

CHAPTER 3 FINANCIAL STATEMENTS

3. POLICY ON FINANCIAL STATEMENTS2

3. FINANCIAL STATEMENTS

1. Effective Date

This Policy is effective April 1, 2001.

2. Policy Objective

The objective of this policy is to describe the financial statements that CSC will produce in order to comply with central agency requirements for accrual accounting.

It is important to note that any financial reporting requirements identified through legislation would override the requirements identified herein.

3. Definitions

Financial Assets are those assets on hand at the end of an accounting period that could provide resources to discharge existing liabilities or finance operations. Examples include cash, accounts receivable, and prepaid expenses.

Net Assets/Liabilities is the difference between assets and liabilities.

Net Cash Provided by Government is the net total of all Receiver General (RG) cash reconciliation control accounts, i.e. all payments minus all deposits. This account is closed to Net Assets/Liabilities, and excludes Departmental Bank Accounts, Petty cash and other advances.

Non-Financial Assets are acquired, constructed or developed assets that do not normally provide resources to discharge existing liabilities or finance future operations of financial assets and are not intended for sale in the ordinary course of operations. Their economic lives normally extend beyond an accounting period and the assets may be consumed in the normal course of operations.

4. Scope

This policy applies to all CSC Managers, Finance staff and any other staff involved in the preparation of CSC financial statements.

5. Policy Statement and Requirements

CSC will annually produce financial statements on an accrual basis in accordance with the model set out in Treasury Board Accounting Standards 1.2 - Departmental and Agency Financial Statements.

CSC's financial statements will be prepared by June 15th of each fiscal year and signed by the Commissioner and the Assistant Commissioner of Corporate Services.

CSC's financial statements will be included in our Departmental Reports on Plans and Priorities and submitted to the Receiver General and Treasury Board by their prescribed dates.

The department's financial statements, as detailed in Appendix A, will include the following:

Statement of Management Responsibility

Statement of Financial Position

Statement of Operations

Statement of Cash Flows

Accompanying notes and schedules

The departmental financial statements will include all transactions of CSC and CORCAN. However, all transactions resulting in purchases and / or sales transactions between CSC and CORCAN will be eliminated from the combined CSC financial statements so that the departmental financial statements will reflect the financial operations of CSC as a reporting entity.

CORCAN will prepare a full set of accrual financial statements as required by the Receiver general of Canada for publication in the government's financial statements - see Appendix B. These financial statements will include all costs attributable to the operation including services provided without charge by other government departments such as accommodation services, legal services from the Department of Justice, employee costs, etc. Any such costs must not be reflected in the departmental Central Financial Management and Reporting System (CFMRS) trial balances forwarded to the Receiver General.

A Statement of Financial Position and Statement of Operations will be prepared annually by business line, region and responsibility centre - see Appendix C. Reports will be provided to regional finance to enable them to prepare these statements.

Two important accounting concepts must be adhered to for financial statement preparation and presentation:

- Substance Over Form, and
- Materiality.

Substance Over Form

Financial Statements should present the economic substance of transactions and events even though their legal form may suggest a different treatment. Departments must ensure that transactions and events affecting their entity are presented in the financial statements in a manner that is in agreement with the actual underlying transactions and events. For example, the leasing of a capital asset is quite often in substance an acquisition of an asset through borrowing. This type of event should be recognized as an acquisition of a capital asset and the incurrence of a liability.

Materiality

This section should be read in conjunction with the Accounting Framework chapter of this manual and PS 1500 and TBAS 2.2.

Materiality is the term used to describe the significance of financial statement information to decision-makers. An item of information, or an aggregate of items, is considered material if its omission, non-disclosure or misstatement would mislead users of that information when making evaluations or decisions.

The application of the materiality concept requires the preparer of financial statements to consider both qualitative and quantitative factors and to apply professional judgement in the disclosure of financial information.

It should be noted that specific disclosures in annual financial statements required by legislation must be complied with regardless of the amounts involved.

6. Procedural Requirements

Budget Managers are required to code their expenditures in accordance with the accrual accounting policies and procedures established by CSC.

Appendix E contains a listing of CSC line objects to be used for purchase / sales transactions with CORCAN. For recovery of expenses from CORCAN, the original LOBJ will be credited. When Corporate Accounting prepares the departmental consolidated financial statements, all purchase and sales transactions between CSC and CORCAN must be eliminated.

On a monthly basis CORCAN is required to submit a trial balance to CSC that will be combined with CSC's to produce a combined departmental trial balance for CSC.

For periods P01 to P12, NHQ - Corporate Accounting will submit the departmental trial balance to CFMRS within five working days of month end. Exceptionally, if corrections are required, CSC will submit a corrected trial balance within seven working days after month's end.

At fiscal year end, responsibility centres/regions will be required to supply information and or make adjusting entries as set out in the year-end procedures prepared by NHQ Corporate Accounting. It is imperative that the established time frames are respected to enable CSC to meet deadlines prescribed by the central agencies.

Note 2 (g) requires that CSC report the estimated value of services provided without charge by other government departments. NHQ Corporate Accounting will be responsible to contact the other government departments / responsible managers to obtain the value of these services. CORCAN will be required to identify any such services received by them in a schedule to their financial statements. CORCAN must record these amounts in their financial statements and Corporate Accounting will have to eliminate these entries when preparing the consolidated financial statements.

Corporate Accounting will use the final year-end trial balance and information supplied by the regions to prepare the departmental financial statements. Included in Appendix D **(to be supplied at a later date)** is a schedule showing the relationship between the financial reporting accounts (FRAs) in the financial statements and CSC's coding.

7. CSC Financial Statements

The departmental financial statements will include the following:

Statement of Management Responsibility

The purpose of this report, which is to be signed by the Commissioner and the Senior Financial Officer, is to acknowledge management's responsibility for the financial statements and for the processes that produce such statements and information. This assertion acknowledges, as a minimum, management's responsibility for:

- a) The preparation and presentation of financial statements, including responsibility for significant accounting judgements and estimates;
- b) The preparation and presentation of the notes and schedules and their consistency with the body of the financial statements; and
- c) The development of internal controls over the financial reporting process designed to provide reasonable assurance that relevant and reliable information is produced.

Statement of Financial Position

This statement presents CSC's financial position in terms of it's assets, liabilities, and net assets or net liabilities at the end of an accounting period and assists users in evaluating the position of the entity at a specific date. For CSC reporting purposes, assets will be classified as either financial or non-financial.

The statement of financial position should provide a comparison of current period amounts with those the same period for the prior year. For the 2001-2002 fiscal year CSC is not required to show amounts for prior years actual.

Statement of Operations

The purpose of this statement is to present the financial results of activities of CSC for the fiscal year by disclosing revenues, expenses, and operating results using the expense basis of accounting as per PSAB handbook 1500.

The statement of operations should provide a comparison of the current period amounts with those of the immediate prior period as well as a comparison to the financial plan as expressed in departmental pro-forma financial statements which would be prepared on the same basis used to report the results. For the 2001-2002 fiscal year CSC is not required to show amounts for prior years actual.

Statement of Cash Flow

The purpose of this statement is to present information about the operating and investing activities of CSC and the effect of those activities on the use of cash. Most departments and agencies do not directly finance their activities. The Department of Finance is responsible for the financing activities of the government. Consequently, financing activity has not been included in the attached CSC statement.

CSC should be aware that the Net Cash Provided by the government reflected on this statement and in the Net Assets / Liabilities of the Statement of Financial Position must balance with the total of the Receiver General Cash Reconciliation Control Accounts.

CSC's Control Accounts include the following:

- 61053 Payment Control Account - CSC
- 62053 Cash Deposit Control Account - CSC
- 63053 Payroll Control Account - CSC
- 64053 IS Debit Control Account - CSC
- 65053 IS Credit Control Account - CSC
- 66053 Cash Payment Control Account in US Dollars - CSC
- 67053 Cash Payment Control Account Other Foreign Currencies - CSC
- 68053 Cash Payment Control Account DBA and DBA Redemptions - CSC
- 69053 Cash Deposit Control Account in foreign currencies - CSC

Notes and Schedules to the Financial Statements

Notes and schedules to the financial statements provide more detailed disclosure than is possible or desirable in the face of the main statement. They are regarded as an integral part of the financial statements and are subject to the same audit requirements

as the financial statements themselves. They are useful for clarification or further explanation of the items in the financial statements and have the same significance as if the information or explanations were set forth in the body of the statement itself. They must not, however, be used as a substitute for proper accounting and reporting treatment.

The notes to the financial statements also include statements of accounting policies. It is fundamental to the understanding and interpretation of general-purpose financial statements that those who use them are aware of the accounting policies on which they are based. Accounting policies typically contain a description of the reporting entity, any legislative requirements under which the financial statements are prepared, the basis of accounting, the measurement base and the detailed accounting policies used.

The purpose of the schedules is to provide a further breakdown of the items contained in the body of the financial statements to suit the needs of the users of the financial statements. They are included with the financial statements for material components of the financial statements or for transactions that are materially important. Notes and schedules disclosure should be used only for significant additional information.

8. References

Treasury Board Secretariat Accounting Standard 1.2, December 28th, 2000
Treasury Board Secretariat Protocol Accrual Accounting Protocol for 2000-2001,
November 2000
Public Sector Accounting Board Handbook (PSAB) 1500
Public Sector Accounting Board Handbook (PSAB) 1400
Public Sector Accounting Board Handbook (PSAB) 2100
Public Sector Accounting Board Handbook (PSAB) 2400
Canadian Institute of Chartered Accountants (CICA) Handbook 1000

Correctional Service Canada

Financial Statements

Fiscal Year ended March 31, XXXX

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Appendix A

Correctional Service Canada

Statement of Management Responsibility

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, xxxx and all information contained in this report rests with departmental management.

These statements have been prepared by management in accordance with Treasury Board Accounting Standards based upon generally accepted accounting principles, using management's best estimates and judgements where appropriate. Readers of these statements are cautioned that the financial statements are not necessarily complete; certain assets, liabilities and expenses are only recorded at a government-wide level at this time. These statements should be read within the context of the significant accounting policies set out in the Notes.

Management has developed and maintains books, records, internal controls and management practices, designed to provide reasonable assurance that the Government's assets are safeguarded and controlled, resources are managed economically and efficiently in the attainment of corporate objectives, and that transactions are in accordance with the *Financial Administration Act* and regulations as well as department policies and statutory requirements. Management is also supported and assisted by a program of internal audit services.

If applicable add: The transactions and financial statements of the department (agency) have been audited by the *Auditor General of Canada, the independent auditor for the Government of Canada or the firm of _____*. (as applicable).

Name, Commissioner
Ottawa, Canada
Date

Name, Senior Financial Officer

Appendix A**Correctional Service Canada
Statement of Financial Position (unaudited)**

as at 31 March xxxx

(\$ thousands)

	Current year Actual	Prior year Actual
ASSETS		
Financial assets		
Cash		
Receivables (Schedule 1)		
Inventory for resale		
Loans, investments and advances (Schedule 2)	_____	_____
Total financial assets		
Non-financial assets		
Prepayments (Schedule 3)		
Inventories not for re-sale		
Capital assets (Schedule 4)	_____	_____
Total non-financial assets	_____	_____
Total Assets	_____	_____
LIABILITIES		
Accounts payable and accrued liabilities		
Allowances for employee benefits		
Capital lease obligations (Schedule 5)		
Deferred revenue (Schedule 6)		
Other liabilities (Schedule 7)	_____	_____
Total Liabilities	_____	_____
NET ASSETS/LIABILITIES (Schedule 8)	_____	_____
Total	_____	_____

Contingencies (Note 2)

Commitments (Schedule 11)

The accompanying notes and schedules form an integral part of these Statements

Appendix A

**Correctional Service Canada
Statement of Operations (unaudited)**

for the year ended 31 March, xxxx
(\$ thousands)

	Current Year		Prior Year
	Plan	Actual	Actual
Revenues (Schedule 9)			
Care			
Custody			
Reintegration			
Corporate Services			
Total Revenues	_____	_____	_____
Expenses (Schedule 10)			
Care			
Custody			
Reintegration			
Corporate Services			
Total Expenses	_____	_____	_____
Net Operating Results			
Other Income (Schedule 9)			
Other Expenses (Schedule 10)	_____	_____	_____
Net Results	_____	_____	_____
Net Assets/Liabilities, beginning of year			
Net Cash Provided by Government	_____	_____	_____
Net Assets/Liabilities, end of year	_____	_____	_____

The accompanying notes and schedules form an integral part of these statements.

**Correctional Service Canada
Statement of Cash Flow (unaudited)**

for the year ended 31 March, xxxx
(\$ thousands)

	Current Year	Prior Year
Operating Activities		
Net Results		
Non-Cash items included in net results		
Amortization of capital assets		
Gain on disposal of capital assets		
Statement of Financial Position adjustments		
Change in liabilities		
Change in cash, receivables, prepayments, inventories, prepaid expenses and deferred charges		
Cash applied to operating activities	_____	_____
Investing Activities		
Net acquisitions of Capital Assets		
Increase (decrease) in Loans, Investments and Advances	_____	_____
Net cash provided by government	_____	_____

The accompanying notes and schedules form an integral part of these Statements.

Appendix A**Notes to the Financial Statements (unaudited)
Year ended March 31, xxxx****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).

CSC's mission is to contribute, as part of the criminal justice system and respecting the rule of law, to the protection of society by actively encouraging and assisting offenders to become law-abiding citizens, while exercising reasonable, safe, secure and humane control.

2. Summary of Significant Accounting Policies

- a) These financial statements have been prepared on an accrual basis of accounting in accordance with Treasury Board Accounting Standards. These Standards are based on generally accepted accounting principles in Canada. The primary source of the accounting principles is from the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants supplemented by the recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants for situations not covered by the Public Sector Accounting Board. Readers of these statements are cautioned that the introduction of accrual accounting at the departmental level is evolutionary. Not all assets, liabilities and expenses applicable to CSC are recorded at the departmental level at this time. As such, the financial statements are not necessarily complete. The accompanying notes provide additional detail and should be read with care. All such assets, liabilities and expenses are recorded at a government-wide level in the financial statements of the Government of Canada.
- b) Parliamentary appropriations – CSC is primarily financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to CSC do not parallel financial reporting according to generally accepted accounting principles. They are based in a large part 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. Schedule 12 to these financial statements provides information regarding the source and disposition of these authorities. Schedule 13 provides a high-level reconciliation between the two bases of reporting.
- c) Reporting entity – the reporting entity is Correctional Service Canada and includes the Revolving Fund, CORCAN.

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- d) All departments including agencies and departmental corporations operate within the Consolidated Revenue Fund (CRF). The CRF is administered by the Receiver General for Canada. All cash receipts are deposited to the CRF and all cash disbursements made by departments 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.
- e) Basis of financial reporting – revenue and expense transactions and any related asset and liability accounts between CORCAN and the rest of CSC have been eliminated.
- f) Revenues – these 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 disclosed in Schedule 6 – Deferred Revenue.
- g) Expenses – these are recorded when the underlying transaction or expense occurred subject to the following:
- Grants are recognized in the year in which payment is due or in which the recipient has met the eligibility criteria.
 - Contributions are recognized in the year in which the recipient has met the eligibility criteria.
 - CSC expenses employee termination benefits as they are paid. No estimated accruals are recorded at the departmental level. Any accrual of these benefits is recognized in the consolidated financial statements of the Government of Canada.
 - Vacation pay and overtime are expensed in the year that the entitlement occurs.
 - Contributions to superannuation plans are recognized in the period that the contributions are made. Actuarial surpluses or deficiencies are not recorded in the department's books but are recognized in the consolidated financial statements of the Government of Canada.
 - Environmental liabilities are not recognized in the departmental books of accounts but are recognized in the consolidated financial statements of the Government of Canada.

Appendix A

- Services provided without charge by other government departments are not recorded as operating expenses. CSC must include estimates of the amounts involved. The following are the more significant types of services provided without charge:
 - accommodation and banking services provided by Public Works and Government Services Canada;
 - contributions covering employer' share of employees' insurance premiums and costs paid by Treasury Board Secretariat;
 - workmen's compensation coverage provided by Human Resources Canada;
 - salary and associated costs of legal services provided by Department of Justice;
 - services provided by the Crown Assets Disposal Corporation;
 - audit services provided by the Office of the Auditor General; etc.

- h) Receivables – these are stated at amounts expected to be ultimately realized. A provision is made for receivables where recovery is considered uncertain.

- i) Inventories for re-sale are valued as follows: work in progress and finished goods at standard cost and raw materials at cost. The aggregate of all inventories in CSC is considered immaterial at this

- j) Allowances for loans, investments and advances – except for loans related to repayable contributions, allowances for collectability, significant concessionary terms and risk of loss are not recorded in departmental financial statements but are recorded centrally by Treasury Board Secretariat for inclusion in the government-wide financial statements.

- k) Inventories not for re-sale – these comprise spare parts and supplies that are held for future program delivery and are not intended for re-sale. They are valued at cost.

- l) Capital assets – all assets treated as capital assets under Public Sector Accounting Board Recommendations plus leasehold improvements having an initial cost of \$10,000 or more are recorded at their acquisition cost. The capitalization of software and leasehold improvements has been done on a prospective basis from April 1, 2001. Capital assets do not include intangibles, works of art and historical treasures that have cultural, aesthetic or historical value, assets located on Indian Reserves and museum collections. Amortization of capital assets is done on a straight-line basis over the estimated useful life of the capital asset as follows:

Asset Class	Amortization period
Buildings	25 to 40 years
Machinery and equipment	3 to 10 years
Works and infrastructure	20 to 25 years
Informatics hardware	3 to 5 years
Informatics software	3 to 5 years
Motor vehicles	5 to 10 years
Aircraft	20 years
Leasehold improvements	lesser of useful life or term of the lease

- m) Foreign currency transactions – transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Assets and liabilities denominated in foreign currencies are translated using exchange rates in effect on March 31st.

3. Changes in accounting policies

In previous years, CSC prepared its financial results in terms of source and disposition of appropriations. This is the first year that a set of financial statements including a Statement of Financial Position, Statement of Operations and a Statement of Cash Flows has been prepared on a full-accrual accounting basis. It is neither practical nor possible for CSC to show comparative amounts because the information is not available and any estimation of previous years would not be able to be substantiated with any degree of precision.

4. Contingent liabilities

In the normal course of its operations, CSC becomes involved in various legal actions. Some of these potential liabilities 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 on the government's consolidated financial statements. These estimated liabilities are not recognized on CSC's financial statement as a liability until the amount of the liability is firmly established.

5. Measurement uncertainty

The preparation of financial statements 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 item where estimates are used is amortization of capital assets.

6. Related party transactions

CSC is related in terms of common ownership to all Government of Canada departments, and Crown Corporations. CSC enters into transactions with these entities in the normal course of business and on normal trade terms applicable to all individuals and enterprises except that certain services, as defined previously, are provided without charge.

Schedules

Schedule 1 – Receivables (Net of allowances)

	Current Year	Prior Year
Other Government Departments		
External Parties		
Total		

Schedule 2 – Loans, Investments and Advances (Net of allowances)

	Current Year	Prior Year
13314 Accountable Advances (temporary advances)		
13315 Standing Advance to Employees		
13319 Other Loans and Advances to Employees		
13392 GST RAA		
13399 Parolee Loan Fund		

Schedule 3 – Prepayments

	Current Year	Prior Year
14110 Prepaid Expenses		
14299 Deferred charges		

Schedule 4 – Capital Assets

This note would disclose for each major category of capital asset broken out to show separately owned tangible capital assets from leased tangible capital assets :

- (a) cost;
- (b) additions in the period;
- (c) disposals in the period;
- (d) the amount of any write-downs in the period;
- (e) the amount of amortization for the period;
- (f) accumulated amortization; and,
- (g) net book value.

Schedule 5 – Capital Lease Obligations

	Current Year	Prior Year
Year 1		
Year 2		
Year 3		
Year 4		
Year 5		
Thereafter		
Total future minimum lease payments		
Less : imputed interest		
Balance of obligations under capital leases		

Schedule 6 – Deferred Revenue

	Current Year	Prior Year
This note should disclose in accordance with PS 3100.14 to .19 :		
(a) a general description of the nature and source of any external restrictions;		
(b) the amounts of externally restricted inflows by major source; and		
(c) the amounts of, and changes in, the deferred revenue balance attributable to each major category of external restrictions.		

Schedule 7 – Other Liabilities

Other liabilities will include the following amounts:

	Current Year	Prior Year
21612 Interdepartmental Clearing account		
21621 OGD suspense		
23223 Inmate Trust Fund		

Schedule 8 – Net Assets/Liabilities

The Government includes in its revenues and expenses, the transactions of certain consolidated accounts established for specified purposes. Legislation requires that the revenues of these specified purpose accounts be earmarked, and that related payments and expenses be charged against such revenues. The transactions do not represent liabilities to third parties but are internally restricted for specified purposes. (See PS 3100.20 to .26 and Table 4.5 of the Public Accounts of Canada, 1999-2000.) CSC has no restricted assets.

Appendix A

Schedule 9 – Revenues

	Current Year	Prior Year
42312 Lease and use of public property		
42314 Services of a non-regulatory nature		
42315 Sales of goods and Information products		
42319 Other fees and charges		
42322 Lease and use of public property OGD		
42329 Other fees and charges OGD		
42411 Gain and disposal of capital assets		
42411 Gain on Disposal of Physical Assets		
42622 Premiums and other receipts to other insurance accounts		
42711 Revenue from fines		
42719 Misc. non tax revenue		
Total		

Schedule 10 – Expenses

	Current Year	Prior Year
Operating		
Personnel		
Operating & Maintenance		
Amortization		
Loss on disposal of capital assets		
Other		
Sub-total		
Transfers		
Individuals		
Other level of governments within Canada		
Industry		
Other countries and international organizations		
Non-profit organizations		
Other		
Sub-total		
Total expenses		

Schedule 11 – Commitments

The nature of the Department’s activity results in some large multi-year contracts and obligations whereby the Department will be committed to make some future payments when the services/goods are rendered. Major commitments that can be reasonably estimated are as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Loans and advances						
Transfer payments						
Acquisition of capital assets						
Acquisition of other goods and services						
Operating leases						
Other						
Total						

Schedule 12 – Source and Disposition of Authorities (Appropriations)

This schedule will be a duplication of Section 2 of Chapter 3 of the Public Accounts Instructions Manual and prepared in the format and contain the information as per Annex A of that Chapter.

The net results reported for CORCAN operations on Form A must reconcile to the net operating results reported by CORCAN in their financial statements. This reconciliation is to be included in CORCAN's financial statements.

Schedule 13 – Reconciliation Net Results to Appropriations Used

Net Results

Adjustments for items not affecting appropriations

Less

Amortization

Vacation Pay

Other (specify if material)

Add

Provision of services

Gains on disposal of assets

Refunds of prior years expenditures

Adjustments for items affecting appropriations

Add

Capital acquisitions

Inventory purchased

Loans, investments and advances

Less

Receipts of spendable revenue

Proceeds from the disposal of surplus Crown assets

Total appropriations used

Schedule 14 – Summary of Related Party Transactions

This schedule will include a listing of all transactions between CORCAN and the rest of CSC that have been eliminated to produce consolidated financial statements.

CORCAN Financial Statements
Balance Sheet
at March 31, XXXX
(in thousands of dollars)

For illustrative purposes

	2002-03	2001-02
Assets		
Current		
Accounts receivable		
Government of Canada	\$21,345	\$16,194
Outside parties	2928	2483
Less: allowance for doubtful accounts	(383)	(201)
	\$23,890	\$18,476
Inventories (Note 3)	12694	11219
Livestock	4123	3675
Other	19	103
Total Assets	\$40,726	\$33,473
Capital assets (Note 4) At cost	\$28,375	\$28,735
Less: accumulated amortization	(18,387)	(17,170)
	9,988	11,565
Other		
Deferred charges less amortization	640	1,169
	\$51,354	\$46,207
Liabilities		
Current		
Accounts payable (Note 5)	\$6,670	\$5,852
Government of Canada	0	0
Outside parties	7,873	6,052
Deferred revenue	0	849
	\$14,543	\$12,753
Long-Term Employee termination benefits	2056	1803
	\$16,599	\$14,556
Equity of Canada		
Contributed Capital	\$10,086	\$10,086
Accumulated net charges against the Fund's authority	44,098	36,718
Accumulated deficit	19,429	15,153
	24,669	21,565
Total Liabilities and Equity	\$51,354	\$46,207

Note 1) Accompanying notes would be included where required to provide more detail; e.g., A/R and A/P by OGD & outside clients, capital assets at beginning plus additions less disposal less amortization etc...)

Statement of Operations
CORCAN
Year ended March 31
(in thousands of dollars)

For illustrative purposes

	2002-03		2001-02
	Actual	Plan	Actual
Revenues			
Agribusiness (including Forestry)	10632	10000	10866
Graphics	4876	5000	2465
Textile	4481	4500	5952
Manufacturing	18781	17500	21770
Construction activities	15347	15000	15481
Training and correctional activities	16310	16000	16310
	70427	68000	72844
Expenses			
Cost of goods sold			
Agribusiness (including Forestry)	12075	13500	12576
Graphics	4438	4500	2915
Textile	4666	4400	5584
Manufacturing	19970	17500	20060
Construction activities	15708	16000	14565
	56857	55900	55700
Gross Margin	13570	12100	17144
Operating Expenses	8322	7500	9271
Selling and marketing expenses	4188	4200	4212
Administrative expenses	8406	8500	5238
Cost of capital	1428	1400	1369
	22344	21600	20090
Net Operating Loss	(8774)	(9500)	(2946)
Other revenues & expenses (Note 6)	4498	4500	126
NET INCOME (LOSS)	(4276)	(5000)	(2820)

Appendix B

Statement of Cash Flow
CORCAN
Year ended March 31
(in thousands of dollars)

For illustrative purposes	<u>2002-03</u>	<u>2001-02</u>
Operating activities		
Net income (loss)	-4276	-2820
Add:		
Provision for termination benefits	324	433
Amortization	2606	2693
Amortization of deferred charges	212	339
	<u>-1134</u>	<u>645</u>
Changes in current assets and liabilities	-5463	1109
Changes in other assets and liabilities:		
Deferred charges	318	-733
Payments on and charges in provision for Employee termination benefits	-71	-58
Net financial resources provided (used) by operating activities	<u>-6350</u>	<u>963</u>
Investing activities		
Capital assets purchased	-1030	-1524
Net financial resources provided (used) by investing activities	<u>-1030</u>	<u>-1524</u>
Net financial resources provided (used) and change in the Accumulated net charge against the Fund's authority account, during the year	-7380	-561
Accumulated net charge against the Fund's authority account, beginning of year	-36718	-36157
Accumulated net charge against the Fund's authority account, end of year	<u><u>-44098</u></u>	<u><u>-36718</u></u>
The accompanying notes (not included) are an integral part of the financial statements		

Appendix B**Statement of accumulated surplus (deficit)
CORCAN
Years ended March
31
(in thousands of
dollars)**

For illustrative purposes

	2002-03	2001-02
Balance, beginning of year	-15153	-12333
Net income (loss)	<u>-4276</u>	<u>-2820</u>
Balance, end of year	<u>-19429</u>	<u>-15153</u>

CORCAN Revolving Fund

NOTES TO THE FINANCIAL STATEMENTS

1. AUTHORITY AND PURPOSE

The CORCAN Revolving Fund was established under Appropriation Act No. 4, 1991-92, that authorized the establishment of the Fund effective April 1, 1992 in the current and subsequent fiscal years in accordance with terms and conditions prescribed by Treasury Board.

The Fund has a continuing non lapsing authority from Parliament to make payments out of the Consolidated Revenue Fund for working capital, capital Acquisitions and temporary financing of accumulated operating deficits, the total of which is not to exceed \$45,000,000 at any time.

An amount of \$15,217,833, representing net assets assumed by the Fund was charged to this authority when the Fund became operative on April 1, 1992. An additional permanent allocation was approved on June 8, 2000 for payroll shortfall of the current year. The additional amount of \$142,385 was reflected in this current year's calculation of Unused/Used Authority.

2. SIGNIFICANT ACCOUNTING POLICIES

Capital assets

Capital assets are amortized from the year of acquisition on the straight-line basis over their estimated useful lives as follows:

Plant and equipment	10 years
Office furniture and equipment	10 years
Computer equipment	3 years
Vehicle fleet	5 years

Pension plan

Employees of CORCAN, an Agency within the Correctional Services Canada financed through the CORCAN Revolving Fund, are covered by the *Public Service Superannuation Act* and the *Supplementary Retirement Benefits Act*. The Government of Canada's portion of the pension cost is included in the employee fringe benefit charge assessed against the Fund. The actual payment of the pension is made from the Public Service Superannuation and Supplementary Retirement Benefits Accounts.

Employee termination benefits

Termination benefits accrue to employees over their years of service with the Government of Canada, as provided for under collective agreements. The cost of these benefits is recorded in the accounts as the benefits accrue to the employees.

Deferred charges

Deferred charges, consisting of manufacturing R & D costs and developments costs of computerized financial systems, are amortized on a straight-line basis. Periods of amortization are based on the Future economic benefit of these costs.

Inventories

Inventories are valued as follows: work-in-progress and finished goods at standard cost and raw materials at cost.

Recognition of revenue and expense

Revenues and expenses are recognized in the year in which they occur, regardless as to when they are paid.

3. INVENTORIES

(in thousands of dollars)

	2000	1999
	\$	\$
Raw materials (based on actual costs)		
Work in progress (based on standard costs)		
Finished goods (based on standard costs)		
Provision for obsolete inventory		

4. CAPITAL ASSETS AND ACCUMULATED AMORTIZATION

(in thousands of dollars)

Capital Assets

	Balance at beginning of Year	Acquisitions Adjustments	Disposals & end of Year	Balance at
Plant and equipment				
Office furniture and equipment				
Computer equipment				
Vehicle fleet				

Accumulated amortization

	Balance at beginning of Year	Acquisitions Adjustments	Disposals & end of Year	Balance at
Plant and equipment				
Office furniture and equipment				
Computer equipment				
Vehicle fleet				

5. CURRENT LIABILITIES

(in thousands of dollars)

The details of the current liabilities are as follows:

Accounts Payable:	2000	1999
--------------------------	-------------	-------------

\$

\$

Government of Canada

Regular interdepartmental payables

Employee benefits to transfer to

Treasury Board

Health Insurance Benefits

Employee Benefits Plan

Tax collected - Revenue Canada

Interest payable - Finance

Outside parties**Deferred revenues****6. OTHER REVENUES AND EXPENSES**

Included:

Additional CSC funding

Misc revenues and adjustments

Internal Financial Statements**Statement of Financial Position**

Internal Statements of Financial Position will be prepared for the following areas:

- By Business Line,
- Region and
- Responsibility Centre

This statement presents CSC's financial position in terms of its assets, liabilities, and net assets or net liabilities at the end of an accounting period and assists users in evaluating the position of the entity at a specific date.

Correctional Service Canada
Statement of Financial Position (unaudited)
as at 31 March xxxx
(\$ thousands)

	Current year Actual	Prior year Actual
ASSETS		
Financial assets		
Cash		
Receivables (Schedule 1)		
Inventory for resale		
Loans, investments and advances (Schedule 2)	_____	_____
Total financial assets		
Non-financial assets		
Prepayments (Schedule 3)		
Inventories not for re-sale		
Capital assets (Schedule 4)	_____	_____
Total non-financial assets	_____	_____
Total Assets	_____	_____
LIABILITIES		
Accounts payable and accrued liabilities		
Allowances for employee benefits		
Capital lease obligations (Schedule 5)		
Deferred revenue (Schedule 6)		
Other liabilities (Schedule 7)	_____	_____
Total Liabilities	_____	_____
NET ASSETS/LIABILITIES (Schedule 8)	_____	_____
Total	_____	_____
Contingencies (Note 2)		
Commitments (Schedule 11)		

The accompanying notes and schedules form an integral part of these Statements

Statement of Operations

Internal Statements of Operations will be prepared for the following areas:

- By Business Line,
- Region and
- Responsibility Centre

The purpose of this statement is to present the financial results of activities of CSC for the fiscal year by disclosing revenues, expenses, and operating results using the expense basis of accounting as per PSAB Handbook Section 1500.

Statement of Operations

Year ended March 31

(in thousands of dollars)

	2002-03		2001-02
	Actual	Plan	Actual
Revenues			
Care			
Custody			
Reintegration			
Corporate Services			
Total Revenues			
Operating expenses			
Salaries and employee benefits			
Provision for employee benefits (Vacation & OT)			
Transportation and communications			
Information			
Professional and special services			
Rentals			
Purchased repair and maintenance			
Utilities, materials and supplies			
Amortization			
Loss on disposal of capital assets			
Other expenditures			
Total Expenses			
Net operating results	545	710	815

The accompanying notes (not included) are an integral part of the financial statements

Schedule of the relationship of financial reporting accounts (FRAs) in the financial statements and CSC coding

TO BE INSERTED LATER

Line Objects to be used by CSC to record purchase / sales transactions with CORCAN:

- 02605 Freight & Shipping - CORCAN
- 03202 Printing Services - CORACN
- 04155 Training & Correctional Fee – CORCAN
- 04574 Other Services - CORCAN
- 06104 Upkeep of grounds - CORCAN
- 06202 Bldg Repairs & Maintenance - CORCAN
- 06312 Other Equipment Repairs - CORCAN
- 06502 Tenant Services – CORCAN
- 07208 Rations / foods - CORCAN
- 07501 Office furniture & equipment < \$10,000 - CORCAN
- 07524 Cell/Living Area furniture < \$10,000 - CORCAN
- 07761 Building material - CORCAN
- 07855 Uniforms – CORCAN (do we have any?)
- 07804 Other clothing - CORCAN
- 08302 Construction by CORCAN
- 09304 Office furniture & furnishings > \$10,000 - CORCAN
- 09352 Cell furniture > \$10,000 - CORCAN
- 12412 Other purchases from CORCAN not elsewhere specified
- 14612 Other revenues from CORCAN not elsewhere specified