

## STATEMENT OF MANAGEMENT RESPONSIBILITY

### CORRECTIONAL SERVICE CANADA

Departmental management is responsible for this future-oriented statement of operations, including responsibility for the appropriateness of the assumptions on which these statements are prepared. This statement is based on the best information available and assumptions as at January 21, 2011 and reflects the plans described in the Report on Plans and Priorities.

Original signed by

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Liette Dumas-Sluyter, CMA,  
Acting Chief Financial Officer  
Ottawa, Canada  
February 2, 2011

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Don Head, Commissioner

## FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

### CORRECTIONAL SERVICE CANADA

For the year ending March 31

<i>(in thousands of dollars)</i>	Estimated Results 2011	Forecast 2012
<b>Expenses</b>		
Custody	1,597,810	1,897,670
Correctional Interventions	530,657	621,577
Community Supervision	157,370	184,991
Internal Services	313,068	379,650
<i>Total expenses</i>	<b>2,598,905</b>	<b>3,083,888</b>
<b>Revenues</b>		
Custody	3,380	3,364
Correctional Interventions	39,485	44,624
Community Supervision	-	-
Internal Services	236	209
<i>Total revenues</i>	<b>43,101</b>	<b>48,197</b>
<b>Net Cost of Operations</b>	<b>2,555,804</b>	<b>3,035,691</b>

Segmented information (Note 8)

The accompanying notes form an integral part of the future-oriented statement of operations.

# NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

## CORRECTIONAL SERVICE CANADA

For the year ending March 31

### 1. Authority and Objectives

The constitutional and legislative framework that guides the Correctional Service Canada (CSC) is set out by the *Constitution Act 1982* and the *Corrections and Conditional Release Act (CCRA)*.

CSC, as part of the criminal justice system and respecting the rule of law, contributes to public safety by actively encouraging and assisting offenders to become law-abiding citizens, while exercising reasonable, safe, secure and humane control. It delivers its mandate under four major program activities.

For a description of CSC's program activities, please see the Report on Plans and Priorities.

### 2. Significant Assumptions

This future-oriented statement of operations has been prepared on the basis of the government priorities and CSC's plans as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- (a) CSC's activities, in accordance with the Program Activity Architecture, will remain substantially the same as for the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. Even though CSC's authorities will increase in the upcoming years, the general historical pattern is expected to continue.
- (c) Allowances for uncollectability are based on historical experience. The general historical pattern is expected to continue.

These assumptions are made based on the best information available as at January 21, 2011.

### 3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to accurately forecast final results for the remainder of 2010-2011 and for 2011-2012, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this future-oriented statement of operations, CSC has made estimates and assumptions concerning the future. These estimates and judgements may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

# NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

## CORRECTIONAL SERVICE CANADA

For the year ending March 31

### 3. Variations and Changes to the Forecast Financial Information (continued)

Factors that could lead to material differences between the future-oriented statement of operations and the historical statement of operations include:

- (a) The timing and amounts of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.
- (b) Economic conditions may affect the amount of revenue earned.
- (c) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the Report on Plans and Priorities is presented, CSC will not be updating the forecasts for any changes to appropriations or forecast financial information made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

### 4. Summary of Significant Accounting Policies

This future-oriented statement of operations has been prepared in accordance with the Treasury Board accounting policies stated below, which are based on Canadian generally accepted accounting principles for the public sector. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian generally accepted accounting principles.

**Significant accounting policies are as follows:**

#### ***a) Parliamentary authorities***

CSC is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to CSC do not parallel financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Consequently, items recognized in the future-oriented statement of operations are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the bases of reporting.

## NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

### CORRECTIONAL SERVICE CANADA

For the year ending March 31

#### 4. Summary of Significant Accounting Policies (continued)

##### *b) Consolidation*

This consolidated future-oriented statement of operations includes the accounts of CSC and those of its revolving fund CORCAN. The forecasts of this sub-entity have been consolidated with those of CSC and all inter-organizational transactions have been eliminated.

##### *c) Revenues*

Revenues are recorded on the accrual basis:

- Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the services are rendered or goods are sold.
- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.
- Funds that have been received are recorded as deferred revenue, provided the department has an obligation to other parties for the provision of goods, services or the use of assets in the future.
- Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

##### *d) Expenses*

Expenses are recorded on the accrual basis:

- Vacation pay and compensatory leave are accrued as the benefits are earned by employees under their respective terms of employment;
- Grants are recognized in the year in which the conditions for payment are met;
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement provided that the transfer is authorized and a reasonable estimate can be made.

## NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

### CORRECTIONAL SERVICE CANADA

For the year ended March 31

#### 4. Summary of Significant Accounting Policies (continued)

##### *e) Employee future benefits*

- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government of Canada. CSC's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require CSC to make contributions for any actuarial deficiencies of the Plan.
- Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

##### *f) Contingent liabilities*

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated expense is recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, no expense is recorded.

##### *g) Environmental liabilities*

Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, an expense is recorded when the contamination occurs or when CSC becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of CSC's obligation to incur these costs is not determinable, or if an amount cannot be reasonably estimated, no expense is recorded.

##### *h) Tangible capital assets*

All tangible capital assets and leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. CSC does not capitalize intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections.

# NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

## CORRECTIONAL SERVICE CANADA

For the year ending March 31

### 4. Summary of Significant Accounting Policies (continued)

#### *h) Tangible capital assets (continued)*

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

<b>Asset Class</b>	<b>Sub-asset Class</b>	<b>Amortization Period</b>
Buildings	Buildings	25 to 40 years
Works and infrastructure	Works and infrastructure	20 to 25 years
Machinery and equipment	Machinery and equipment	10 years
	Informatics hardware	3 to 4 years
	Informatics software	3 to 10 years
	Arms and weapons for defence	10 years
	Other equipment	10 years
Vehicles	Motor vehicles (non-military)	5 years
	Other vehicles	10 years
Leasehold improvements	Leasehold improvements	Term of lease
Assets under construction		Once in service, in accordance with asset class

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.

### 5. Parliamentary Authorities

CSC receives most of its funding through annual Parliamentary authorities. Items recognized in the future-oriented statement of operations in one year may be funded through Parliamentary authorities in prior, current or future years. Accordingly, CSC 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) Authorities requested**

<i>(in thousands of dollars)</i>	<b>Estimated 2011</b>	<b>Forecast 2012</b>
Vote 30 – Operating expenditures	1,985,931	2,207,946
Vote 35 – Capital expenditures	277,311	517,519
Statutory amounts	212,842	256,392
<b>Forecast authorities available</b>	<b>2,476,084</b>	<b>2,981,857</b>

# NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

## CORRECTIONAL SERVICE CANADA

For the year ending March 31

### 5. Parliamentary Authorities (continued)

#### a) Authorities requested (continued)

Forecast authorities requested for the year ending March 31, 2012 are the planned spending amounts presented in the 2011-2012 Report on Plans and Priorities. Estimated authorities requested for the year ending March 31, 2011 include amounts presented in the 2010-2011 Main Estimates and Supplementary Estimates (A) and (B), planned for presentation in Supplementary Estimates (C) and estimates of amounts to be allocated at year-end from Treasury Board central votes.

#### b) Reconciliation of net cost of operations to requested authorities

<i>(in thousands of dollars)</i>	<b>Estimated 2011</b>	<b>Forecast 2012</b>
Net cost of operations	2,555,804	3,035,691
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
<i>Add (Less):</i>		
Amortization of tangible capital assets	(84,395)	(86,911)
Net loss on disposal of tangible capital assets	(1,108)	(1,348)
Services provided without charge by other		
Government departments	(139,672)	(169,912)
Variations in vacation pay and compensatory leave	(2,390)	(14,407)
Variation in employee future benefits	(21,264)	(64,940)
Revenue not available for spending	3,685	3,678
Other	1,728	3,809
	<b>(243,416)</b>	<b>(330,031)</b>
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
<i>Add (Less):</i>		
Acquisitions of tangible capital assets	158,103	276,197
	<b>158,103</b>	<b>276,197</b>
Forecast current year lapse (e.g. Frozen allotments)	5,593	-
<b>Forecast authorities available</b>	<b>2,476,084</b>	<b>2,981,857</b>

## NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

### CORRECTIONAL SERVICE CANADA

For the year ending March 31

## 6. Employee Future Benefits

### a) Pension benefits

CSC's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government. Pension benefits accrue up to a maximum period of 35 years at a rate of 2% per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plans benefits and they are indexed to inflation.

Both the employees and CSC contribute to the cost of the Plan. The forecast expenses are \$149,414,819 in 2010-2011 and \$186,161,292 in 2011-2012, which represents approximately 1.9 times the contributions by employees.

CSC'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

CSC provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future authorities. Information about the severance benefits, measured as at March 31, is as follows:

<i>(in thousands of dollars)</i>	Estimated Results 2011	Forecast 2012
Accrued benefit obligation, opening balance	240,119	261,383
Expected expenses for the year	38,935	86,683
Expected benefits payments during the year	(17,671)	(21,743)
<b>Accrued benefit obligation, closing balance</b>	<b>261,383</b>	<b>326,323</b>

## NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

### CORRECTIONAL SERVICE CANADA

For the year ending March 31

#### 7. Related Party Transactions

CSC is related as a result of common ownership to all Government departments, agencies, and Crown corporations. CSC enters into transactions with these entities in the normal course of business and on normal trade terms. CSC is forecasted to receive common services without charge from other Government departments as disclosed below.

##### *a) Common services provided without charge by other Government departments*

During the year, CSC is forecasted to receive without charge from other departments, accommodation, legal fees, workers' compensation coverage and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in CSC's future-oriented statement of operations as follows:

<i>(in thousands of dollars)</i>	<b>Estimated</b>	<b>Forecast</b>
	<b>Results</b>	
	<b>2011</b>	<b>2012</b>
Employer's contribution to the health and dental insurance plans	116,493	145,479
Accommodation	15,768	16,899
Workers' compensation	5,236	5,131
Legal services	2,175	2,403
<b>Total</b>	<b>139,672</b>	<b>169,912</b>

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General, are not included as an expense in CSC's future-oriented statement of operations.

##### *b) Other transactions with related parties*

<i>(in thousands of dollars)</i>	<b>Estimated</b>	<b>Forecast</b>
	<b>Results</b>	
	<b>2011</b>	<b>2012</b>
Expenses – Other Government departments and agencies	356,771	417,448
Revenues – Other Government departments and agencies	25,081	28,361

# NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

## CORRECTIONAL SERVICE CANADA

For the year ending March 31

### 8. Segmented Information

<i>(in thousands of dollars)</i>	Estimated Results 2011	Forecast 2012				Total
		Custody	Correctional Interventions	Community Supervision	Internal Services	
<b>Transfer payments</b>						
Non-profit organizations	1,330	-	1,248	82	-	<b>1,330</b>
Individuals	222	222	-	-	-	<b>222</b>
Other countries and international organizations	21	-	21	-	-	<b>21</b>
<b>Total transfer payments</b>	<b>1,573</b>	<b>222</b>	<b>1,269</b>	<b>82</b>	<b>-</b>	<b>1,573</b>
<b>Operating expenses</b>						
Salaries and employee benefits	1,678,330	1,228,917	481,342	48,821	196,055	<b>1,955,135</b>
Professional and special services	315,976	114,744	54,340	119,779	94,699	<b>383,562</b>
Utilities, maintenance and supplies	164,238	153,057	10,093	2,264	5,113	<b>170,527</b>
Repairs and maintenance	112,191	141,221	1,714	13	16,503	<b>159,451</b>
Amortization of tangible capital assets	84,395	83,923	2,988	-	-	<b>86,911</b>
Machinery and equipment	66,278	77,308	11,285	382	54,084	<b>143,059</b>
Travel	39,211	27,682	6,823	2,000	2,706	<b>39,211</b>
Payment in lieu of taxes	28,897	30,255	-	-	-	<b>30,255</b>
Inmate pay	24,309	-	26,429	-	-	<b>26,429</b>
Cost of goods sold	13,900	-	14,300	-	-	<b>14,300</b>
Accommodation	15,768	-	-	9,089	7,810	<b>16,899</b>
Telecommunications	15,923	11,436	2,818	826	1,118	<b>16,198</b>
Rentals	12,640	10,807	2,663	781	1,056	<b>15,307</b>
Relocation	7,865	5,648	1,392	408	552	<b>8,000</b>
Net loss on disposal of tangible capital assets	1,108	1,348	-	-	-	<b>1,348</b>
Other	16,303	11,102	4,121	546	(46)	<b>15,723</b>
<b>Total operating expenses</b>	<b>2,597,332</b>	<b>1,897,448</b>	<b>620,308</b>	<b>184,909</b>	<b>379,650</b>	<b>3,082,315</b>
<b>Total Expenses</b>	<b>2,598,905</b>	<b>1,897,670</b>	<b>621,577</b>	<b>184,991</b>	<b>379,650</b>	<b>3,083,888</b>
<b>Revenues</b>						
Sales of goods and services	40,406	827	44,519	-	-	<b>45,346</b>
Other	2,695	2,537	105	-	209	<b>2,851</b>
<b>Total Revenues</b>	<b>43,101</b>	<b>3,364</b>	<b>44,624</b>	<b>-</b>	<b>209</b>	<b>48,197</b>
<b>Net Cost of Operations</b>	<b>2,555,804</b>	<b>1,894,306</b>	<b>576,953</b>	<b>184,991</b>	<b>379,441</b>	<b>3,035,691</b>