

# Statement of Management Responsibility

## ENVIRONMENT CANADA

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2009 and all information contained in these statements rests with departmental management. These financial statements have been prepared by management in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

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 to the *Public Accounts of Canada* and included in the department's *Departmental Performance Report* is consistent with these financial statements.

Management maintains a system of financial management and internal control designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are in accordance with the *Financial Administration Act*, are executed in accordance with prescribed regulations, within Parliamentary authorities, and are properly recorded to maintain accountability of Government funds. Management also seeks to ensure the objectivity and integrity of data in its financial statements by careful selection, training and development of qualified staff, by organizational arrangements that provide appropriate divisions of responsibility, and by communication programs aimed at ensuring that regulations, policies, standards and managerial authorities are understood throughout the department.

The Audit Committee comprised of external members ensures that the Deputy Minister receives independent objective advice and assurance on the adequacy of Environment Canada's internal control and accountability processes. It ensures that there are effective arrangements in place to monitor and follow-up on management action plans responding to recommendations from internal audits, the Office of the Auditor General, or other sources. It reviews Environment Canada's financial statements and the corporate risk profile. It also reviews the arrangements established by management to promote public service values and to ensure compliance with legislation, regulations, policies, and standards of ethical conduct.

The financial statements of the department have not been audited.

*The original version was signed by*

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**Ian Shugart,**  
Deputy Minister

Gatineau, Canada  
August 7, 2009

*The original version was signed by*

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**Basia Ruta,**  
ADM, Finance & Corporate,  
Chief Financial Officer

# Statement of Operations (Unaudited)

## ENVIRONMENT CANADA

### For the year ended March 31

(in thousands of dollars)

#### Expenses (Note 4)

	2009	2008
Canadians are informed of, and respond appropriately to, current and predicted environmental conditions	\$217,831	\$194,947
Biodiversity is conserved and protected	205,268	208,465
Improved knowledge and information on weather and environmental conditions influences decision-making	181,150	162,561
Risks to Canadians, their health and their environment posed by toxic and other harmful substances are reduced	157,172	123,566
Risks to Canadians, their health and their environment from air pollutants and greenhouse gas emissions are reduced	122,305	96,431
Water is clean, safe and secure	121,874	107,961
Canadians adopt sustainable consumption and production approaches	95,018	60,223
Revitalization of the Toronto Waterfront	83,595	43,405
Canadians adopt approaches that ensure the sustainable use and management of natural capital and working landscapes	48,011	47,168
Harbourfront Corporation	5,531	5,394
<b>Total expenses</b>	<b>1,237,755</b>	<b>1,050,121</b>

#### Revenues (Note 5)

Canadians are informed of, and respond appropriately to, current and predicted environmental conditions	45,557	45,884
Biodiversity is conserved and protected	4,951	4,766
Improved knowledge and information on weather and environmental conditions influences decision-making	19,849	18,763
Risks to Canadians, their health and their environment posed by toxic and other harmful substances are reduced	4,626	3,501
Risks to Canadians, their health and their environment from air pollutants and greenhouse gas emissions are reduced	799	545
Water is clean, safe and secure	4,631	5,520
Canadians adopt sustainable consumption and production approaches	12	27
Revitalization of the Toronto Waterfront	1	-
Canadians adopt approaches that ensure the sustainable use and management of natural capital and working landscapes	813	1,065
<b>Total revenues</b>	<b>81,239</b>	<b>80,071</b>
<b>Net cost of operations</b>	<b>\$1,156,516</b>	<b>\$970,050</b>

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

# Statement of Financial Position (Unaudited)

## ENVIRONMENT CANADA

**As at March 31**  
(in thousands of dollars)

	<u>2009</u>	<u>2008</u>
<b>Assets</b>		
<b>Financial assets</b>		
Accounts receivable and advances (Note 6)	\$10,614	\$7,305
<b>Non-financial assets</b>		
Prepaid expenses	1,628	1,669
Inventory	5,270	5,158
Tangible capital assets (Note 7)	357,208	341,119
	<u>364,106</u>	<u>347,946</u>
<b>TOTAL</b>	<u>\$374,720</u>	<u>\$355,251</u>
<b>Liabilities and Equity of Canada</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities (Note 12)	\$267,177	\$296,605
Vacation pay and compensatory leave	29,683	28,673
Deferred revenue (Note 8)	5,147	5,333
Lease obligation for tangible capital assets (Note 9)	14,475	14,934
Environmental liabilities (Note 11)	56,269	55,520
Employee severance benefits (Note 10)	129,025	105,183
Other liabilities (Note 11)	1,943	1,644
	<u>503,719</u>	<u>507,892</u>
<b>Equity of Canada</b>	<u>(128,999)</u>	<u>(152,641)</u>
<b>TOTAL</b>	<u>\$374,720</u>	<u>\$355,251</u>

The accompanying notes are an integral part of the financial statements

# Statement of Equity of Canada (Unaudited)

## ENVIRONMENT CANADA

As at March 31

(in thousands of dollars)

	2009	2008
<b>Equity of Canada, beginning of the year</b>	<b>(\$152,641)</b>	(\$238,041)
Net cost of operations (Note 3b)	<b>(1,156,516)</b>	(970,050)
Current year appropriations used (Notes 3 a), 3 b) and 3 c))	<b>1,120,367</b>	997,031
Revenue not available for spending (Notes 3a, 3c)	<b>(13,783)</b>	(13,520)
Refund of previous year's expenditures (Notes 3a, 3c)	<b>(782)</b>	(1,257)
Change in net position in the Consolidated Revenue Fund (Note 3c)	<b>(11,724)</b>	(3,465)
Services provided without charge by other government departments (Notes 3a, 13)	<b>86,080</b>	76,661
<b>Equity of Canada, end of the year</b>	<b>(\$128,999)</b>	(\$152,641)

The accompanying notes are an integral part of the financial statements.

# Statement of Cash Flow (Unaudited)

## ENVIRONMENT CANADA

**For the year ended March 31**  
(in thousands of dollars)

	<u>2009</u>	<u>2008</u>
<b>Operating activities</b>		
<b>Net cost of operations</b>	<b>\$1,156,516</b>	\$970,050
<b>Non-cash items:</b>		
Services provided without charge by other government departments (Note 3a, 13)	(86,080)	(76,661)
Amortization of tangible capital assets (Note 7)	(33,432)	(36,879)
Loss on disposal and write-down of tangible capital assets	(688)	(2,251)
Found assets credited to Revenue	211	411
<b>Variations in Statement of Financial Position:</b>		
Increase (decrease) in financial assets	3,309	(7,675)
Increase (decrease) in prepaid expenses	(41)	113
Increase in inventory	112	2,518
Decrease in liabilities	4,173	87,647
<b>Cash used by operating activities</b>	<b>1,044,080</b>	937,273
<b>Capital investment activities</b>		
Acquisition of tangible capital assets (Note 7)	50,762	42,225
Proceeds from the disposal of tangible capital assets	(764)	(709)
<b>Cash used for capital investment activities</b>	<b>49,998</b>	41,516
<b>Financing activities</b>		
<b>Net cash provided by Government of Canada</b>	<b>\$1,094,078</b>	\$978,789

The accompanying notes are an integral part of the financial statements

# Notes to the Financial Statements (Unaudited)

## ENVIRONMENT CANADA

### 1. Authority and objectives

Environment Canada (EC) was established under legislation by the *Department of the Environment Act*. Under this *Act*, the powers, duties and functions of the Minister of the Environment extend to and include matters relating to:

- ✓ The preservation and enhancement of the quality of the natural environment (including water, air and soil quality);
- ✓ Renewable resources, including migratory birds and other non-domestic flora and fauna;
- ✓ Water;
- ✓ Meteorology;
- ✓ Enforcement of any rules or regulations made by the International Joint Commission relating to boundary waters; and
- ✓ Coordination of the policies and programs of the Government of Canada respecting the preservation and enhancement of the quality of the natural environment.

Environment Canada delivers its mandate through the following 10 programs:

- ✓ Biodiversity is conserved and protected
- ✓ Canadians are informed of, and respond appropriately to, current and predicted environmental conditions
- ✓ Improved knowledge and information on weather and environmental conditions influences decision-making
- ✓ Risks to Canadians, their health and their environment posed by toxic and other harmful substances are reduced
- ✓ Water is clean, safe and secure
- ✓ Risks to Canadians, their health and their environment from air pollutants and greenhouse gas emissions are reduced
- ✓ Canadians adopt sustainable consumption and production approaches
- ✓ Canadians adopt approaches that ensure the sustainable use and management of natural capital and working landscape
- ✓ Revitalization of the Toronto Waterfront
- ✓ Harbourfront Corporation

Through Orders in Council effective October 30<sup>th</sup>, 2008, the responsibility for matters relating to the activities of the federal government with respect to the Toronto Waterfront Revitalization Initiative (TWRI) and Harbourfront Centre (HC) was transferred from the Minister of the Environment to the Minister of Finance. Although powers and duties were assumed by the Department of Finance during part of the fiscal year, funding authority remained with Environment Canada for the entire exercise period. As such, Environment Canada is responsible to report TWRI and HC program spending within its 2008-2009 Financial Statements.

Conversely, also by Order in Council, the Mackenzie Gas Project was transferred to the Minister of the Environment from the Minister of Industry and will be reported under that Department this fiscal year.

In addition, Environment Canada has authority under numerous pieces of legislation which affect how the department operates. The most significant *Acts* are as follows:

- ✓ *Antarctic Environmental Protection Act*
- ✓ *Canada Water Act*
- ✓ *Canada Wildlife Act*
- ✓ *Canadian Environment Week Act*
- ✓ *Canadian Environmental Assessment Act*
- ✓ *Canadian Environmental Protection Act, 1999*

# Notes to the Financial Statements (Unaudited)

## ENVIRONMENT CANADA

### 1. Authority and objectives (continued)

- ✓ *Department of the Environment Act*
- ✓ *Fisheries Act (Sections 36-42)*
- ✓ *International River Improvements Act*
- ✓ *Migratory Birds Convention Act, 1994*
- ✓ *National Wildlife Week Act*
- ✓ *Species at Risk Act*
- ✓ *Weather Modification Information Act*
- ✓ *Wild Animal and Plant Protection and Regulation of International and Interprovincial Trade Act*
- ✓ *Kyoto Protocol Implementation Act ( 2007, c. 30 )*
- ✓ *Federal Sustainable Development Act ( 2008, c. 33 )*

### 2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

#### **(a) Parliamentary appropriations**

Environment Canada is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to Environment Canada do not parallel financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the Statement of Operations and the Statement of Financial Position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the basis of reporting.

#### **(b) Net Cash Provided by Government**

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

#### **(c) Change in net position in the Consolidated Revenue Fund**

Change in net position in the Consolidated Revenue Fund is the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non-respondable revenue recorded by Environment Canada. It results from a timing difference between when a transaction affects appropriations and when it is processed through the CRF.

#### **(d) Revenues**

Revenues are accounted for in the period in which the underlying transaction or event occurred that gave rise to the revenues. Revenues that have been received but not yet earned are presented as deferred revenues (Note 8).

# Notes to the Financial Statements (Unaudited)

## ENVIRONMENT CANADA

### 2. Summary of significant accounting policies (continued)

#### *(e) Expenses*

Expenses are recorded on the accrual basis:

- ✓ Grants are recognized in the year in which payment is due or in which the recipient has met the eligibility criteria. In the case of grants which do not form part of an existing program, the expense is recognized 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 financial statements;
- ✓ Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement;
- ✓ Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment;
- ✓ Services provided without charge by other government departments for accommodation, the employer's contribution to the health and dental insurance plans, and legal services, are recorded as operating expenses at their estimated cost. The providers of these services determine the estimated costs to be recorded by the departments.

#### *(f) Employee future benefits*

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

#### *(g) Accounts and loans receivables*

Accounts and loans receivables are stated at amounts expected to be ultimately realized; a provision is made for receivables where recovery is considered uncertain.

#### *(h) Contingent liabilities*

Contingent liabilities are potential liabilities which may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

#### *(i) 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 Environment Canada becomes aware of the contamination and is obligated, or is likely to be obligated to incur such costs. If the likelihood of Environment Canada's obligation to incur these costs is either not determinable or unlikely, or if an amount cannot be reasonably estimated, the costs are disclosed as contingent liabilities in the notes to the financial statements.



# Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

## 2. Summary of significant accounting policies (continued)

### *(j) Inventory*

Inventory consist of parts, material and supplies held for future program delivery and not intended for re-sale. They are valued at cost. If they no longer have service potential, they are valued at the lower of cost or net realizable value.

### *(k) 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. Environment Canada 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.

Capital assets are amortized on a straight-line basis over the estimated useful life of the asset as follows:

<b>Asset class</b>	<b>Amortization Period</b>
Buildings	25 to 40 years
Works and Infrastructure	20 to 40 years
Machinery and Equipment	2 to 15 years
Vehicles	3 to 25 years
Leasehold Improvements	Lesser of useful life or lease term
Assets under construction	Once in service, in accordance with asset type
Leased tangible capital assets	In accordance with asset type

### *(l) Measurement uncertainty*

The preparation of these financial statements in accordance with Treasury Board accounting policies which are consistent with Canadian generally accepted accounting principles for the public sector requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are contingent liabilities, environmental liabilities, the liability for employee severance benefits and the useful life of tangible capital assets. Actual results could 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.

# Notes to the Financial Statements (Unaudited)

## ENVIRONMENT CANADA

### 3. Parliamentary appropriations

Environment Canada receives most of its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, Environment Canada has different net results of operations for the year on a government funding basis than on an accrual accounting basis. The differences between net results of operations and appropriations are reconciled in the following tables:

*(a) Reconciliation of net cost of operations to current year Parliamentary appropriations used:*

(in thousands of dollars)	<u>2009</u>	2008
<b>Net cost of operations</b>	<b>\$1,156,516</b>	\$970,050
<i>Adjustments for items affecting net cost of operations but not affecting appropriations:</i>		
<i>Add :</i>		
Expenses not being charged to Appropriations at the same time	46,100	70,175
Revenues not available for spending	13,783	13,520
Adjustments for prior years PAYE	2,217	1,071
Refund of previous year's expenditures	782	1,257
Inventory	112	2,517
	<u>62,994</u>	88,540
<i>Less :</i>		
Services received without charge	(86,080)	(76,661)
Amortization of tangible capital assets (Note 7)	(33,432)	(36,879)
Employee Severance Benefits	(24,298)	5,618
Project deposits	(2,536)	(2,977)
Vacation pay and compensatory leave	(1,010)	2,424
Expenses related to Environmental Liabilities	(748)	7,746
Environmental Damage Fund	(595)	(346)
Expenses for claims pending litigation	(583)	25
Bad debt expense	(203)	(1)
Prepaid expenses previously charged to appropriation	(41)	113
Foreign exchange losses	-	(20)
Other	(838)	(3,261)
	<u>(150,364)</u>	(104,219)
<i>Adjustments for items not affecting net cost of operations but affecting appropriations:</i>		
<i>Add:</i>		
Acquisition of tangible capital assets (Note 7)	50,762	42,225
Capital lease payments	459	435
	<u>51,221</u>	42,660
<b>Current year Parliamentary appropriations used</b>	<b>\$1,120,367</b>	\$997,031

# Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

## 3. Parliamentary appropriations (continued)

*(b) Appropriations provided and used:*

(in thousands of dollars)	2009	2008
Vote 1 - Operating expenditures	\$798,246	\$759,649
Vote 5 - Capital expenditures	51,129	40,612
Vote 10 - Grants & Contributions	200,622	293,178
Statutory amounts	147,353	154,070
	<b>1,197,350</b>	1,247,509
<i>Less:</i>		
Appropriations available for future years	(162)	(115)
Lapsed appropriations	(76,821)	(250,363)
	<b>(76,983)</b>	(250,478)
<b>Total appropriations used</b>	<b>\$1,120,367</b>	<b>\$997,031</b>

*(c) Reconciliation of net cash provided by Government of Canada to current year Parliamentary appropriations used:*

(in thousands of dollars)	2009	2008
<b>Net cash provided by Government</b>	<b>\$1,094,078</b>	\$978,789
Revenues not available for spending	13,783	13,520
Refund of previous year's expenditures	782	1,257
	<b>1,108,643</b>	993,566
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	(3,309)	7,675
Variation in accounts payable and accrued liabilities	(29,428)	(70,117)
Variation in deferred revenue	(186)	(607)
Expenses not being charged to Appropriations at the same time	46,100	70,175
Other adjustments	(1,453)	(3,661)
	<b>11,724</b>	3,465
<b>Current year Parliamentary appropriations used</b>	<b>\$1,120,367</b>	<b>\$997,031</b>

# Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

## 4. Expenses

(in thousands of dollars)

	<u>2009</u>	<u>2008</u>
<b>Operations and administration</b>		
Salaries and employee benefits	\$653,169	\$590,207
Professional and special services	89,058	78,358
Accommodation	46,385	44,691
Other contracted services	45,709	34,594
Travel	40,843	34,114
Machinery & equipment	39,357	32,305
Amortization	33,432	36,879
Rentals	32,909	28,494
Materials and supplies	29,963	21,937
Telecommunications	15,556	15,282
Equipment repair and maintenance	14,208	13,422
Postage	4,271	4,018
Information services – communications	3,693	8,983
Environmental liabilities	1,332	(7,746)
Loss on disposal of capital assets	688	2,251
Other	914	785
<b>Sub-total Operations and administration</b>	<u>1,051,487</u>	<u>938,574</u>
<b>Transfer payments</b>		
Non-profit organizations	163,412	87,800
Other countries and international organizations	12,523	13,115
Other levels of governments within Canada	6,826	7,302
Other to individuals	3,285	3,268
Industry	222	63
<b>Sub-total transfer payments</b>	<u>186,268</u>	<u>111,548</u>
<b>Total Expenses</b>	<u><u>\$1,237,755</u></u>	<u><u>\$1,050,122</u></u>

# Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

## 5. Revenues

(in thousands of dollars)

	<u>2009</u>	<u>2008</u>
<b>Sales of goods and services</b>		
Sales of goods and information products	\$44,991	\$43,570
Services of a non-regulatory nature	24,230	21,560
Services of a regulatory nature	5,448	5,141
Lease and use of public property	2,786	4,615
Rights and privileges	447	616
<b>Sub-total sales</b>	<u>77,902</u>	<u>75,502</u>
<b>Other</b>		
Joint projects and cost sharing agreements	2,555	2,987
Other	782	1,582
<b>Sub-total</b>	<u>3,337</u>	<u>4,569</u>
<b>Total revenues</b>	<u><u>\$81,239</u></u>	<u><u>\$80,071</u></u>

## 6. Accounts receivable and advances

(in thousands of dollars)

	<u>2009</u>	<u>2008</u>
Receivables from external parties	\$4,401	\$3,337
Receivables from other Federal Government departments and agencies	6,565	4,221
	<u>10,966</u>	<u>7,558</u>
Less: allowance for doubtful accounts on external receivables	(503)	(444)
<b>Net accounts receivables</b>	<u>10,463</u>	<u>7,114</u>
Employee advances	151	191
<b>Total</b>	<u><u>\$10,614</u></u>	<u><u>\$7,305</u></u>

# Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

## 7. Tangible capital assets

<b>Cost</b> (in thousands of dollars)	<b>Opening Balance</b>	<b>Acquisitions</b>	<b>Disposals and write-offs *</b>	<b>Closing Balance</b>
Land	\$25,244	-	-	\$25,244
Buildings	150,323	491	16	150,798
Works and infrastructure	3,845	210	-	4,055
Machinery and equipment	430,634	20,231	5,000	445,865
Vehicles	37,390	7,108	2,830	41,668
Leasehold improvements	34,992	305	-	35,297
Assets under construction	87,599	22,417	332	109,684
Capital lease for office and laboratory space	18,213	-	14	18,199
	<b>\$788,240</b>	<b>\$50,762</b>	<b>\$8,192</b>	<b>\$830,810</b>

  

<b>Accumulated amortization</b> (in thousands of dollars)	<b>Opening Balance</b>	<b>Amortization</b>	<b>Disposals and write-offs</b>	<b>Closing Balance</b>
Buildings	\$83,255	\$5,136	\$11	\$88,380
Works and infrastructure	1,966	150	-	2,116
Machinery and equipment	312,116	22,832	4,891	330,057
Vehicles	24,986	3,169	2,045	26,110
Leasehold improvements	20,428	1,416	-	21,844
Capital lease for office and laboratory space	4,370	729	4	5,095
	<b>\$447,121</b>	<b>\$33,432</b>	<b>\$6,951</b>	<b>\$473,602</b>

  

<b>Net book value</b> (in thousands of dollars)	<b>Opening Balance</b>	<b>Closing Balance</b>
Land	25,244	25,244
Buildings	67,068	62,418
Works and infrastructure	1,879	1,939
Machinery and equipment	118,518	115,808
Vehicles	12,404	15,558
Leasehold improvements	14,564	13,453
Assets under construction	87,599	109,684
Capital lease for office and laboratory space	13,843	13,104
<b>Net Book Value</b>	<b>\$341,119</b>	<b>\$357,208</b>

Amortization expense for the year ended March 31, 2009 is \$33,431,975 (\$36,879,108 in 2008).

\* Assets under construction include: buildings, engineering works, softwares and other construction. Disposals include those Assets under construction that have been placed in service. Assets that are still under construction are not treated as a depreciable asset.

# Notes to the Financial Statements (Unaudited)

## ENVIRONMENT CANADA

### 8. Deferred Revenue

Deferred revenue represents the balance at year-end of unearned revenue stemming mainly from special purpose accounts, funds for joint projects with other parties and donations which are restricted to specific purposes. The presentation has been modified to include special purpose accounts and joint projects which were previously reported under other liabilities. Revenue is recognized each year in the amount of the total cost incurred. Details of the transactions related to this account are as follow:

(in thousands of dollars)	<u>2009</u>	<u>2008</u>
Opening balance	\$5,333	\$5,940
Donations received	11	200
Project deposits	2,359	2,306
Revenue recognized	(2,556)	(3,113)
<b>Closing balance</b>	<b>\$5,147</b>	<b>\$5,333</b>

### 9. Lease obligation for tangible capital assets

On October 13, 2000, Environment Canada entered into an agreement to rent office and laboratory space from Carleton University, for the National Wildlife Research Centre (NWRC), under capital lease which expires in 2028. Current cost is of \$18,212,685 and accumulated amortization of \$5,094,933 as at March 31, 2009 (\$18,212,685 and \$4,369,842 respectively as at March 31, 2008).

The obligation for the upcoming years includes the following:

(in thousands of dollars)	<u>2009</u>	<u>2008</u>
<b>Maturing year</b>		
2010	\$1,300	\$1,300
2011	1,300	1,300
2012	1,300	1,300
2013	1,300	1,300
2014 and thereafter	18,200	19,500
Total future minimum lease payments	23,400	24,700
Less: imputed interest (5.63%)	8,925	9,766
<b>Balance of obligation under leased tangible capital assets</b>	<b>\$14,475</b>	<b>\$14,934</b>

# Notes to the Financial Statements (Unaudited)

## ENVIRONMENT CANADA

### 10. Employee Benefits

#### (a) Pension benefits

Environment Canada's employees participate in the *Public Service Pension 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% 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 Environment Canada contribute to the cost of the Plan. The 2008-2009 expense amounts to \$58,601,522 (\$59,113,373 in 2007-2008) which represents approximately 2.0 times the contributions by employees (2.1 times in 2007-2008).

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

#### (b) Severance benefits

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

(in thousands of dollars)

	2009	2008
Employee severance benefits, beginning of year	\$105,184	\$110,801
Expense for the year recorded as employee benefits	32,782	2,738
Benefits paid during the year	(8,941)	(8,355)
Employee severance benefits, end of year	<u>\$129,025</u>	<u>\$105,184</u>

### 11. Contingent liabilities

#### (a) Contaminated sites

Liabilities are accrued to record the estimated costs related to the management and remediation of contaminated sites where Environment Canada is obligated to incur or likely to be obligated to incur such costs. Environment Canada does an annual review of all contaminated sites and as such Environment Canada has identified 10 projects (15 in 2007-2008) where such action is possible and for which a liability of \$56,268,622 (\$55,520,174 in 2007-2008) has been recorded. Environment Canada has estimated a contingent liability of \$60,710,707 (\$45,486,719 in 2007-2008) where it is unclear whether the department is obligated to incur such costs or to potentially incur any additional costs. Environment Canada'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 Environment Canada in the year in which they become known.

#### (b) Claims and litigation

Environment Canada records an allowance for claims and pending or threatened litigation where cases are expected to be lost and where the cost can be reasonably estimated. 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. At March 31, 2009, Environment Canada had contingent liabilities identified as likely for claims and for pending and threatened litigation which were recorded as expenses for an amount of \$495,000 which is included under other liabilities along with contractors holdback (\$1,200,000).



# Notes to the Financial Statements (Unaudited)

## ENVIRONMENT CANADA

### 12. Contractual Obligations

The nature of Environment Canada's activities can result in some large multi-year contracts and obligations whereby Environment Canada will be obligated to make future payments when the services/goods are received. The costs identified for the supercomputer are estimates based on current expenditures. The current lease expires in February 2012. Future obligations regarding the Super Computer are unknown at this time. A new contract will be required to ensure continuity of this function. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)	Operating Leases	Super Computer	Total
2010	\$7,900	\$8,025	<b>\$15,925</b>
2011	7,900	7,946	<b>15,846</b>
2012	7,900	7,211	<b>15,111</b>
2013	7,900	-	<b>7,900</b>
2014	7,900	-	<b>7,900</b>
Thereafter	221,894	-	<b>221,894</b>
	<b>\$261,394</b>	<b>\$23,182</b>	<b>\$284,576</b>

### 13. Related party transactions

Environment Canada is related as a result of common ownership to all Government of Canada departments, agencies, and Crown corporations. The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these on behalf of all without charge. The costs of these services, which include payroll and cheque issuance services provided by Public Works and Government Services Canada and audit services provided by the Office of the Auditor General are not included as an expense in Environment Canada's Statement of Operations. There are other types of services received without charge, such as accommodation, certain employee benefits, workers' compensation cost and legal services which are attributed to Environment Canada and are disclosed in Environment Canada's Statement of Operations in the following amounts:

*(a) Services received without charge:*

(in thousands of dollars)	2009	2008
Employer's contribution to the health and dental insurance plans	<b>\$40,588</b>	\$32,813
Accommodation	<b>40,364</b>	38,784
Legal services	<b>3,476</b>	3,735
Workers' compensation cost	<b>1,652</b>	1,329
Total	<b>\$86,080</b>	\$76,661

*(b) Payables and receivables outstanding at year-end with related parties:*

(in thousands of dollars)	2009	2008
Accounts receivable from other government departments and agencies	<b>\$6,565</b>	\$4,221
Accounts payable to other government departments and agencies	<b>10,814</b>	15,602

# Notes to the Financial Statements (Unaudited)

ENVIRONMENT CANADA

## 14. Comparative information

Comparative figures have been reclassified to conform to the current year's presentation. This includes the reclassification of *Tangible Capital Assets* from seven accounts into four accounts and reflecting Special Purposes accounts as *Deferred Revenues* instead of *Other*