372	-	-	-	318,329
Tangible capital assets - future capital leases	1,632	3,265	3,265	3,265	3,265	50,608	65,300
Operating leases	347,296	361,327	314,208	264,697	203,373	640,195	2,131,096
Purchases	3,068,907	2,748,161	2,330,086	198,055	166,960	1,876,556	10,388,725
Purchases - future capital leases	1,173	2,363	2,399	2,435	2,471	43,402	54,243
Total	3,632,612	3,188,469	2,681,330	468,452	376,069	2,610,761	12,957,693

B. CONTRACTUAL RIGHTS

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

<i>(in thousands of dollars)</i>	2020	2021	2022	2023	2024	2025 and subsequent	Total
Leases of property	523	523	523	523	523	8,169	10,784
Total	523	523	523	523	523	8,169	10,784

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

15. RELATED PARTY TRANSACTIONS

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

A. COMMON SERVICES PROVIDED WITHOUT CHARGE BY OTHER GOVERNMENT DEPARTMENTS

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

<i>(in thousands of dollars)</i>	2019	2018
Employer's contribution to the health and dental insurance plans (excluding revolving funds) paid by Treasury Board	73,187	73,488
Legal services provided by Justice Canada	4,862	4,884
Workers' compensation coverage provided by Employment and Social Development Canada	1,524	1,861
Total	79,573	80,233

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 \$1,503,034 thousand (\$1,432,835 thousand in 2018).

C. ADMINISTRATION OF PROGRAMS ON BEHALF OF OTHER GOVERNMENT DEPARTMENTS

The Government of Canada voluntarily pays a fair share of the costs of local government, from which it is exempt, to municipalities and other taxation authorities having jurisdiction to levy and collect real property taxes in locations where federal lands and buildings are situated. Under the statutory authority of the *Payments in Lieu of Taxes Act*, which is disclosed under Grants in the Main Estimates, PSPC administers the Payments in Lieu of Taxes (PILT) Program on behalf of other government departments. During the year, PSPC issued payments that amounted to \$562,678 thousand (\$575,815 thousand in 2018) 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, AGENCIES AND CROWN CORPORATIONS

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

<i>(in thousands of dollars)</i>	2019	2018
Accounts receivable - Other government departments, agencies and Crown corporations	463,108	383,395
Accounts payable - Other government departments, agencies and Crown corporations	102,327	88,698
Consolidated expenses - Other government departments, agencies and Crown corporations	639,310	554,137
Consolidated revenues - Other government departments, agencies and Crown corporations	2,785,336	2,669,169

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

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

During the year, PSPC transferred out leasehold improvements to House of Commons and building components and connectivity to Parliamentary Protective Service. PSPC also transferred out buildings to Parks Canada for a net book value of \$1 dollar. PSPC received, for a net book value of \$1 dollar: informatics hardware from Statistics Canada, machinery and equipment from Canada Revenue Agency and a vehicle from Health Canada. The transfers were measured at their net book value.

<i>(in thousands of dollars)</i>	2019	2018
Transfers of tangible capital assets (to) from other government departments and agencies		
Agriculture and Agri-Food Canada	-	5
Canada Border Services Agency	-	(7,212)
Canadian Heritage	-	20
Fisheries and Oceans Canada	-	(36)
House of Commons	(201)	(37)
Parliamentary Protective Service	(331)	-
Total transfers of tangible capital assets (to) from other government departments and agencies	(532)	(7,260)
Transfers of tangible capital assets from Crown corporation		
National Capital Commission	-	1,753
Total transfers of tangible capital assets from Crown corporation	-	1,753
Total transfers of tangible capital assets (to) from other government departments, agencies and Crown corporation	(532)	(5,507)

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

16. SEGMENTED INFORMATION

Presentation by segment is based on PSPC's core responsibilities. The presentation by segment is based on the same accounting policies as described in the Summary of Significant Accounting Policies in Note 2.

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

<i>(in thousands of dollars)</i>	Purchase of Goods and Services	Payments and Accounting	Property and Infrastructure	Government-Wide Support	Procurement Ombudsman	Internal Services	Intradepartmental transactions	2019	2018 Restated (Note 17)
EXPENSES									
<i>Operating expenses</i>									
Salaries and employee benefits	197,660	364,337	422,389	230,049	3,398	275,698	(3,654)	1,489,877	1,413,881
Rentals	699	6,717	993,623	26,259	19	17,531	(42,017)	1,002,831	1,018,799
Repairs and maintenance	20	929	1,009,374	2,503	2	5,311	(40,170)	977,969	998,525
Professional and special services	81,923	121,762	1,048,275	79,581	1,005	44,905	(422,968)	954,483	975,504
Land, buildings and works *	-	-	471,620	-	-	3	(70)	471,553	386,579
Amortization of tangible capital assets	3	68,168	391,658	5,168	-	477	-	465,474	430,544
Utilities, materials and supplies	161,287	3,149	80,500	715	13	1,637	(10,619)	236,682	227,832
Payments in lieu of taxes	-	-	181,653	-	-	-	-	181,653	195,726
Machinery and equipment *	285	20,957	74,355	4,273	4	21,383	(1,035)	120,222	88,929
Interest on capital lease payments	-	-	115,720	-	-	-	-	115,720	122,957
Transportation and communications	14,325	31,955	22,747	4,178	46	7,775	(2,069)	78,957	72,171
Interest and banking fees	2	52,669	192	40	-	15	-	52,918	53,006
Other expenses	5,700	1,139	85,463	57,671	-	548	(119,667)	30,854	19,390
Expenses from Seized Property Proceeds Account (Note 13)	-	-	-	24,823	-	-	-	24,823	28,802
Reclassification of assets under construction	-	-	23,781	-	-	-	-	23,781	(40,422)
Information	269	118	1,577	10,762	92	2,578	(829)	14,567	18,552
Interest on obligation under Public Private Partnership	-	-	13,349	-	-	-	-	13,349	13,566
Intradepartmental transactions	(28,295)	(1,472)	(481,335)	(66,364)	-	(65,632)	643,098	-	-
TOTAL CONSOLIDATED EXPENSES	433,878	670,428	4,454,941	379,658	4,579	312,229	-	6,255,713	6,024,341

* 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	2019	2018 Restated (Note 17)
REVENUES									
Sales of goods and information products	221	-	1,740,040	2,361	-	-	(173,714)	1,568,908	1,559,548
Rentals	-	-	816,907	-	-	12	(23,221)	793,698	811,044
Services of a non-regulatory nature	269,018	922	70,408	295,772	-	67,956	(177,112)	526,964	497,756
Other revenues	9,401	24,737	340,865	25,772	-	15,541	(267,605)	148,711	95,935
Services of a regulatory nature	-	134,051	10,465	-	-	134	(1,446)	143,204	147,018
Revenues from Seized Property Proceeds Account (<i>Note 13</i>)	-	-	-	24,461	-	-	-	24,461	21,385
Revenues earned on behalf of Government	(9,411)	(26,260)	(92,647)	(18,712)	-	(13,069)	-	(160,099)	(104,878)
Intradepartmental transactions	(28,295)	(1,472)	(481,335)	(66,364)	-	(65,632)	643,098	-	-
TOTAL CONSOLIDATED REVENUES	240,934	131,978	2,404,703	263,290	-	4,942	-	3,045,847	3,027,808
NET COST FROM CONTINUING OPERATIONS	192,944	538,450	2,050,238	116,368	4,579	307,287	-	3,209,866	2,996,533

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. ADJUSTMENTS TO PRIOR YEAR'S RESULTS

In 2018-2019, the Department conducted a review of its business processes related to its tangible capital assets. As a result of the review, the Department identified tangible capital assets that were not recorded in accordance with the Department's accounting policy for tangible capital assets. This change has been applied retroactively and comparative information for 2017-2018 has been restated. The effect of this adjustment is presented in the table below.

<i>(in thousands of dollars)</i>	2018 As previously stated	Effect of the adjustment	2018 Restated
Consolidated Statement of Financial Position			
Tangible capital assets (<i>Note 12</i>)	6,978,122	379,277	7,357,399
Total non-financial assets	6,981,232	379,277	7,360,509
Departmental net financial position (<i>Note 13</i>)	4,402,954	379,277	4,782,231
Consolidated Statement of Operations and Departmental Net Financial Position			
Total expenses	6,295,707	(271,366)	6,024,341
Net cost of operations before government funding and transfers	3,267,899	(271,366)	2,996,533
Net cost of operations after government funding and transfers	(409,262)	(271,366)	(680,628)
Departmental net financial position - beginning of year	3,993,692	107,911	4,101,603
Departmental net financial position - end of year (<i>Note 13</i>)	4,402,954	379,277	4,782,231
Consolidated Statement of Change in Departmental Net Debt			
Net cost of operations after government funding and transfers	(409,262)	(271,366)	(680,628)
Acquisitions of tangible capital assets	662,523	271,366	933,889
Total change due to tangible capital assets	307,311	271,366	578,677
Consolidated Statement of Cash Flows			
Net cost of operations before government funding and transfers	3,267,899	(271,366)	2,996,533
Cash used in operating activities	2,643,802	(271,366)	2,372,436
Acquisitions of tangible capital assets	662,523	271,366	933,889
Cash used in capital investing activities	662,957	271,366	934,323

18. CHANGE IN AN ACCOUNTING POLICY

During this fiscal year, PSPC adopted the following new accounting policy:

- Implementation of component approach for the departmental Crown-owned buildings

Prior to this year, accounting practice consisted in recording the Crown-owned buildings under the whole asset approach. As of April, 2018, PSPC applies the component approach for the departmental Crown-owned buildings. Under the component approach, different components are individually capitalized and amortized.

PSPC adopted the component approach in order to better reflect the amortization expense and providing a net book value that is more reliable throughout the asset's service life.

This change has been applied prospectively in the consolidated departmental financial statements.

The effect of this change on actual and expected amortization expense, in current and future years, respectively, is as follows:

<i>(in thousands of dollars)</i>	2019	2020	2021	2022	2023	2024 and subsequent	Total
Increase (decrease) in amortization expenses	41,792	35,445	20,161	12,005	1,513	(110,916)	-
Total	41,792	35,445	20,161	12,005	1,513	(110,916)	-

Public Services and Procurement Canada

Notes to the Consolidated Financial Statements (*Unaudited*)

For the year ended March 31

19. SUBSEQUENT EVENTS

On May 29, 2019, PSPC entered into a 36 year Public Private Partnership agreement with a consortium amounting to \$2,953,723 thousand for the replacement and operation of heating and cooling services of Government buildings in the National Capital Region.

20. COMPARATIVE FIGURES

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