

CONSOLIDATED FUTURE-ORIENTED STATEMENT OF OPERATIONS (unaudited)

CORRECTIONAL SERVICE OF CANADA

For the Year Ended March 31
(in thousands of dollars)

	Forecast Results 2018	Planned Results 2019
Expenses		
Care and Custody	1,604,146	1,554,834
Correctional Interventions	551,609	521,449
Community Supervision	173,443	172,560
Internal Services	409,908	324,982
<i>Total expenses</i>	2,739,106	2,573,825
Revenues		
Sales of goods and services	74,680	61,889
Others	3,720	3,566
Revenues earned on behalf of Government	(3,720)	(3,566)
<i>Total revenues</i>	74,680	61,899
Net cost of operations before government funding and transfers	2,664,426	2,511,926

The accompanying notes form an integral part of the Consolidated Future-Oriented Statement of Operations.

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

CORRECTIONAL SERVICE OF CANADA

For the Year Ended March 31

1. Authority and Objectives

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

The purpose of the federal correctional system, as defined by law, is to contribute to the maintenance of a just, peaceful and safe society by carrying out sentences imposed by courts through the safe and humane custody and supervision of offenders; and by assisting the rehabilitation of offenders and their reintegration into the community as law-abiding citizens through the provision of programs in penitentiaries and in the community (*Corrections and Conditional Release Act, s.3*). It delivers its mandate under four major programs:

Care and Custody: CSC provides for the safety, security and humane care of inmates, including day-to-day needs of inmates such as food, clothing, accommodation, mental health services, and physical health care. It also includes security measures within institutions such as drug interdiction, and appropriate control practices to prevent incidents;

Correctional Interventions: CSC conducts assessment activities and program interventions to support federal offenders' rehabilitation and facilitate their reintegration into the community as law-abiding citizens. CSC also engages Canadian citizens as partners in its correctional mandate, and provides outreach to victims of crime;

Community Supervision: CSC supervises offenders in the community and provides structure and services to support their safe and successful reintegration into the community. Services include accommodation options, community health services, and the establishment of community partnerships. CSC manages offenders on parole, statutory release, and long-term supervision orders; and

Internal Services: Internal Services are those groups of related activities and resources that the federal government considers to be services in support of programs and/or required to meet corporate obligations of an organization. Internal Services refers to the activities and resources of the 10 distinct service categories that support program delivery in the organization, regardless of the Internal Services delivery model in a department. The 10 service categories 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; and Acquisition Services.

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2. Methodology and significant assumptions

The Consolidated Future-Oriented Statement of Operations (CFOSO) has been prepared on the basis of the Government priorities and CSC's plans described in the Departmental Plan.

The information in the forecast results for fiscal year 2017-18 is based on actual results as at November 30, 2017 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for fiscal year 2018-19.

The main assumptions underlying the forecasts are as follows:

- (a) CSC's activities will remain substantially the same as for the previous year.
- (b) Expenses and revenues, including the determination of amounts internal and external to the Government, are based on a combination of historical experience and future planned spending.
- (c) Estimated year end information for 2017-18 is used as the opening position for the 2018-19 planned results.

These assumptions are adopted as at January 12, 2018.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2017-18 and for 2018-19, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing these CFOSO, CSC 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 CFOSO and the historical consolidated statement of operations include:

- (a) The timing and amounts of acquisitions and disposals of tangible capital assets may affect gains, losses and amortization expense;
- (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; and
- (d) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

After the Departmental Plan is tabled in Parliament, CSC will not update forecasted information for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the ensuing Departmental Results Report.

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

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4. Summary of Significant Accounting Policies

The CFOSO has been prepared using Government's accounting policies that came into effect for the 2017-2018 fiscal year, 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) Consolidation

The CFOSO includes the accounts of the CORCAN revolving fund sub-entity that have been consolidated with those of CSC. All inter-organizational transactions have been eliminated.

(b) Expenses

Expenses are recorded on an accrual basis:

Expenses for CSC operations are recorded when goods are received or services are rendered including services provided without charges for accommodation, employer contributions to health and dental insurance plans, legal services and workers' compensation which are recorded as expenses at their estimated cost;

Vacation pay and compensatory leave as well as severance benefits, are accrued, and expenses are recorded as the benefits are earned by employees under their respective terms of employment;

Transfer payments are recorded as expenses when the recipients have met all the eligibility criteria and the transfers are authorized by March 31. In the case of transfers which do not form part of an existing program, the transfers are considered to be authorized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the consolidated financial statements;

Expenses also include provisions to reflect changes in the value of assets, including provisions for bad debt on accounts receivable, provision for valuation on loans, investments and advances and inventory obsolescence or liabilities, including contingent liabilities and environmental liabilities to the extent the future event is likely to occur and a reasonable estimate can be made; and

Expenses also include amortization of tangible capital assets which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.

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

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4. Summary of Significant Accounting Policies (continued)

(c) Revenues

Revenues from regulatory fees are recognized in the accounts based on the services provided in the year;

Funds that have been received are recorded as deferred revenue, provided CSC has an obligation to other parties for the provision of goods, services or the use of assets in the future;

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

Revenues that are non-respendable are not available to discharge CSC's liabilities. While the Commissioner 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 CSC's gross revenues.

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5. Parliamentary Authorities

CSC is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to CSC differs from financial reporting according to generally accepted accounting principles since authorities are primarily based on cash flow requirements. Items recognized in the CFOSO in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, CSC has different net cost 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:

<i>(in thousands of dollars)</i>	Forecast Results 2018	Planned Results 2019
Net cost of operations before government funding and transfers	2,664,426	2,511,926
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
Amortization of tangible capital assets	(132,671)	(131,193)
Net loss on disposals of capital assets, including adjustments	(10,675)	(14,884)
Services provided without charge by other government departments	(163,684)	(162,053)
Decrease in vacation pay and compensatory leave	48,324	46,790
Decrease in employee future benefits	857	121
Decrease in obligation for termination benefits	7	-
Increase in contingent liabilities	(3,388)	-
Refund of prior years' expenditures	4,127	4,306
	(257,103)	(256,913)
<i>Adjustments for items not affecting net cost of operations but affecting appropriations:</i>		
Acquisitions of tangible capital assets	247,177	189,142
(Decrease) Increase in inventories	(584)	41
Decrease in environmental liabilities	(150)	(150)
Transition payments for implementing salary payments in arrears	6	-
	246,449	189,033
Requested authorities	2,653,772	2,444,046

(b) Authorities requested

<i>(in thousands of dollars)</i>	Forecast Results 2018	Planned Results 2019
Authorities requested		
Vote 1 – Operating expenditures	2,177,865	2,026,626
Vote 5 – Capital expenditures	246,483	189,142
Statutory amounts	229,424	228,278
Requested authorities	2,653,772	2,444,046