

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 January 23, 2013 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.

Signed by

Don Head
Commissioner
Ottawa, Canada
January 29, 2013

Signed by

Liette Dumas-Sluyter, CMA, CIA
Chief Financial Officer

FUTURE-ORIENTED STATEMENT OF FINANCIAL POSITION (unaudited)

CORRECTIONAL SERVICE CANADA

As at March 31	Estimated Results 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
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Liabilities		
Accounts payable and accrued liabilities (Note 6)	294,057	241,295
Deferred revenue (Note 7)	465	415
Vacation pay and compensatory leave	64,019	61,523
Employee future benefits (Note 8)	188,163	60,308
Inmate trust fund (Note 9)	18,690	19,567
<i>Total liabilities</i>	<u>565,394</u>	<u>383,108</u>
Assets		
Financial assets		
Due from Consolidated Revenue Fund	244,714	212,056
Accounts receivable, advances and loans (Note 10)	22,061	26,885
Inventory held for resale (Note 11)	9,985	10,249
<i>Total financial assets</i>	<u>276,760</u>	<u>249,190</u>
Financial assets held on behalf of Government		
Accounts receivable, advances and loans (Note 10)	(1,473)	(1,529)
<i>Total Financial assets held on behalf of Government</i>	<u>(1,473)</u>	<u>(1,529)</u>
<i>Total Net Financial assets</i>	<u>275,287</u>	<u>247,661</u>
Organizational net debt	290,107	135,447
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Non-financial assets		
Prepaid expenses	517	537
Inventory not for resale (Note 11)	37,449	37,974
Tangible capital assets (Note 12)	1,861,557	2,003,575
<i>Total non-financial assets</i>	<u>1,899,523</u>	<u>2,042,086</u>
Organizational net financial position	1,609,416	1,906,639
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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.

Signed by

Don Head
Commissioner
Ottawa, Canada
January 29, 2013

Signed by

Liette Dumas-Sluyter, CMA, CIA
Chief Financial Officer

FUTURE-ORIENTED STATEMENT OF OPERATIONS AND ORGANIZATIONAL NET FINANCIAL POSITION (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31	Estimated Results 2013	Planned Results 2014
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(in thousands of dollars)

Expenses

Custody	1,543,364	1,471,261
Correctional Interventions	632,962	619,763
Community Supervision	131,344	128,426
Internal Services	446,927	410,891
Expenses incurred on behalf of Government	(59)	(61)
Total expenses	2,754,538	2,630,280

Revenues

Sales of goods and services	54,046	57,304
Miscellaneous Revenues	5,600	4,100
Revenues earned on behalf of Government	(5,600)	(4,100)
Total revenues	54,046	57,304

Net Cost of operations before government funding and transfers	2,700,492	2,572,976
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Government funding and transfer

Net cash provided by Government	2,823,535	2,771,818
Change in due from Consolidated Revenue Fund	41,852	(32,658)
Services provided without charge by other government departments (Note 15 a)	133,072	131,039

Net Cost of operations after government funding and transfers

	(297,967)	(297,223)
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Organizational net financial position - Beginning of year	1,311,449	1,609,416
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Organizational net financial position - End of year	1,609,416	1,906,639
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Segmented information (note 16)

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

FUTURE-ORIENTED STATEMENT OF CHANGE IN ORGANIZATIONAL NET DEBT (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

	Estimated Results 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
Net cost of operations after government funding and transfers	(297,967)	(297,223)
Change due to tangible capital assets		
Acquisition of tangible capital assets	395,178	296,287
Amortization of tangible capital assets	(116,395)	(154,269)
Total change due to tangible capital assets	278,783	142,018
Change due to inventory not held for resale	916	525
Change due to prepaid expenses	438	20
Net decrease in organizational net debt	(17,830)	(154,660)
Organizational net debt - Beginning of year	307,937	290,107
Organizational net debt - End of year	290,107	135,447

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 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
OPERATING ACTIVITIES		
Net cost of operations before government funding and transfers	2,700,492	2,572,976
Non-cash items:		
Amortization of tangible capital assets	(116,395)	(154,269)
Services provided without charge by other government departments (note 15a)	(133,072)	(131,039)
Variations in Statement of Financial Position:		
Decrease (increase) in accounts payable and accrued liabilities	(25,956)	52,762
Decrease (increase) in deferred revenue	295	50
Decrease (increase) in vacation pay and compensatory leave	(451)	2,496
Decrease (increase) in employee future benefits	15,093	127,855
Decrease (increase) in inmate trust fund	(1,070)	(877)
Increase (decrease) in accounts receivable, advances and loans	(10,274)	4,768
Increase (decrease) in prepaid expenses	438	20
Increase (decrease) in inventory held for resale	(1,659)	264
Increase (decrease) in inventory not for resale	916	525
Cash used in operating activities	2,428,357	2,475,531
CAPITAL INVESTMENT ACTIVITIES		
Acquisitions of tangible capital assets	395,178	296,287
Cash used in capital investment activities	395,178	296,287
NET CASH PROVIDED BY GOVERNMENT OF CANADA	2,823,535	2,771,818

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

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

1. Authority and Objectives

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

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

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;

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

For the year ended March 31

2. Methodology and significant assumptions

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 information in the estimated results for fiscal year 2012-13 is based on actual results as at December 31, 2012 and forecast for the remainder of the fiscal year. Estimated year end information for 2012-13 is used as the opening position for the 2013-14 planned results, and forecasts have been made for the planned results for the 2013-14 fiscal year.

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.

These assumptions are adopted as at January 23, 2013.

3. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2012-13 and for 2013-14, 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.

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

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

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.
- 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.

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.

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

4. Summary of Significant Accounting Policies

The future-oriented financial statements have been prepared using the Government'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

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 Organizational Net Financial Position 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 sub-entity that the Commissioner is accountable for, which is CSC's 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 authorities to discharge its liabilities.

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

4. Summary of Significant Accounting Policies (continued)

e) Revenues

- Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the services are rendered or goods are sold;
- Revenues from regulatory fees are recognized in the accounts based on the services provided in the year;
- Funds that have been received are recorded as deferred revenue, provided the organization 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;
- 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 in reduction of the entity's gross revenues.

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;

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

4. Summary of Significant Accounting Policies (continued)

- Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met the eligibility criteria or the entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses 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 future-oriented financial statements. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.

g) Employee future benefits

- Pension benefits: Eligible employees participate in the Public Service Pension Plan, a multi-employer plan administered by the Government. CSC's contributions to the Plan are charged to expenses in the year incurred and represent the total organizational obligation to the Plan. 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.
- Severance benefits: Employees entitled to severance benefits under labour contracts or conditions of employment earn these benefits as services necessary to earn them are rendered. 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. However, when the terms of the loans are concessionary, such as those provided with a low or no interest clause, they are recorded at their estimated present value. A portion of the unamortized discount is recorded as revenue each year to reflect the change in the present value of the loans outstanding. Transfer payments that are unconditionally repayable are recognized as loans receivable. A valuation allowance is recorded for accounts and loans receivable where recovery is considered uncertain.

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

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 future-oriented 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 future-oriented financial statements.

k) Inventories

- Inventory held for resale include raw materials, finished goods, and work-in-progress. They belong to the CORCAN revolving fund and are valued at the lower of cost or net realizable value. The organization 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.

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

4. Summary of Significant Accounting Policies (continued)

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:

Asset Class	Sub-Asset Class	Amortization Period
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 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.

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

5. Parliamentary Authorities

CSC receives most of its funding through annual Parliamentary authorities. Items recognized in the Future-oriented Statement of Operations and Organizational Net Financial Position and the Future-oriented 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 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
Net cost of operations before government funding and transfers	2,700,492	2,572,976
<i>Adjustments for items affecting net cost of operations but not affecting authorities:</i>		
<i>Add (Less):</i>		
Amortization of tangible capital assets	(116,395)	(154,269)
Services provided without charge by other government departments (note 15a)	(133,072)	(131,039)
Increase in vacation pay and compensatory leave	(451)	(2,496)
Increase in obligation for termination benefits (note 6)	(25,220)	-
Decrease (increase) in employee future benefits	(12,344)	15,296
	(287,482)	(272,508)
<i>Adjustments for items not affecting net cost of operations but affecting authorities:</i>		
<i>Add (Less):</i>		
Acquisitions of tangible capital assets	395,178	296,287
Increase in deferred revenue	295	50
Increase (decrease) in inventory	(743)	789
Increase in prepaid expenses	438	20
	395,168	297,146
Forecast current year lapse	65,337	-
Forecast authorities available	2,873,515	2,597,614

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

5. Parliamentary Authorities (continued)

b) Authorities requested:

	Estimated Results 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
Authorities requested		
Vote 25 - Operating expenditures	2,095,776	2,008,952
Vote 30 - Capital expenditures	539,554	355,545
Statutory amounts	238,185	233,117
Forecast authorities available	2,873,515	2,597,614

Authorities presented reflect current forecasts of statutory items and approved initiatives included and expected to be included in Estimates documents and, when reasonable estimates can be made, estimates of amounts to be allocated from Treasury Board central votes.

6. Accounts Payable and Accrued Liabilities

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

	Estimated Results 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
Accounts payable to other government departments and agencies	59,587	58,797
Accounts payable to external parties	156,087	129,585
	215,674	188,382
Contingent liabilities (note 13)	7,328	7,328
Accrued liabilities	71,055	45,585
Total	294,057	241,295

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

6. Accounts Payable and Accrued Liabilities (continued)

In *Canada's Economic Action Plan 2012*, the Government announced savings measures to be implemented by departments over the next three fiscal years starting in 2012-2013. As a result, CSC is recording at March 31, 2013 an obligation for termination benefits for an amount of \$25,220,155 as part of accrued liabilities to reflect the estimated workforce adjustment costs.

7. 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 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
Opening balance	760	465
Amounts received	-	-
Revenue recognized	(295)	(50)
Ending balance	465	415

8. 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 \$196,799,501 in 2012-2013 and \$192,155,250 in 2013-2014, which represents approximately 1.8 times the contributions by employees.

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

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

8. Employee Future Benefits (continued)

b) Severance benefits:

CSC provides severance benefits to its employees based on eligibility, years of service and salary at termination of employment. 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:

As part of collective agreement negotiations with certain employee groups, and changes to conditions of employment for executives and certain non-represented employees, the accumulation of severance benefits under the employee severance pay program ceased for these employees commencing in 2012. Employees subject to these changes have been given the option to be immediately paid the full or partial value of benefits earned to date or collect the full or remaining value of benefits on termination from the public service. These changes have been reflected in the calculation of the outstanding severance benefit obligation.

	Estimated Results 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
Accrued benefit obligation, opening balance	203,256	188,163
Expenses for the year	12,344	(15,666)
Benefits paid during the year	(27,437)	(112,189)
Accrued benefit obligation, closing balance	188,163	60,308

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

9. 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 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
Opening balance	17,620	18,690
Receipts	41,855	42,082
Disbursements	(40,785)	(41,205)
Closing balance	18,690	19,567

10. Accounts Receivable, Advances and Loans

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

	Estimated Results 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
Receivables from other government departments and agencies	16,796	21,911
Receivables from external parties	6,664	6,403
Employee advances and Parolee loans	397	381
	23,857	28,695
Allowance for doubtful accounts on receivables from external parties and parolee loans	(1,796)	(1,810)
Gross accounts receivables	22,061	26,885
Accounts receivable held on behalf of Government	(1,473)	(1,529)
Net accounts receivable	20,588	25,356

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

11. Inventory

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

	Estimated Results 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
Inventory held for resale		
Raw materials	5,196	5,264
Work in progress	441	443
Finished goods	5,053	5,256
	10,690	10,963
Provision for obsolete inventory	(705)	(714)
Total inventory held for resale	9,985	10,249
Inventory not for resale		
Supplies	14,977	15,187
Clothing	11,635	11,798
Building materials	4,563	4,627
Utilities	1,643	1,666
Other	4,631	4,696
Total inventory not for resale	37,449	37,974
Total	47,434	48,223

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

12. Tangible Capital Assets

(in thousands of dollars)

Capital asset class	Cost				Accumulated Amortization				Net Book Value	
	Opening balance	Acquisitions	Adjustments (1)	Closing balance	Opening balance	Amortization	Adjustments (1)	Closing balance	2014	2013
Land	14,824	-	-	14,824	-	-	-	-	14,824	14,824
Buildings	1,719,234	-	540,652	2,259,886	828,019	81,619	-	909,638	1,350,248	891,215
Works and infrastructure	599,404	-	103,316	702,720	375,979	47,163	-	423,142	279,578	223,425
Machinery and equipment	278,829	23,733	-	302,562	120,958	15,503	-	136,461	166,101	157,871
Vehicles	59,318	4,519	-	63,837	36,839	6,773	-	43,612	20,225	22,479
Leasehold improvements	24,312	7,139	-	31,451	8,523	3,211	-	11,734	19,717	15,789
Assets under construction	535,954	260,896	(643,968)	152,882	-	-	-	-	152,882	535,954
Total	3,231,875	296,287	-	3,528,162	1,370,318	154,269	-	1,524,587	2,003,575	1,861,557

(1) Transfer of assets under construction represent assets that will be put into use in the year and transferred to the other capital asset classes as applicable.

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

For the year ended March 31

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 date of the preparation of these future-oriented financial statements, CSC has identified approximately 42 sites where such action is possible and for which a liability of \$5,640,983 has been recorded in accrued liabilities. CSC has estimated additional clean-up costs of \$771,000 that are not accrued, as these are not considered 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 CSC in the year in which they become likely and can be reasonably estimable.

b) Claims and litigations

Claims have been made against CSC in the normal course of operations. These claims include items with pleading 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 \$1,687,000 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)

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14. Contractual Obligations

The nature of the CSC's activities can result in some large multi-year contracts and obligations whereby the organization 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>	
2013	24,196
2014	22,193
2015	22,503
2016	10,051
2017 and thereafter	800
Total	79,743

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 received services without charge from certain common services organizations related to accommodation, legal services, the employer's contribution to the health and dental insurance plans, and worker's compensation coverage. These services provided without charge have been recorded in CSC's Future-oriented Statement of Operations and Organizational Net Financial Position as follows:

	Estimated Results 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
Employer's contribution to the health and dental insurance plans	111,141	108,518
Accommodation	14,374	14,814
Workers' compensation	5,588	5,578
Legal services	1,969	2,129
Total	133,072	131,039

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

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15. Related Party Transactions (continued)

The Government has centralized some of its administrative activities for efficiency, cost-effective, 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 and Organizational Net Financial Position.

b) Other transactions with related parties

	Estimated Results 2013	Planned Results 2014
<i>(in thousands of dollars)</i>		
Expenses – Other government departments and agencies	367,002	367,002
Revenues – Other government departments and agencies	39,846	39,846

NOTES TO FUTURE-ORIENTED FINANCIAL STATEMENTS (unaudited)

CORRECTIONAL SERVICE CANADA

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16. Segmented Information

Presentation by segment is based on the Organization'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:

	2013	2014				
<i>(in thousands of dollars)</i>						
		Custody	Correctional Interventions	Community Supervision	Internal Services	Total
Transfer payments						
Non-profit organizations	1,590	282	593	82	-	957
Total transfer payments	1,590	282	593	82	-	957
Operating expenses						
Salaries and employee benefits	1,859,799	935,760	488,912	37,133	328,210	1,790,015
Professional and special services	343,412	129,717	62,880	76,475	28,555	297,627
Utilities, maintenance and supplies	167,782	115,089	9,041	2,931	9,804	136,865
Amortization of tangible capital assets	116,395	150,348	3,921	-	-	154,269
Repairs and maintenance	86,277	57,605	1,882	8	6,688	66,183
Machinery and equipment	27,068	23,200	3,942	92	5,894	33,128
Travel	33,025	8,543	8,162	1,241	13,423	31,369
Payment in lieu of taxes	35,338	37,098	-	-	-	37,098
Inmate pay	22,005	-	20,423	-	-	20,423
Cost of goods sold	15,382	-	14,769	-	-	14,769
Accommodation	14,375	-	-	7,830	6,984	14,814
Telecommunications	2,962	1,350	73	329	520	2,272
Rentals	19,243	9,722	4,264	211	4,522	18,719
Relocation	6,124	1,652	844	137	5,365	7,998
Other	3,820	895	57	1,957	926	3,835
Total operating expenses	2,753,007	1,470,979	619,170	128,344	410,891	2,629,384
Sub-Total Expenses	2,754,597	1,471,261	619,763	128,426	410,891	2,630,341
Expenses incurred on behalf of Government	(59)	-	-	-	(61)	(61)
Total Expenses	2,754,538	1,471,261	619,763	128,426	410,830	2,630,280
Revenues						
Sales of goods and services	54,046	-	57,304	-	-	57,304
Miscellaneous Revenues	5,600	2,700	800	-	600	4,100
Revenues earned on behalf of Government	(5,600)	(2,700)	(800)	-	(600)	(4,100)
Total Revenues	54,046	-	57,304	-	-	57,304
Net Cost from continuing operations	2,700,492	1,471,261	562,459	128,426	410,830	2,572,976