



# **Directive on Accounting Standards: GC 4500 Guideline: Illustrative Departmental Financial Statements**

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Exemple à titre d'illustration – États financiers ministériels

# Directive on Accounting Standards: GC 4500 Guideline: Illustrative Departmental Financial Statements

## Note to reader

The purpose of this illustrative tool is to present a model set of Departmental Financial Statements (DFS) prepared in accordance with [GC 4500 Departmental Financial Statements](#).

## A. Introduction

The Illustrative DFS cannot consider all unique circumstances and peculiarities; it is not a template. Departments must use their professional judgment to modify the Illustrative DFS to reflect their unique operations and organizational context and to fulfill their specific departmental reporting requirements, provided all relevant PSAS and/or Government of Canada Accounting Handbook (GCAH) reporting requirements are met.

For all purposes:

- Financial statements that are subject to an external audit will have an auditor’s report appended to them. For departments that are not audited, the financial statements must be annotated “unaudited” on each page;
- The unit of measure used in the DFS must be clearly indicated. The unit of measure used in the notes should be consistent with the unit of measure used in the financial statements;
- The term “the Department” has been used throughout the Illustrative DFS. The name of the entity should replace “the Department” wherever possible; and
- The external reader should readily understand terminology used in the DFS. Government of Canada jargon or acronyms that are not widely understood outside the Canadian federal public service should be avoided and replaced with words that describe their substance.

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

The Statement of Management Responsibility Including Internal Control over Financial Reporting (SMR) is an acknowledgement of management’s responsibility for the preparation of the DFS and other financial information, as well as the external financial reporting process and the departmental system of internal control over financial reporting. The SMR also sets out the role of the board of directors (*if applicable*) and the departmental audit committee (*if applicable*) in relation to the external financial reporting process. The SMR must be signed by the Deputy Head and the Chief Financial Officer.

## Structure and Format

The SMR must be modified to suit the department’s unique operations and to reflect the departmental context and realities, including variations that may stem from whether the entity is subject to a Core Control Audit by the Office of the Comptroller General.

The Office of the Comptroller General undertakes Core Control Audits in small departments to facilitate access to professional internal audit resources. For the purpose of adhering to the Treasury Board [Policy on Financial Management](#), these organizations are able to use the results of such audits. Core control audits inform deputy heads of their organizations' level of compliance with key requirements contained in selected financial legislation, policies and directives.

As a result, two models of the SMR are provided below based on whether or not the organization is subject to Core Control Audits by the Office of the Comptroller General. In relation to the SMR model for departments not subject to a Core Control Audit and who are annexing the summary of results and action plans from the annual risk-based assessment of effectiveness of their internal controls over financial reporting, this annex is to be placed after the financial statement notes as the final component of the Departmental Financial Statement package. In addition, this annex should be titled "Annex to the Statement of Management Responsibility Including Internal Control over Financial Reporting of *[Department]* for Fiscal Year 20XX-20XX (*unaudited*)". Finally, departments are to ensure that each page of this annex is identified as unaudited through a footnote or header.

The SMR should be dated at the point where all events have been taken into account. The statement should be dated no earlier than the date when all the financial statements, including the related notes, have been prepared and those with the recognized authority have confirmed that they have taken responsibility for those financial statements. The date would normally be as near as practicable to, but not after the date of the auditor's report (*as applicable*) with a view to ensuring consistent consideration of subsequent events.

## **Organizations not subject to Core Control Audits by the Office of the Comptroller General**

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

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 20XX, and all information contained in these financial statements rests with the management of the *[Department]*. These 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 financial statements. Some of the information in the 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 the *[Department]*'s financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the *[Department]*'s *Departmental Results Report*, is consistent with these 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 the *[Department]* 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, 20XX was completed in accordance with the Treasury Board *Policy on Financial Management* and the results and action plans are summarized in the annex.

***Common Service Providers to add:***

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.

***As applicable add:***

The effectiveness and adequacy of the *[Department]*'s system of internal control is reviewed by the work of internal audit staff, who conduct periodic audits of different areas of the *[Department/Agency]*'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 head of Department]*.

***As applicable add:***

The Office of the Auditor General, the independent auditor for the Government of Canada, (or the firm of XX) has expressed an opinion on the fair presentation of the financial statements of *[Department]* which does not include an audit opinion on the annual assessment of the effectiveness of the department's internal controls over financial reporting, or

The financial statements of *[Department]* have not been audited.

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Name, Deputy Head  
[City, Country where signed]  
[Date signed]

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Name, Chief Financial Officer

## **Organizations subject to Core Control Audits by the Office of the Comptroller General**

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

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 20XX, and all information contained in these financial statements rests with the management of the [Department]. These 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 financial statements. Some of the information in the 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 the [Department]'s financial transactions. Financial information submitted in the preparation of the Public Accounts of Canada, and included in the [Department]'s *Departmental Results Report*, is consistent with these 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 the [Department/Agency] 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 on-going process to identify key risks, to assess effectiveness of associated key controls, and to make any necessary adjustments.

***For organizations subject to a Core Control Audit and for which such an audit has taken place, add:***

The [Department] is subject to periodic Core Control Audits performed by the Office of the Comptroller General and uses the results of such audits to comply with the Treasury Board *Policy on Financial Management*. A Core Control Audit was performed in [fiscal year] by the Office of the Comptroller General of Canada (OCG). The Audit Report and related Management Action Plan are posted on the departmental web site at (hyperlinks to the audit report and Management Action Plan).

***For organizations subject to a Core Control Audit but for which an audit has not taken place yet, add:***

The [Department] will be subject to periodic Core Control Audits performed by the Office of the Comptroller General and will use the results of such audits to adhere to the Treasury Board *Policy on Financial Management*. In the interim, the [Department] has undertaken a risk-based assessment of the system of ICFR for the year ended March 31, 20XX, in accordance with the Treasury Board *Policy on Financial Management*, and the [results and] action plan are summarized in the annex.

***As applicable add:***

The Office of the Auditor General, the independent auditor for the Government of Canada, (or the firm of XX) has expressed an opinion on the fair presentation of the financial statements of [Department] which does not include an audit opinion on the annual assessment of the effectiveness of the department's internal controls over financial reporting, or

The financial statements of the [Department] have not been audited.

Name, Deputy Head  
[City, Country where signed]  
[Date signed]

Name, Chief Financial Officer

## C. Financial Statements

### Department Name Statement of Financial Position (*Unaudited*) As at March 31

(in thousands of dollars)

	2018	2017 Restated (note 20)
<b>Liabilities</b>		
Accounts payable and accrued liabilities (note 4)	\$ 138,641	\$ 102,966
Vacation pay and compensatory leave	47,866	47,441
Environmental liabilities and asset retirement obligations (note 5)	51,800	59,050
Deferred revenue (note 6)	13,425	12,598
Lease obligation for tangible capital assets (note 7)	124	142
Employee future benefits (note 8)	63,796	61,454
<b>Total gross liabilities</b>	<b>315,652</b>	<b>283,651</b>
<b>Liabilities held on behalf of Government</b> <input type="text" value="1"/>		
Deferred revenues (note 6)	(2,685)	(2,520)
<b>Total liabilities held on behalf of Government</b>	<b>(2,685)</b>	<b>(2,520)</b>
<b>Total net liabilities</b>	<b>312,967</b>	<b>281,131</b>
<b>Financial assets</b>		
Due from Consolidated Revenue Fund	156,302	150,000
Accounts receivable and advances (note 9)	31,160	14,088
Loans receivable (note 10)	3,450	9,440
<b>Total gross financial assets</b>	<b>190,912</b>	<b>173,528</b>
<b>Financial assets held on behalf of Government</b> <input type="text" value="1"/>		

Accounts receivable and advances ( <a href="#">note 9</a> )	(10,000)	(4,000)
Loans receivable ( <a href="#">note 10</a> )	(3,450)	(9,440)
<b>Total financial assets held on behalf of Government</b>	<b>(13,450)</b>	<b>(13,440)</b>
<b>Total net financial assets</b>	<b>177,462</b>	<b>160,088</b>
<b>Departmental net debt <sup>2</sup></b>	<b>135,505</b>	<b>121,043</b>
<b>Non-financial assets</b>		
Prepaid expenses	2,379	25
Inventory ( <a href="#">note 11</a> )	21,796	11,199
Tangible capital assets ( <a href="#">note 12</a> )	1,242,797	1,257,513
<b>Total non-financial assets</b>	<b>1,266,972</b>	<b>1,268,737</b>
<b>Departmental net financial position (<a href="#">note 13</a>)</b>	<b>\$ 1,131,737</b>	<b>\$ 1,147,944</b>
Contractual obligations and contractual rights ( <a href="#">note 14</a> )		
Contingent liabilities and contingent assets ( <a href="#">note 15</a> )		
The accompanying notes form an integral part of these financial statements.		

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Name, Deputy Head  
[City, Country where signed]  
[Date signed]

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Name, Chief Financial Officer

## Explanatory Notes:

<sup>1</sup> Assets/liabilities held on behalf of Government are presented in these financial statements as the deputy head must maintain accounting control for these elements; however, they are later derecognized as the deputy head has no authority regarding their disposition.

<sup>2</sup> Departmental net debt is an intermediary calculation. It is calculated as the difference between the sum of all liabilities and the sum of financial assets. If the difference between financial assets and liabilities is positive, the result would be a net financial asset. If that is the case, the financial assets should be presented before the liabilities in the Statement of Financial Position and notes should be reordered accordingly.



**Department Name**  
**Statement of Operations and Departmental Net Financial Position**  
*(Unaudited)*  
**As at March 31**

(in thousands of dollars)

	2018 Planned Results	2018	2017 Restated ( <a href="#">note 20</a> )
<b>Expenses</b>			
Benefit programs and other services	\$781,968	\$802,142	\$743,256
Appeals	654,886	621,851	586,416
International issues	265,124	261,793	252,630
Internal services	79,400	78,500	72,400
Expenses incurred on behalf of Government	(600)	(500)	(800)
<b>Total expenses</b>	<b>1,780,778</b>	<b>1,763,786</b>	<b>1,653,902</b>
<b>Revenues</b>			
Regulatory fees	94,128	79,238	27,793
Miscellaneous revenues	11,976	10,018	7,560
Revenues earned on behalf of Government	(20,195)	(22,500)	(19,251)
<b>Total revenues</b>	<b>85,909</b>	<b>66,756</b>	<b>16,102</b>
<b>Net cost from continuing operations</b>	<b>1,694,869</b>	<b>1,697,030</b>	<b>1,637,800</b>
<b>Transferred operations (<a href="#">note 17</a>) <sup>3</sup></b>			
Expenses	13,700	15,000	20,000
Revenue	600	500	1,000
<b>Net cost of transferred operations <sup>4</sup></b>	<b>13,100</b>	<b>14,500</b>	<b>19,000</b>
<b>Net cost of operations before government funding and transfers</b>	<b>1,707,969</b>	<b>1,711,530</b>	<b>1,656,800</b>
<b>Government funding and transfers</b>			
Net cash provided by Government of Canada	1,595,354	1,568,253	1,509,868
Change in due from Consolidated Revenue Fund	2,358	6,302	6,340
Services provided without charge by other government departments ( <a href="#">note 16</a> )	127,895	124,750	116,850
Transfer of the transition payments for implementing salary payments in arrears	0	(2)	(105)
Other transfers of assets and liabilities (to)/ from other government departments	0	20	250
Transfer of assets and liabilities (to) / from other government departments ( <a href="#">note 17</a> ) <sup>5</sup>	0	(4,000)	0
<b>Net cost of operations after government funding and transfers</b>	<b>(17,638)</b>	<b>16,207</b>	<b>23,597</b>

Departmental net financial position - Beginning of year	1,145,657	1,147,944	1,171,541
Departmental net financial position - End of year	\$1,163,295	\$1,131,737	\$1,147,944
Segmented information ( <a href="#">note 18</a> )			
The accompanying notes form an integral part of these financial statements.			

## Explanatory Notes:

- [3](#) If there are no transferred operations, the section should be removed from the statements and the “Net cost from continuing operations” subtotal label should be renamed “Net cost of operations”.
- [4](#) These represent the operating results prior to the Order-in-Council date of the transferred operations as a result of a government reorganization.
- [5](#) Would only be used if a department has transferred or been transferred assets or liabilities to or from other departments as a result of a government reorganization, please refer to [note 17](#) for more detail.

## Department Name Statement of Change in Departmental Net Debt (*Unaudited*) As at March 31

(in thousands of dollars)

	2018 Planned Results	2018	2017
Net cost of operations after government funding and transfers	\$(17,638)	\$16,207	\$23,597
<b>Change due to tangible capital assets</b>			
Acquisition of tangible capital assets	91,160	76,906	123,925
Amortization of tangible capital assets	(79,380)	(74,564)	(74,713)
Proceeds from disposal of tangible capital assets	(15,203)	(674)	(41,159)
Net (loss) or gain on disposal of tangible capital assets including adjustments	(5,321)	(6,384)	(3,472)
Transfer from other government departments	0	20	250
Transfer to other government departments	0	(10,000)	0
<b>Total change due to tangible capital assets</b>	<b>(8,744)</b>	<b>(14,696)</b>	<b>4,831</b>
Change due to inventory	5,392	10,597	1,000
Change due to prepaid expenses	2,425	2,354	(569)
<b>Net increase (decrease) in departmental net debt</b>	<b>(18,565)</b>	<b>14,462</b>	<b>28,859</b>

Departmental net debt - Beginning of year	121,043	121,043	92,184
Departmental net debt - End of year	\$102,478	\$135,505	\$121,043

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

## Department Name Statement of Cash Flows (*Unaudited*) As at March 31

(in thousands of dollars)

	2018	2017 Restated ( <a href="#">note 20</a> )
<b>Operating activities</b>		
Net cost of operations before government funding and transfers	\$1,711,530	\$1,656,800
Non-cash items:		
Amortization of tangible capital assets	(74,564)	(74,713)
Gain (Loss) on disposal of tangible capital assets	(6,384)	(3,472)
Services provided without charge by other government departments ( <a href="#">note 16</a> )	(124,750)	(116,850)
Transition payments for implementing salary payments in arrears	2	105
<b>Variations in Statement of Financial Position:</b>		
Increase (decrease) in accounts receivable and advances	11,072	(15,648)
Increase (decrease) in prepaid expenses	2,354	(569)
Increase (decrease) in inventory	10,597	1,000
Decrease (increase) in accounts payable and accrued liabilities	(35,675)	(17,418)
Decrease (increase) in vacation pay and compensatory leave	(425)	(1,500)
Decrease (increase) in environmental liabilities and asset retirement obligations	7,250	2,500
Decrease (increase) in deferred revenue	(662)	63
Decrease (increase) in future employee benefits	(2,342)	(3,215)
Transfer of liabilities to other government departments ( <a href="#">note 17</a> )	(6,000)	0
<b>Cash used in operating activities</b>	<b>1,492,003</b>	<b>1,427,083</b>
<b>Capital investing activities</b>		
Acquisitions of tangible capital assets	76,906	123,925
Proceeds from disposal of tangible capital assets	(674)	(41,159)
<b>Cash used in capital investing activities</b>	<b>76,232</b>	<b>82,766</b>
<b>Financing activities</b>		

Lease payments for tangible capital assets	18	19
Cash used in financing activities	18	19
Net cash provided by Government of Canada	\$1,568,253	\$1,509,868
The accompanying notes form an integral part of these financial statements.		

## Explanatory Notes:

This Statement of Cash Flows is intended to illustrate the presentation when using the indirect method.

Departments have the option of preparing the Statement of Cash Flows using the indirect method or the direct method.

A separate category called “Investing activities” should be added as applicable.

## D. Notes to the Financial Statements

### Department Name Notes to the Financial Statements (*Unaudited*) As at March 31

► [In this section](#)

#### 1. Authority and objectives

A brief description of the authority and objectives of the Department must be included here.

As well, a description of the core responsibilities (or other groupings) of the Department should be included for those that are reported in the Statement of Operations and Departmental Net Financial Position and in the Segmented information note.

#### 2. Summary of significant accounting policies

These financial statements are prepared using the department’s 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

The Department is financed by the Government of Canada through Parliamentary authorities. Financial reporting of authorities provided to the Department 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 Statement of Operations and Departmental Net Financial Position and in the 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 Statement of Operations and Departmental Net Financial Position are the amounts reported in the Future-oriented Statement of Operations included in the 2017-2018 Departmental Plan. Planned results are not presented in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt because these amounts were not included in the 2017-2018 Departmental Plan. *(Departments including planned results in the 'Government funding and transfers' section of the Statement of Operations and Departmental Net Financial Position and also in the Statement of Change in Departmental Net Debt, should replace the last sentence with the following: The planned results amounts in the "Government funding and transfers" section of the Statement of Operations and Departmental Net Financial Position and in the Statement of Change in Departmental Net Debt were prepared for internal management purposes and have not been previously published.)*

### **(b) Consolidation**

These consolidated financial statements include the accounts of the sub-entities for which the deputy head (DH) is accountable for. The accounts of these sub-entities have been consolidated with those of the Department, and all inter-organizational balances and transactions have been eliminated. *(Entities that are consolidated in the Department's financial statements should be listed in this note.)*

### **(c) Net cash provided by Government**

The Department operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by the Department is deposited to the CRF, and all cash disbursements made by the Department 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) Amounts due from or to the CRF**

Amounts due from or to 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 the Department is entitled to draw from the CRF without further authorities to discharge its liabilities.

### **(e) Revenues**

Revenues from regulatory fees are recognized based on the services provided in the year. Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. Revenues are then recognized in the period in which the related expenses are incurred. Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned. Other revenues are recognized in the period the event giving rise to the revenues occurred. Revenues that are non-respendable are not available to discharge the Department's liabilities. While the DH is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered

to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the entity's gross revenues.

## **(f) Expenses**

Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient. 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 contributions to the health and dental insurance plans, legal services and workers' compensation are recorded as operating expenses at their carrying value. *(The department should adapt this note to its own situation.)*

## **(g) Employee future benefits**

### **i. Pension benefits**

Eligible employees participate in the Public Service Pension Plan *(identify appropriate plan)*, a multiemployer pension plan administered by the Government. The Department's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. The Department'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. *(The department should adapt this note to its own situation.)*

### **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 and loans receivable**

Accounts and loans receivable are initially recorded at cost and where necessary, are discounted to reflect their concessionary terms. Concessionary terms of loans include cases where loans are made on a long-term, low interest or interest-free basis. Transfer payments that are unconditionally repayable are recognized as loans receivable. When necessary, an allowance for valuation is recorded to reduce the carrying value of accounts and loans receivable to amounts that approximate their net recoverable value.

## **(i) Non-financial assets**

The costs of acquiring land, buildings, equipment and other capital property are capitalized as tangible capital assets and, except for land, are amortized to expense over the estimated useful lives of the assets, as described in Note 12. All tangible capital assets and leasehold improvements having an initial cost of \$10,000 *(If the department has a different threshold, then this amount should be reflected)* or more are recorded at their acquisition cost. Tangible capital assets do not include immovable assets located on reserves as defined in the *Indian Act*, works of art, museum collection and Crown land to which no acquisition cost is attributable; and intangible assets.

Inventories are valued at cost and are comprised of spare parts and supplies held for future program delivery and are not primarily intended for resale. Inventories that no longer have service potential are valued at the

lower of cost or net realizable value.

## **(j) Contingent Liabilities**

Contingent liabilities, including the allowance for guarantees, 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, a provision is accrued and an expense recorded to other expenses. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

For guarantees, an allowance is recorded when it is determined that a loss is likely and the amount of the allowance is estimated taking into consideration the nature of the guarantee, loss experience and current conditions. The allowance is reviewed on an ongoing basis and changes in the allowance are recorded as expenses in the year they become known.

## **(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 even is likely to occur or fail to occur, the contingent asset is disclosed in the notes to the financial statements.

## **(l) Environmental liabilities and asset retirement obligations**

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.

A liability for unexploded explosive ordnance (UXO) affected legacy sites is recognized when there is an appropriate basis for measurement and a reasonable estimate can be made. These liabilities are present obligations arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits. *(if applicable)*

Asset retirement obligations are the Government's best estimate of costs related to obligations associated with the retirement of tangible capital assets. A liability for an asset retirement obligation is recognized when all of the following criteria are satisfied: there is an agreement, contract, legislation, or a constructive or equitable obligation that obligates the Government to incur retirement costs in relation to a tangible capital asset, the past event or transaction giving rise to the retirement liability has occurred, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. These costs are normally capitalized and amortized over the asset's estimated useful life. If the related asset is fully amortized, the asset retirement costs are expensed. The liability reflects the present value of estimated future cash flows required to retire the assets where amounts can be reasonably estimated and is expected to be settled as the related sites, facilities or assets are removed from service. The estimated future cash flows are adjusted for inflation using a rate that is derived on the basis of Consensus forecasts and Bank of Canada historical and target

inflation rates. The discount rate is a weighted average rate reflecting the Government's cost of borrowing on initial recognition and on subsequent changes to expected cash flows, which is most closely associated with the period to settlement of the obligation. *(if applicable)*

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) Transactions involving foreign currencies**

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in foreign currencies are translated in Canadian dollars using the rate of exchange in effect at March 31st. Gains and losses resulting from foreign currency translation are reported on the Statement of Operations and Departmental Net Financial Position according to the activities to which they relate. Net gains and losses relating to [specify the item] are included in [specific the line]. *(This note is not required when the department does not have significant foreign exchange transactions.)*

#### **(n) Measurement uncertainty**

The preparation of these financial statements requires management to make estimates and assumptions that affect the reported and disclosed amounts of assets, liabilities, revenues and expenses reported in the 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 contingent liabilities, environmental liabilities, the liability for employee future benefits and the useful life of tangible capital assets (list as applicable). Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known. *(This note should be enhanced if a department has a particular significant measurement uncertainty, for example environmental liabilities below.)*

Environmental liabilities and asset retirement obligations 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 or asset retirements, 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 or asset retirement 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. *(This note should be included when measurement uncertainty for Environmental Liabilities is significant)*

#### **(o) 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 departmental financial statement purposes at the carrying amount.

## Explanatory Notes:

Departments should not include accounting policy notes that are not relevant to their operations.

### 3. Parliamentary authorities

The Department receives most of its funding through annual parliamentary authorities. Items recognized in the Statement of Operations and Departmental Net Financial Position and the Statement of Financial Position in one year may be funded through parliamentary authorities in prior, current or future years. Accordingly, the Department 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

(in thousands of dollars)

	2018	2017
Net cost of operations before government funding and transfers	\$ 1,711,530	\$ 1,656,800
<b>Adjustments for items affecting net cost of operations but not affecting authorities:</b>		
Amortization of tangible capital assets	(74,564)	(74,713)
Gain (loss) on disposal of tangible capital assets	(6,384)	(3,472)
Services provided without charge by other government departments	(124,750)	(116,850)
Increase / (decrease) in vacation pay and compensatory leave <a href="#">6</a>	(1,625)	(1,500)
Increase / (decrease) in employee future benefits <a href="#">6</a>	(7,142)	(3,215)
Increase / (decrease) in accrued liabilities not charged to authorities	(6,578)	(4,912)
Bad debt expense	(500)	(350)
Refund of prior years' expenditures	1,625	3,350
Total items affecting net cost of operations but not affecting authorities	(219,918)	(201,662)
<b>Adjustments for items not affecting net cost of operations but affecting authorities:</b>		
Acquisition of tangible capital assets	76,906	123,925
Proceeds from disposal of tangible capital assets	(674)	(41,159)
Decrease in lease obligations for tangible capital assets	18	19
Loans issued on behalf of Government	1,750	7,000
Transition payments for implementing salary payments in arrears	2	105
Increase / (decrease) in inventory	10,597	1,000

Increase / (decrease) in prepaid expenses	2,354	(569)
Total items not affecting net cost of operations but affecting authorities	90,953	90,321
Current year authorities used	<b>\$ 1,582,565</b>	<b>\$1,545,459</b>

**Explanatory Notes:**

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Usually these amounts are equal to the amounts found in the Cash Flow Statement as they are normally expensed using an F authority. In this case, the difference is due to the transfer of liabilities to other government departments.

**(b) Authorities provided and used**

(in thousands of dollars)

	2018	2017
<b>Authorities provided:</b>		
Vote xx - Operating expenditures	\$1,140,978	\$1,109,194
Vote xx - Capital expenditures	130,766	126,865
Statutory amounts	364,956	361,517
<b>Less:</b>		
Authorities available for future years	(50,000)	(49,000)
Lapsed: Operating	(4,135)	(3,117)
Current year authorities used	<b>\$1,582,565</b>	<b>\$1,545,459</b>

**4. Accounts payable and accrued liabilities**

The following table presents details of the Department's accounts payable and accrued liabilities.

(in thousands of dollars)

	2018	2017
Accounts payable - Other government departments and agencies	\$ 32,456	\$ 27,894
Accounts payable - External parties	92,466	67,066
Total accounts payable	124,922	94,960
Accrued liabilities	13,719	8,006
Total accounts payable and accrued liabilities 7	<b>138,641</b>	<b>102,966</b>

## Explanatory Notes:

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Other material liability categories should be separately disclosed in the notes above.

## 5. Environmental liabilities and asset retirement obligations

Environmental liabilities and asset obligation include: *(only include this table if department has items in each line)*

**(in thousands of dollars)**

	2018	2017
<b>Gross remediation liability for contaminated sites</b>	\$37,797	\$50,049
<b>less: expected recoveries</b>	(1,000)	(1,000)
<b>Net remediation liability for contaminated sites</b>	36,797	49,049
<b>Other environmental liabilities</b>	3	1
<b>Asset retirement obligations</b>	15,000	10,000
<b>Total environmental liabilities and asset retirement obligations</b>	<b>\$51,800</b>	<b>\$ 59,050</b>

### **(a) 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 approximately 530 sites (610 sites in 2017) where contamination may exist and assessment, remediation and monitoring may be required. Of these, the Department has identified approximately 400 sites (425 sites in 2017) where action is required and for which a gross liability of \$35,000 thousand (\$49,000 thousand in 2017) has been recorded. This liability estimate has been determined based on site assessments performed by environmental experts.

#### ***(For departments that use the Golder model)***

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 approximately 35 unassessed sites (30 sites in 2017) where a liability estimate of \$2,797 thousand (\$1,049 thousand in 2017) has been recorded using this model.

**OR**

#### ***(For departments that do not use the Golder model)***

In addition, there are approximately 35 sites that have not been assessed by environmental experts? (30 sites in 2017) for which the department has estimated and recorded a liability of \$2,797 thousand (\$1,049 thousand

in 2017).

These two estimates combined, totalling \$37,797 thousand (\$50,049 thousand in 2017), represents 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 95 sites (155 sites in 2017), 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, the Department 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 a liability for remediation will be recognized if future economic benefits will be given up.

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, 2018 and March 31, 2017. When the liability estimate is based on a future cash requirement, the amount is adjusted for inflation using a forecast CPI rate of 1.9% (2% in 2017). 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 2018 rates range from 1.79% (0.76% in 2017) for 2 year term to 2.24% (2.39% in 2017) for a 30 or greater year term.

<b>Nature and Source of Liability (in thousands of dollars)</b>		
<b>Nature and Source</b>	<b>Total Number of Sites</b>	<b>Number of Sites</b>
<b>Radioactive Material</b> (a)	N/A	
<b>Former Mineral Exploration Sites</b> (b)	N/A	
<b>Military &amp; Former Military Sites</b> (c)	N/A	
<b>Fuel Related Practices</b> (d)	6	
<b>Landfill/Waste Sites</b> (e)	17	
<b>Engineered Asset/Air &amp; Land Transportation</b> (f)	85	
<b>Marine Facilities /Aquatic Sites</b> (g)	252	
<b>Park &amp; Protected Areas</b> (h)	128	
<b>Office/Commercial/Industrial Operations</b> (i)	N/A	
<b>Other</b> (j)	42	
<b>Totals</b>	<b>530</b>	

(a) Contamination associated with former nuclear operations, e.g. low-level radioactive waste, radioactive isotopes.

(b) Contamination associated with former mine activities, e.g. heavy metals, petroleum hydrocarbons, etc. Sites often have

(c) Contamination associated with the operations of military and former military sites where activities such as fuel handling

- (d) Contamination primarily associated with fuel storage and handling. E.g. accidental spills related to fuel storage tanks
  - (e) Contamination associated with former landfill/waste site or leaching from materials deposited in the landfill/waste site,
  - (f) Contamination associated with the operations of engineered assets such as airports, railways and roads where activities such as
  - (g) Contamination associated with the operations of marine assets, e.g. port facilities, harbours, navigation systems, light
  - (h) Contamination associated with the operations and maintenance of parks and protected areas where activities such as
  - (i) Contamination associated with the operations of the office/commercial/industrial facilities where activities such as fuel
  - (j) Contamination from other sources e.g. use of pesticides, herbicides, fertilizers at agricultural sites, use of PCBs, firefi
- Also during the year 12 sites (15 sites in 2017) were closed as they were either remediated or assessed to confirm th

### (b) Other Environmental Liabilities (if applicable)

The Department has identified approximately 50 unexploded explosive ordnance (UXO) suspected sites (40 sites in 2017) for which clearance action may be necessary. Of these sites, 25 sites (20 in 2017) are confirmed UXO affected sites. Based on the Department's best estimates, a liability of \$3 thousand (\$1 thousand in 2017) has been recorded for clearance action on 3 of the confirmed UXO sites (2 in 2017). Remediation has been done on 2 of the sites (1 of the sites in 2017) and they will be closed in the next fiscal year. The remaining 45 suspected sites (37 sites in 2017) are currently in the assessment stage and a reasonable estimate cannot yet be determined. Of these sites, the obligation for clearance action is likely for 15 sites, indeterminable for 20 sites and unlikely for 10 sites.

### (c) Asset Retirement Obligations (if applicable)

The changes in asset retirement obligations during the year are as follows:

(in thousands of dollars)

	2018	2017
<b>Opening balance</b>	\$10,000	\$ 11,000
<b>Liabilities settled</b>	(200)	(500)
<b>Revision in estimate</b>	3,000	(600)
<b>Accretion expense</b>	2,200	100
<b>Closing balance</b>	\$15,000	\$ 10,000

Key assumptions used in determining the provision are as follows:

(in thousands of dollars)

	2018	2017
<b>Discount rate</b>	3.88%	3.88%
<b>Discount period</b>	146 years	147 years
<b>Long-term rate of inflation</b>	1.70%	1.70%

Include this paragraph as the last paragraph of the environmental liabilities note:

The Department's ongoing efforts to assess contaminated sites, asset retirement obligations and UXO affected sites may result in additional environmental liabilities.

## 6. Deferred Revenue

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

(in thousands of dollars)

	2018	2017 Restated (note 18)
Opening balance	\$12,598	\$ 10,068
Amounts received	1,509	3,660
Revenue recognized	(682)	(1,130)
Gross closing balance	13,425	12,598
Deferred revenues held on behalf of Government	(2,685)	(2,520)
Net closing balance	\$10,740	\$ 10,078

### Explanatory Notes:

The above is an example of disclosure when a department generates deferred revenue from the collection of fees prior to the service being provided (e.g., licences, passports). This balance may also include Deferred Revenue - Specified Purpose Accounts.

## 7. Lease obligation for tangible capital assets

The Department has entered into agreements to lease certain equipment under capital leases with a cost of \$111 thousand and accumulated amortization of \$47 thousand as at March 31, 2018 (\$111 thousand and \$36 thousand respectively as at March 31, 2017). The obligations related to the upcoming years include the following:

(in thousands of dollars)

	2018
2019	\$ 19
2020	19
2021	19

2022	19
2023	19
2024 and subsequent	65
<b>Total future minimum lease payments</b>	160
<b>Less: imputed interest (2.3% to 6.0%)</b>	36
<b>Balance of obligations under leased tangible capital assets</b>	<b>\$ 124</b>

### Explanatory Notes:

The type of asset under capital lease should be disclosed.

Any significant restrictions imposed on the department as a result of the lease agreement should be disclosed.

For departments with significant tangible capital lease obligations, consult the disclosure requirements contained in PSG-2 and PSG-5, as applicable.

## 8. Employee future benefits

### (a) Pension benefits

The Department's 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 at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with Canada/Québec Pension Plan benefits and they are indexed to inflation.

Both the employees and the Department 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 related 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 2017-18 expense amounts to \$41,300 thousand (\$40,055 thousand in 2016-2017). For Group 1 members, the expense represents approximately 1.01 times (1.12 times in 2016-2017) the employee contributions and, for Group 2 members, approximately 1.00 times (1.08 times in 2016-2017) the employee contributions.

The Department's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the Consolidated Financial Statements of the Government of Canada, as the Plan's sponsor.

### (b) Severance benefits

Severance benefits provided to the Department's 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, 2018, 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:

(in thousands of dollars)

	2018	2017
Accrued benefit obligation - Beginning of year	\$61,454	\$ 56,318
Transferred to other government department, effective November 15, 2017 ( <a href="#">note 17</a> )	(4,800)	0
Subtotal	56,654	56,318
Expense for the year	9,310	7,306
Benefits paid during the year	(2,168)	(2,170)
Accrued benefit obligation - End of year	\$63,796	\$ 61,454

**Explanatory Notes:**

The "Transferred to other government department" line is only used when the department has transferred a core responsibility, program or business line as part of a government reorganization. This line is not to be used for the regular movement of employees between departments.

**9. Accounts receivable and advances**

The following table presents details of the Department's accounts receivable and advances balances:

(in thousands of dollars)

	2018	2017
Receivables - Other government departments and agencies	\$ 25,697	\$ 8,872
Receivables - External parties	5,632	6,941
Employee advances	345	322
Subtotal	31,674	16,135
Allowance for doubtful accounts on receivables from external parties	(514)	(2,047)
Gross accounts receivable	31,160	14,088
Accounts receivable held on behalf of Government	(10,000)	(4,000)
Net accounts receivable	\$ 21,160	\$ 10,088

**10. Loans receivable**



The following table presents details of the Department's loans and unconditionally repayable contributions balances:

(in thousands of dollars)

	2018	2017
<b>Loans receivable</b>	\$ 2,900	\$ 3,000
<b>Less: Unamortized discount</b>	(1,400)	(1,700)
<b>Subtotal</b>	1,500	1,300
<b>Unconditionally repayable contributions</b>	4,450	10,640
<b>Subtotal</b>	5,950	11,940
<b>Less: Allowance for uncollectibility</b>	(2,500)	(2,500)
<b>Total loans receivable</b>	<b>\$ 3,450</b>	<b>\$ 9,440</b>

**(a) Loans receivable from (name of recipient)**

The loans receivable portfolio consists of 12 non-interest bearing loans issued in the years from 2012 to 2017, with prescribed annual repayment terms. The loans are recorded at their discounted net present values using market interest rates at the time of the loans. An allowance of \$1,500 thousand (\$1,000 thousand in 2016-2017) has been recorded.

**(b) Unconditionally repayable contributions**

Unconditionally repayable contributions relate to contributions made to outside parties which are repayable based on conditions specified in the contribution agreement that have come into being. An allowance of \$1,000 thousand (\$1,500 thousand in 2016-2017) has been recorded.

**Explanatory Notes:**

This note is suggested for organizations that have repayable transfer payments or other loans receivable. It must be changed to reflect the department's particular operating environment.

Departments with significant repayable contributions and other loans receivable should consult the disclosure requirements in PS 3050.54 and .56 of the Public Sector Accounting Handbook to determine the extent of information to disclose.

**11. Inventory**

(in thousands of dollars)

	2018	2017
<b>Spare parts</b>	\$ 16,346	\$ 5,987
<b>Materials</b>	3,521	3,978
<b>Other</b>	1,929	1,234

The cost of consumed inventory recognized as an expense in the Statement of Operations and Departmental Net Financial Position is \$44,212 thousand in 2017-2018 (\$38,700 thousand in 2016-2017).

## 12. Tangible capital assets

Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset as follows: (This portion of the note would be amended to reflect the amortization methodology, rates and classes of assets being used in the department. Classes should match those listed in the reconciliation of capital assets.)

Asset Class	Amortization Period
Buildings	10 to 125 years
Works and Infrastructure	10 to 80 years
Machinery and Equipment	2 to 30 years
Motor Vehicles	2 to 35 years
Leasehold improvements	Over the useful life of the improvement or the lease term, whichever is shorter
Assets under construction	once in service, in accordance with asset type
Assets under capital leases	in accordance with asset type or over the lease term

Assets under construction are recorded in the applicable asset class in the year they are put into service and are not amortized until they are put into service.

(in thousands of dollars)

Capital Asset Class	Cost				
	Opening Balance	Acquisitions	Adjustments <sup>g</sup>	Disposal and Write-Offs	Closing Balance
Land	12,989	0	(1,000)	0	11,989
Buildings	1,324,284	4,981	23,845	0	1,353,110
Works and infrastructure	370,059	3,128	10,694	0	383,881
Machinery and equipment	169,327	7,977	8,144	19,276	195,178
Motor Vehicles	35,641	7,076	0	3,900	38,817
Leasehold improvements	1,255	67	0	0	1,322
Assets under capital lease	111	0	0	0	111
Assets under construction	112,988	53,677	(58,492)	0	108,173
<b>Total</b>	<b>2,026,654</b>	<b>76,906</b>	<b>(16,809)</b>	<b>23,176</b>	<b>2,069,927</b>

Explanatory Notes:

Adjustments include assets under construction of \$58,492 thousand that were transferred to the other categories upon completion of the assets.

Effective November 15, 2017, the Department transferred land and buildings with a net book value of \$10,000 thousand to (name of other department). This transfer is included in the adjustment columns (refer to note 17 for further detail on the transfer).

### 13. Departmental net financial position

A portion of the Department's net financial position is used for a specific purpose. Related revenues and expenses are included in the Statement of Operations and Departmental Net Financial Position.

The (name of account) was established pursuant to the (name of the Act) and related regulations to record fines and penalties levied by courts under the Act. The balance of the account is to be used for (state purpose).

Activity in the account is as follows:

(in thousands of dollars)

	2018	2017
<b>Account's name - Restricted</b>		
<b>Balance - Beginning of year - Restricted</b>	<b>\$ 15,576</b>	<b>\$ 15,987</b>
<b>Revenues</b>	1,291	1,576
<b>Expenses</b>	(2,493)	(1,987)
<b>Balance - End of year - Restricted</b>	14,374	15,576
<b>Unrestricted</b>	1,117,363	1,132,368
<b>Departmental net financial position - End of year</b>	<b>1,131,737</b>	<b>\$ 1,147,944</b>

#### Explanatory Notes:

This note is required only if the department has a consolidated specified purpose account for which it is responsible.

### 14. Contractual obligations and contractual rights

#### (a) Contractual obligations

The nature of the Department's activities may result in some large multi-year contracts and obligations whereby the Department will be obligated to make future payments in order to carry out its transfer payment programs or when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)

	Transfer payments	Operating leases	Other obligations with related parties	Total

2019	\$ 3,000	\$ 1,000	\$ 0	\$ 4,000
2020	2,500	1,000	0	3,500
2021	1,000	1,000	0	2,000
2022	600	900	0	1,500
2023	50	0	0	50
2024 and subsequent	0	100	0	100
<b>Total</b>	<b>\$ 7150</b>	<b>\$ 4000</b>	<b>\$ 0</b>	<b>\$11,150</b>

### (b) Contractual rights

The activities of the department sometimes involve the negotiation of contracts or agreements with outside parties that result in the department having rights to both assets and revenues in the future. They principally involve leases of property, royalties, and sales of goods and services. Major contractual rights that will generate revenues in future years and that can be reasonably estimated are summarized as follows:

(in thousands of dollars)

	Leases of property	Royalties	Sales of goods & and services	Other	Total
2019	\$ 100	\$ 10	\$ 20	\$ 30	\$ 160
2020	120	10	20	30	180
2021	120	10	20	30	180
2022	120	10	20	30	180
2023	120	10	20	30	180
2024 and subsequent	150	10	20	30	210
<b>Total</b>	<b>\$ 730</b>	<b>\$ 60</b>	<b>\$ 120</b>	<b>\$ 180</b>	<b>\$ 1,090</b>

### Explanatory Notes:

Contractual obligations with related parties (as defined in PS 2200) require separate disclosure from other contractual obligation only when they have occurred at a value different from that which would have been arrived at if the parties were unrelated and have or could have a material financial effect on the financial statements. Refer to GC 2200/PS2200 Related party disclosures for additional information.

The department should provide details of significant contractual obligations and contractual rights. Significance is assessed based on the departmental materiality policy without consideration for Public Accounts materiality levels.

## 15. Contingent liabilities and contingent assets

### (a) Contingent liabilities

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

### **Claims and litigation**

Claims have been made against the Department in the normal course of operations. These claims include items with pleading amounts and other for which no amount is specified. While the total amount claimed in these actions is significant, their outcomes are not determinable. The Department 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. For claims where the estimate of loss is based on a range of possible outcomes and the amount accrued was less than the maximum of the range, the exposure to liability in excess of the amount accrued is estimated at \$15 thousand. Claims and litigations for which the outcome is not determinable and a reasonable estimate can be made by management amount to approximately \$20,000 thousand (\$14,000 thousand in 2016-2017) at March 31, 2018. Claims and litigation with related parties included in the above amounts amount to \$1 thousand (nil in 2017) at March 31, 2018.

### **Guarantees provided by the Department**

Guarantees provided by the Government: Guarantees provided by the Government include guarantees on the borrowings of enterprise Crown corporations and other government business enterprises, loan guarantees, insurance programs managed by the Government, and other explicit guarantees.

### **(b) Contingent assets**

Under the ABC Program, conditionally repayable contributions which are outstanding in 2018 total \$123 thousand (\$456 thousand in 2017). Repayments are determined by a project's profitability, and have a maximum repayment period of 20 years. The final payment is due no later than 2025.

As these are conditionally repayable contributions, the amounts that will become repayable cannot be currently estimated as contribution agreements are subject to specific program requirements, which require annual determinations as to the value which must be repaid each year. Thus, to forecast a specific amount repayable each year is not possible due to the varying factors facing each recipient as it relates to their economic and production performances.

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### **Explanatory Notes:**

The department should provide details of significant cases. Refer to disclosure requirements in PS 3300.28 and PS 3320.20 of the Public Sector Accounting Handbook, and GCAH GC 3300 and GC 3320.

For significant claims and litigations, departments must consult with the Government Accounting Policy and Reporting division of TBS before any note disclosure is made. Significance is assessed based on the departmental materiality policy without consideration for Public Accounts materiality levels. Contingent Liabilities with related parties (as defined in PS 2200) require separate disclosure from other contingent liabilities only when they have occurred at a value different from that which would have been arrived at if the parties were unrelated and have or could have a material financial effect on the financial statements. Refer to GC 2200/PS2200 Related party disclosures for additional information.

Contingent liability disclosure for environmental liabilities is related to the uncertainty of whether or not the department is responsible for remediating a contaminated site. The department may have assessed that it is not directly responsible for the site and therefore does not accept responsibility. However, there could still be uncertainty as to whether the department may be held responsible at some point in the future. When the uncertainty related to the department's potential responsibility for remediating a contaminated site is not determinable, it should be disclosed in accordance with PS 3300 Contingent Liabilities.

## 16. Related party transactions

The Department is related as a result of common ownership to all government departments, agencies, and Crown corporations. 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.

The department enters into transactions with these entities in the normal course of business and on normal trade terms.

The following material transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated (*if applicable*):

During the year, the department entered into a (*type of transaction*) with (*description of the relationship*). A total amount of \$XXXX was recorded which represents the (*basis of measurement*) in (*financial statement categories*). The total amount outstanding at March 31, 201X is \$XXXX and is (*terms and conditions*). In addition, (*type of related party transaction*) have occurred for which no amount was recognized in the financial statements.

### (a) Common services provided without charge by other government departments

During the year, the Department received services without charge from certain common service organizations, related to accommodation, 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 the Department's Statement of Operations and Departmental Net Financial Position as follows:

(in thousands of dollars)

	2018	2017
<b>Employer's contribution to the health and dental insurance plans</b>	\$75,000	\$ 70,000
<b>Accommodation</b>	41,700	40,500
<b>Legal services</b>	6,850	5,250
<b>Workers' compensation</b>	1,200	1,100
<b>Total</b>	<b>\$ 124,750</b>	<b>\$ 116,850</b>

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 Services and Procurement Canada and audit services provided by the Office of the Auditor General are not included in the Department's Statement of Operations and Departmental Net Financial Position.

**(b) Common services provided without charge to other government departments**

During the year, the Department provided services without charge to other government departments, related to the provision of (name of services), in the amount of \$17,000 thousand (\$15,000 thousand in 2016-2017).

**(c) Administration of programs on behalf of other government departments**

Under a memorandum of understanding signed with (name of other department) on April 1, 2015, the Department administers program ABC in Northern Canadian communities. During the year, the Department incurred expenses of \$123 thousand (\$123 thousand in 2016-2017) on behalf of (name of other department). These expenses are reflected in the financial statements of (name of other department) and are not recorded in these financial statements.

**(d) Other transactions with other government departments and agencies**

**(in thousands of dollars)**

	2018	2017
<b>Accounts receivable</b>	\$ 25,697	\$ 8,872
<b>Accounts payable</b>	32,456	27,894
<b>Expenses</b>	12,560	11,480
<b>Revenues</b>	2,388	2,277

Expenses and revenues disclosed in (d) exclude common services provided without charge, which are already disclosed in (a).

**Explanatory Notes:**

Note (b) is only required if a department (e.g., PSPC, Treasury Board of Canada Secretariat, Justice Canada and ESDC) provided services without charge and it was recorded by the other government departments in its financial statements.

Note (c) is only required for departments that administer significant amounts of funds on behalf of other government departments.

Note (d) If the amount of receivables and payables with related parties is presented elsewhere in the financial statements, there is no need to present the information in this note.

**17. Transfers from/to other government departments**

Effective November 15, 2017, the Department transferred responsibility for the (name of program/business line etc.) to the (name of other department) in accordance with (e.g., Act of Parliament, Order-in-Council, Treasury Board of Canada Secretariat Directive etc.), including the stewardship responsibility for the assets and

liabilities related to the program. Accordingly, the Department transferred the following assets and liabilities related to the (name of program/business line etc.) to (name of other department) on November 15, 2017:

(in thousands of dollars)

	2018
<b>Assets:</b>	
Tangible capital assets (net book value) ( <a href="#">note 12</a> )	\$ 10,000
<b>Total assets transferred</b>	10,000
<b>Liabilities:</b>	
Vacation pay and compensatory leave	1,200
Employee future benefits ( <a href="#">note 8</a> )	4,800
<b>Total liabilities transferred</b>	6,000
<b><i>Adjustment to the departmental net financial position</i></b>	<b>\$ 4,000</b>

In addition, the 2017 comparative figures have been reclassified on the Statement of Operations and Departmental Net Financial Position to present the revenues and expenses of the transferred operations.

During the transition period, the Department continued to administer the transferred activities on behalf of (name of other department). The administered revenues and expenses amounted to \$543 thousand and to \$6,845 thousand respectively, for the year. These revenues and expenses are not recorded in these financial statements. [9](#)

## Explanatory Notes:

This note is required in years when the department transfers significant assets and liabilities to another federal government department or agency or when the department receives transfers of significant assets and liabilities from another federal government department. These transactions would typically be a part of a government reorganization.

The transferred amounts should be measured at the carrying values reported by the transferring department.

The net assets or net liabilities transferred should be recorded as an adjustment to departmental net financial position in the Statement of Operations and Departmental Net Financial Position.

Any compensation received or restructuring-related costs which are part of the transaction should also be disclosed in the financial statements. Departments are to consult GC 3430 and PS 3430 Restructuring Transactions for further disclosure requirements.

[9](#)

These represent the transactions after the Act of Parliament, Order-in-Council, Treasury Board of Canada Secretariat Directive, etc. date.

### Receiving department

The results of operations of the transferred responsibilities from the restructuring date to the end of the reporting period are combined with the results of the recipient's pre-restructuring operations.



The above example is for the transferring department. The receiving department's note disclosure for this transaction would be similar to the following:

Effective November 15, 2017, the Department was transferred the responsibility for the (name of program/business line etc.) from the (name of other department) in accordance with (e.g., Act of Parliament, Order-in-Council, Treasury Board of Canada Secretariat Directive, etc.), including the stewardship responsibility for the assets and liabilities related to the program. Accordingly, the Department received the following assets and liabilities related to the (name of program or business line, etc.) from (name of other department) on November 15, 2017:

**(in thousands of dollars)**

	<b>2018</b>
<b>Assets:</b>	
<b>Tangible capital assets (net book value) (note 12)</b>	\$ 10,000
<b>Total assets transferred</b>	10,000
<b>Liabilities:</b>	
<b>Vacation pay and compensatory leave</b>	1,200
<b>Employee future benefits (note 8)</b>	4,800
<b>Total liabilities transferred</b>	6,000
<b><i>Adjustment to the departmental net financial position</i></b>	<b>\$ 4,000</b>

## 18. Segmented information

Presentation by segment is based on the Department's core responsibility. 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 for the main core responsibilities, by major object of expense and by major type of revenue. The segment results for the period are as follows:

<b>(in thousands of dollars)</b>				
	<b>Benefit Programs and Other Services</b>	<b>Appeals</b>	<b>International Issues</b>	
<b>Transfer payments</b>				
<b>Industry</b>	\$ 2,813	\$ 0	\$ 0	
<b>Individuals</b>	255	0	0	
<b>Total transfer payments</b>	3,068	0	0	
<b>Operating expenses</b>				
<b>Salaries and employee benefits</b>	513,158	399,123	147,450	
<b>Professional and special services</b>	187,573	145,890	80,116	
<b>Amortization of tangible capital assets</b>	33,554	26,097	13,913	

<b>Utilities, materials and supplies</b>	19,926	15,498	6,296
<b>Accommodation</b>	19,575	15,225	6,170
<b>Travel</b>	15,996	12,441	5,653
<b>Communication</b>	5,762	4,481	1,729
<b>Other</b>	3,530	3,096	466
<b>Expenses incurred on behalf of Government</b>	0	(350)	(150)
<b>Total operating expenses</b>	799,074	621,501	261,643
<b>Total expenses</b>	802,142	621,501	261,643
<b>Revenues</b>			
<b>Regulatory fees</b>	30,629	30,933	17,676
<b>Miscellaneous revenues</b>	9,261	482	275
<b>Revenues earned on behalf of Government</b>	0	(14,318)	(8,182)
<b>Total revenues</b>	39,890	17,097	9,769
<b>Net cost from continuing operations</b>	<b>\$762,252</b>	<b>\$ 604,404</b>	<b>\$ 251,874</b>

#### **Explanatory Notes:**

This note should be adapted by departments to their own specific situation.

Departments that need to group some of their core responsibilities may do so.

The method of significant allocations to segments should be disclosed as applicable.

## **19. Subsequent events**

On August 1, 2018, the Government of Canada announced its decision to sell eight buildings. The buildings and land that are located in six major cities across Canada will be sold for an amount approximating \$800,000 thousand. The impact of this sale, once finalized, will be reflected in the 2018-19 financial statements.

#### **Explanatory Notes:**

The above is an example of subsequent event disclosure for a significant or unusual event that has occurred between the date of the financial statements and the date of their completion that do not related to conditions that existed at the date of the financial statements.

## **20. Adjustments to prior year's results**

In 2017-2018, 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 2016-2017 has been restated. The effect of this adjustment is presented in the table below.

(in thousands of dollars)

	2017 As previously stated	Effect of the adjustment	2017 Restated
<b>Statement of Financial Position</b>			
Tangible capital assets	\$ 1,230,000	\$ 27,513	\$ 1,257,513
Non-financial assets	1,241,224	27,513	1,268,737
Departmental net financial position	1,150,599	(2,760)	1,147,839
<b>Statement of Operations and Departmental Net Financial Position</b>			
Amortization of tangible capital assets	\$ 71,953	\$ 2,760	\$ 74,713
Net cost of continuing operations	1,635,040	2,760	1,637,800
<b>Statement of Cash Flows</b>			
Net cost of continuing operations	\$ 1,635,040	\$ 2,760	\$ 1,637,800
Amortization of tangible capital assets	71,953	2,760	74,713

### Explanatory Notes:

A similar note may be required in subsequent years for the adoption of new accounting policies by the department in that year.

## 21. Comparative information

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

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