

# STATEMENT OF MANAGEMENT RESPONSIBILITY

## CORRECTIONAL SERVICE CANADA

Departmental management is responsible for these future-oriented financial statements, including responsibility for the appropriateness of the assumptions on which these statements are prepared. These statements are based on the best information available and assumptions adopted as at March 23, 2012 and reflect the plans described in the Report on Plans and Priorities.

Correctional Service Canada Departmental Audit Committee also oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting, and recommends the future-oriented financial statements to the Commissioner.

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**Don Head**  
Commissioner  
Ottawa, Canada  
March 23, 2012

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**Liette Dumas-Sluyter, CMA, CIA**  
Chief Financial Officer

## FUTURE-ORIENTED STATEMENT OF FINANCIAL POSITION (unaudited)

### CORRECTIONAL SERVICE CANADA

For the year ended March 31

Estimated  
Results  
2012

Planned  
Results  
2013

*(in thousands of dollars)*

### Assets

#### Financial assets

Due from Consolidated Revenue Fund	231,766	259,401
Accounts receivable, advances and loans (note 6)	11,060	11,299
Inventory held for resale (note 7)	9,255	9,509
<i>Total financial assets</i>	252,081	280,209

#### Non-financial assets

Prepaid expenses	571	616
Inventory not for resale (note 7)	38,314	38,612
Tangible capital assets (note 8)	1,525,981	1,711,425
<i>Total non-financial assets</i>	1,564,866	1,750,653

<b>Total</b>	1,816,947	2,030,862
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### Liabilities and Equity of Canada

#### Liabilities

Accounts payable and accrued liabilities (note 9)	248,150	276,292
Deferred revenue (note 10)	214	216
Vacation pay and compensatory leave	72,260	79,336
Employee future benefits (note 11)	179,649	72,354
Inmate trust fund (note 12)	15,667	16,346
<i>Total liabilities</i>	515,940	444,544

<b>Equity of Canada</b>	1,301,007	1,586,318
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<b>Total</b>	1,816,947	2,030,862
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Contingent liabilities (note 13)  
Contractual obligations (note 14)

**The accompanying notes form an integral part of these future-oriented financial statements.**

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**Don Head**  
Commissioner  
Ottawa, Canada  
March 23, 2012

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**Liette Dumas-Sluyter, CMA, CIA**  
Chief Financial Officer

## FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

### CORRECTIONAL SERVICE CANADA

For the year ended March 31	Estimated Results 2012	<b>Planned Results 2013 (note 3e)</b>
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*(in thousands of dollars)*

### Expenses

Custody	1,635,835	<b>2,042,849</b>
Correctional Interventions	573,683	<b>629,219</b>
Community Supervision	118,591	<b>164,552</b>
Internal Services*	400,611	<b>173,191</b>
<i>Total expenses</i>	<i>2,728,720</i>	<b><i>3,009,811</i></b>

### Revenues

Custody	3,800	<b>4,400</b>
Correctional Interventions	43,912	<b>48,591</b>
Community Supervision	100	<b>100</b>
Internal Services	400	<b>400</b>
<i>Total revenues</i>	<i>48,212</i>	<b><i>53,491</i></b>

<b>Net Cost of Continuing Operations</b>	2,680,508	<b>2,956,320</b>
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Net cost of email, data centres and network services prior to the transfer of responsibilities to Shared Services Canada	23,038	
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<b>Net Cost of Operations</b>	2,703,546	<b>2,956,320</b>
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Segmented information (note 16)

\*For 2012-2013, the Planned Spending amount for Internal Services was updated to better align with CSC's approach for the reallocation of internal services cost to its program activities. As a result, the variance between the Planned Spending and the Actual Spending should significantly decrease in future years.

**The accompanying notes form an integral part of these future-oriented financial statements.**

## FUTURE-ORIENTED STATEMENT OF EQUITY OF CANADA (unaudited)

### CORRECTIONAL SERVICE CANADA

For the year ended March 31

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
<b>Equity of Canada, beginning</b>	1,071,937	<b>1,301,007</b>
Net cost of operations	(2,703,546)	<b>(2,956,320)</b>
Net cash provided by Government	2,788,248	<b>3,089,043</b>
Change in due from the Consolidated Revenue Fund	25,517	<b>27,635</b>
Transfer of assets and liabilities to Shared Services Canada (note 17)	(3,005)	-
Services provided without charge from other Government departments (note 15)	121,856	<b>124,953</b>
<b>EQUITY OF CANADA, END OF YEAR</b>	1,301,007	<b>1,586,318</b>

The accompanying notes form an integral part of these future-oriented financial statements.

## FUTURE-ORIENTED STATEMENT OF CASH FLOW (unaudited)

### CORRECTIONAL SERVICE CANADA

For the year ended March 31

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
<b>OPERATING ACTIVITIES</b>		
Net cost of operations	2,703,546	2,956,320
<b>Non-cash items:</b>		
Amortization of tangible capital assets	(106,988)	(126,124)
Services provided without charge by other Government departments (note 15a)	(121,856)	(124,953)
<b>Variations in Statement of Financial Position:</b>		
Increase (decrease) in accounts receivable, advances and loans	(325)	239
Increase in prepaid expenses	329	45
Increase in inventory held for resale	1,395	254
Increase in inventory not for resale	1,582	298
Decrease in liabilities	67,346	71,396
<b>Cash used in operating activities</b>	<b>2,545,029</b>	<b>2,777,475</b>
<b>CAPITAL INVESTMENT ACTIVITIES</b>		
Acquisitions of tangible capital assets	244,918	311,568
Transfer of assets to Shared Services Canada (note 17)	(4,704)	
<b>Cash used in capital investment activities</b>	<b>240,214</b>	<b>311,568</b>
<b>Transfer of assets and liabilities to Shared Services Canada (note 17)</b>	<b>3,005</b>	
<b>NET CASH PROVIDED BY GOVERNMENT OF CANADA</b>	<b>2,788,248</b>	<b>3,089,043</b>

The accompanying notes form an integral part of these future-oriented financial statements.

# NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

## CORRECTIONAL SERVICE CANADA

### 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:

Custody: This program activity ensures that offenders are provided with reasonable, safe, secure and humane custody while serving their sentence. This program activity provides much of the day-to-day needs for offenders in custody including a wide range of activities that address health and safety issues (such as providing food, clothing, mental health services, and physical health care). It also includes security measures within institutions including drug interdiction, and appropriate control practices to prevent security incidents;

Correctional Interventions: This program activity occurs in both institutions and communities, and is necessary to help bring positive changes in behaviour and to successfully reintegrate offenders. This program activity aims to address problems that are directly related to offenders' criminal behaviour and that interfere with their ability to function as law-abiding members of society. This program activity also includes CORCAN, a Special Operating Agency of Correctional Service Canada, that employs federal offenders as its workforce and, in doing so, provides them with working skills and working habits necessary to compete in the workforce once released from federal custody;

Community Supervision: This program activity ensures eligible offenders are safely reintegrated into communities through the provision of housing and health services where required, and staff supervision for the duration of the offenders sentence. The expected results for this program activity are offenders who are reintegrated into the community as law-abiding citizens while maintaining a level of supervision, which contributes to public safety; and

Internal Services: Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of the organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Travel and Other Administrative Services. Internal Services include only those activities and resources that are not provided specifically to a program.

# NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

## CORRECTIONAL SERVICE CANADA

### 2. Methodology and significant assumptions

The information on deficit reduction action plan measures is not considered in the preparation of these future-oriented financial statements.

The future-oriented financial statements have been prepared on the basis of the Government priorities and the plans of the department as described in the Report on Plans and Priorities.

The main assumptions are as follows:

- a) CSC's activities will remain substantially the same as for the previous year with the exception of activities transferred to Shared Services Canada.
- b) Expenses and revenues, including the determination of amounts internal and external to the Government, are based on a combination of historical experience and future planned spending.
- c) Allowances for uncollectability are based on historical experience. The general historical pattern is expected to continue.
- d) Estimated year end information for 2011-12 is used as the opening position for the 2012-13 planned results.

These assumptions are adopted as at March 23, 2012.

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

While every attempt has been made to forecast final results for the remainder of 2011-12 and for 2012-13, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these future-oriented financial statements Correctional Service Canada has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions 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.

Factors that could lead to material differences between the future-oriented financial statements and the historical financial statements include:

- a) The timing and amounts of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

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

- b) Implementation of new collective agreements.
- c) Economic conditions may affect both the amount of revenue earned and the collectability of accounts and loan receivables.
- d) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.
- e) As a result of legislative changes, the number of inmates in CSC's custody has grown and is expected to continue to increase over the next few years. However, the inmate population increases anticipated from the implementation of both the *Truth in Sentencing Act* and the *Tackling Violent Crime Act* have not materialized as originally predicted. CSC is working with central agencies to determine the financial impact; and as a result, funding may be returned or frozen within its existing reference levels. Furthermore, CSC hires staff based on actual inmate population and will not hire any new staff beyond what is required to effectively manage realized population growth while ensuring public safety results for all Canadians. As such, CSC will not spend all of its authorities. However, at this time for the preparation of the Future-Oriented Financial Statements, adjustments have not been made to the planned expenditures as CSC is currently revising its offender population forecasts. It is expected that updated information will be available at the time of presenting the first quarterly report of 2012/13.

Once the Report on Plans and Priorities is presented, Correctional Service Canada 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 and Quarterly Financial Reports.

### 4. Summary of Significant Accounting Policies

The future-oriented financial statements have 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:

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

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

##### **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 and the Future-oriented Statement of Financial Position are not necessarily the same as those provided through authorities from Parliament. Note 5 provides a reconciliation between the bases of reporting.

##### **b) Consolidation**

These consolidated future-oriented financial statements include the accounts of CSC and those of its revolving fund CORCAN. The accounts of this sub-entity have been consolidated with those of CSC and all inter-organizational balances and transactions have been eliminated.

##### **c) Net Cash Provided by Government**

CSC operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by CSC is deposited to the CRF and all cash disbursements made by CSC are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the Government.

##### **d) Due from the Consolidated Revenue Fund (CRF)**

Amounts due from the CRF 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 CSC is entitled to draw from the CRF without further appropriations to discharge its liabilities.

##### **e) Revenues**

Revenues are recorded on an 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;

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

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

- 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; and
- Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

##### *f) 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;
- Services provided without charge by other Government departments for accommodation, employer contribution to the health and dental insurance plans, legal services and worker's compensation are recorded as operating expenses at their estimated cost;
- 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.

##### *g) 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.

##### *h) Accounts and loans receivable from external parties*

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

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

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

##### *i) Contingent liabilities*

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future event(s) 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 liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

##### *j) Environmental liabilities*

Environmental liabilities reflect the estimated costs related to the management and remediation of environmentally contaminated sites. Based on management's best estimates, a liability is accrued and an expense 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, the costs are disclosed as contingent liabilities in the notes to the financial statements.

##### *k) Inventories*

- Inventory held for resale include raw materials and finished goods. They belong to the CORCAN revolving fund and are valued at the lower of cost or net realizable value. The department makes provisions for excess and obsolete inventory.
- Inventory not for resale consist of materials and supplies held for future program delivery and is valued at cost. If there is no longer any service potential, inventory is valued at the lower of cost or net realizable value.

##### *l) 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.

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

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

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

<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	5 to 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.

#### ***m) Measurement uncertainty***

The preparation of these future-oriented financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the future-oriented financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. Actual results could significantly differ from those estimated.

#### ***(n) Foreign currency transactions***

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions.

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

#### 5. Parliamentary Authorities

CSC receives most of its funding through annual Parliamentary authorities. Items recognized in the Statement of Operations and the Statement of Financial Position 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) Reconciliation of net cost of operations to requested authorities:

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
<b>Net cost of operations</b>	2,703,546	2,956,320
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
<i>Add (Less):</i>		
Amortization of tangible capital assets	(106,988)	(126,124)
Services provided without charge by other Government departments (note 15a)	(121,856)	(124,953)
Variation in employee future benefits	(7,770)	(4,051)
Revenue not available for spending	5,100	5,600
Variation in vacation pay and compensatory leave	(12,046)	7,076
	(243,560)	(242,452)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
<i>Add (Less):</i>		
Acquisitions of tangible capital assets	244,918	311,568
Deferred revenue	(1)	(2)
Inventory	2,977	552
Prepaid expenses	329	45
	248,223	312,163
<b>Forecast current year lapse</b>	454,379	-
<b>Forecast authorities available</b>	3,162,588	3,026,031

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

#### 5. Parliamentary Authorities (continued)

##### b) Authorities requested:

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
Authorities requested		
Operating expenditures	2,339,612	2,297,890
Capital expenditures	567,552	456,433
Statutory amounts	255,424	271,708
Forecast authorities available	3,162,588	3,026,031

Authorities presented reflect current forecasts of statutory items and approved initiatives included in estimates documents.

#### 6. Accounts Receivable, Advances and Loans

The following table presents details of accounts receivable, advances and loans:

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
Receivables from other Government departments and agencies	5,552	6,058
Receivables from external parties	6,936	6,641
Employee advances and Parolee loans	367	374
	12,855	13,073
Allowance for doubtful accounts on receivables from external parties and parolee loans	(1,795)	(1,774)
<b>Total</b>	11,060	11,299

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

#### 7. Inventory

The following table presents details of the inventory, measured at the lower of cost or net realizable value:

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
<b>Inventory held for resale</b>		
Raw materials	4,787	4,952
Work in progress	372	359
Finished goods	4,707	4,875
	9,866	10,186
Provision for obsolete inventory	(611)	(677)
<b>Total inventory held for resale</b>	<b>9,255</b>	<b>9,509</b>
<b>Inventory not for resale</b>		
Supplies	14,202	14,313
Clothing	11,875	11,968
Building materials	4,848	4,886
Utilities	3,296	3,321
Other	4,093	4,124
<b>Total inventory not for resale</b>	<b>38,314</b>	<b>38,612</b>
<b>Total</b>	<b>47,569</b>	<b>48,121</b>

## NOTES TO THE FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

## 8. Tangible Capital Assets

(in thousands of dollars)

Capital asset class	Cost				Accumulated Amortization			Net Book Value	
	Opening	Acquisition	Transfers of assets under construction	Closing balance	Opening	Amortization	Closing balance	2013	2012
Land	14,824	-	-	14,824	-	-	-	<b>14,824</b>	14,824
Buildings	1,615,219	-	84,073	1,699,292	776,288	49,726	826,014	<b>873,278</b>	838,931
Works and infrastructure	563,526	-	133,753	697,279	357,222	49,220	406,442	<b>290,837</b>	206,304
Machinery and equipment	262,220	24,288	9,685	296,193	107,953	17,190	125,143	<b>171,050</b>	154,267
Vehicles	57,990	3,149	-	61,139	34,112	5,765	39,877	<b>21,262</b>	23,878
Leasehold improvements	30,141	1,312	-	31,453	9,107	4,223	13,330	<b>18,123</b>	21,034
Assets under construction	266,743	282,819	(227,511)	322,051	-	-	-	<b>322,051</b>	266,743
<b>Total</b>	<b>2,810,663</b>	<b>311,568</b>	-	<b>3,122,231</b>	<b>1,284,682</b>	<b>126,124</b>	<b>1,410,806</b>	<b>1,711,425</b>	1,525,981

Transfers of assets under construction represent assets that were put into use in the year and have been transferred to the other capital asset classes as applicable.

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

#### 9. Accounts Payable and Accrued Liabilities

The following table presents details of CSC's accounts payable and accrued liabilities:

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
Accounts payable to other Government departments and agencies	60,515	66,922
Accounts payable to external parties	117,910	138,499
	178,425	205,421
Contingent liabilities (note 13)	10,832	10,832
Accrued liabilities	58,893	60,039
<b>Total</b>	248,150	276,292

#### 10. Deferred Revenue

Deferred revenue represents the balance at year-end of unearned revenues stemming from amounts received from external parties which are restricted to fund the expenditures related to specific projects, and amounts received for fees prior to services being performed. Revenue is recognized in the period that these expenditures are incurred or the service is performed. Details of the transactions related to this account are as follows:

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
Opening balance	213	214
Amounts received	10	20
Revenue recognized	(9)	(18)
<b>Ending balance</b>	214	216

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

## 11. 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 \$214,053,785 in 2011-2012 and \$234,900,400 in 2012-2013, which represents approximately 1.9 times the contributions by employees (numbers will be reformatted).

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. Forecasted information about the severance benefits, measured as at March 31, is as follows:

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
Accrued benefit obligation, beginning of year	272,083	179,649
Expenses for the year	7,771	3,677
Expected benefits payments during the year	(98,838)	(110,972)
Transfer to Shared Services Canada	(1,367)	-
<b>Accrued benefit obligation, closing balance</b>	<b>179,649</b>	<b>72,354</b>

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

#### 12. Inmate Trust Fund

Pursuant to section 111 of the *Corrections and Conditional Release Regulations*, the Inmate Trust Fund is credited with moneys received from inmates at the time of incarceration, net of earnings of inmates from employment inside institutions, moneys received for inmates while in custody, moneys received from sales of hobbycraft, moneys earned through work while on day parole, and interest.

Disbursements may occur either at the time of release or for inmate purchases in line with rehabilitation programs.

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
Opening balance	17,340	15,667
Receipts	1,000	2,500
Disbursements	(2,673)	(1,821)
<b>Closing balance</b>	15,667	16,346

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

### 13. Contingent Liabilities

Contingent liabilities arise in the normal course of operations and their ultimate disposition is unknown. They are grouped into two categories as follows:

#### **a) Contaminated sites**

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where CSC is obligated or likely to be obligated to incur such costs. As at the date of the preparation of these future-oriented financial statements, CSC had identified approximately 59 sites where such action is possible and for which a liability of \$9,244,357 has been recorded in accrued liabilities. CSC has estimated additional clean-up costs of \$6,755,500 that are not accrued, as these are not likely to be incurred at this time. Additional new sites, changes in the remediation approach or material changes in amounts accrued or not accrued are not forecasted for the future years presented in these statements. However, CSC's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued by the department in the year in which they become likely and can be reasonably estimated. CSC's ongoing efforts to assess contaminated sites may result in additional environmental liabilities related to newly identified sites, or changes in the assessments or intended use of existing sites. These liabilities will be accrued by CSC in the year in which they become likely and can be reasonably estimated.

#### **b) Claims and litigations**

Claims have been made against CSC in the normal course of operations. These claims include items with identified amounts, and others for which no amount is specified. As at the date of the preparation of these future-oriented financial statements, legal proceedings for claims totalling approximately \$1,905,000 are pending. Some of these potential liabilities may become actual liabilities when one or more future event(s) 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 liability is accrued and an expense recorded in the financial statements.

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

#### 14. Contractual Obligations

The nature of the CSC's activities can 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 that can be reasonably estimated are summarized as follows:

	Acquisition of goods and services
<i>(in thousands of dollars)</i>	
2012	19,639
2013	19,639
2014	19,639
2015	16,988
2016 and thereafter	4,000
<b>Total</b>	<b>79,905</b>

#### 15. 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. During the year, CSC received common services which were obtained without charge from other Government departments as disclosed below:

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

During the year, CSC receives services without charge from other departments, related to accommodation, legal services, workers' compensation coverage and the employer's contribution to the health and dental insurance plans. These services provided without charge have been recorded in CSC's Future-oriented Statement of Operations as follows:

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
Employer's contribution to the health and dental insurance plans	101,078	103,554
Accommodation	13,107	13,735
Workers' compensation	5,669	5,650
Legal services	2,002	2,014
<b>Total</b>	<b>121,856</b>	<b>124,953</b>

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

#### 15. Related Party Transactions (continued)

The Government has centralized some of its administrative activities for efficiency, cost-effectiveness purposes 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 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 in CSC's Future-oriented Statement of Operations.

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

	Estimated Results 2012	Planned Results 2013
<i>(in thousands of dollars)</i>		
Expenses – Other Government departments and agencies	350,000	<b>350,000</b>
Revenues – Other Government departments and agencies	30,000	<b>30,000</b>

# NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

## CORRECTIONAL SERVICE CANADA

### 16. Segmented Information

Presentation by segment is based on the Department's program activity architecture. The presentation by segment is based on the same accounting policies as described in the Summary of Significant Accounting Policies in note 4. The following table presents the expenses incurred and revenues generated for the main program activities, by major objects of expense and by major types of revenue. The segment results for the period are as follows:

	2012	2013 (note 3e)				Total
		Custody	Correctional Interventions	Community Supervision	Internal Services	
<i>(in thousands of dollars)</i>						
<b>Transfer payments</b>						
Non-profit organizations and Individuals	1,546	239	1,269	82	-	1,590
<b>Total transfer payments</b>	<b>1,546</b>	<b>239</b>	<b>1,269</b>	<b>82</b>	<b>-</b>	<b>1,590</b>
<b>Operating expenses</b>						
Salaries and employee benefits	1,843,705	1,305,302	493,713	32,529	125,414	1,956,958
Professional and special services	307,788	202,109	49,948	123,197	19,828	395,082
Utilities, maintenance and supplies	157,930	168,090	9,842	2,718	3,962	184,612
Amortization of tangible capital assets	106,988	123,066	3,058	-	-	126,124
Repairs and maintenance	98,052	111,540	1,671	14	6,743	119,968
Machinery and equipment	61,154	64,000	12,739	3,360	4,058	84,157
Travel	32,461	12,422	9,093	1,888	5,873	29,276
Payment in lieu of taxes	32,181	33,187	-	-	-	33,187
Inmate pay	21,493	-	21,213	-	-	21,213
Cost of goods sold	18,080	-	19,500	-	-	19,500
Accommodation	13,107	9,370	3,326	211	828	13,735
Telecommunications	10,035	100	-	-	-	100
Rentals	15,445	10,488	2,422	419	1,956	15,285
Relocation	6,435	1,184	790	51	4,529	6,554
Other	2,320	1,752	635	83	-	2,470
<b>Total operating expenses</b>	<b>2,727,174</b>	<b>2,042,610</b>	<b>627,950</b>	<b>164,470</b>	<b>173,191</b>	<b>3,008,221</b>
<b>Total Expenses</b>	<b>2,728,720</b>	<b>2,042,849</b>	<b>629,219</b>	<b>164,552</b>	<b>173,191</b>	<b>3,009,811</b>
<b>Revenues</b>						
Sales of goods and services	43,112	-	47,891	-	-	47,891
Other	5,100	4,400	700	100	400	5,600
<b>Total Revenues</b>	<b>48,212</b>	<b>4,400</b>	<b>48,591</b>	<b>100</b>	<b>400</b>	<b>53,491</b>
<b>Net Cost of Continuing Operations</b>	<b>2,680,508</b>	<b>2,038,449</b>	<b>580,628</b>	<b>164,452</b>	<b>172,791</b>	<b>2,956,320</b>
<b>Net cost of email, data centres and network services prior to the transfer of responsibilities to Shared Services Canada</b>	<b>23,038</b>					
<b>Net Cost of Operations</b>	<b>2,703,546</b>	<b>2,038,449</b>	<b>580,628</b>	<b>164,452</b>	<b>172,791</b>	<b>2,956,320</b>

## NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

### CORRECTIONAL SERVICE CANADA

#### 17. Transfer to Shared Services Canada

Effective November 15, 2011, the control and supervision of email, data centres and networks was transferred to Shared Services Canada in accordance with Order-in-Council 2011-1297.

Assets and liabilities transferred to Shared Services Canada:

	<b>2012</b>
<i>(in thousands of dollars)</i>	
<hr/>	
<b>Assets</b>	
Due from the Consolidated Revenue Fund	0
Tangible Capital Assets	4,704
<b>Total</b>	<b>4,704</b>
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<b>Liabilities</b>	
Vacation pay and compensatory leave	(332)
Employee severance benefits	(1,367)
<b>Total</b>	<b>(1,699)</b>
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<b>Adjustment to Equity of Canada</b>	<b>(3,005)</b>
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