



Environment and
Climate Change Canada

Environnement et
Changement climatique Canada



FUTURE-ORIENTED STATEMENT OF OPERATIONS 2016-2017

Environment and Climate Change Canada

FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)

For the year ending March 31 (in thousands of dollars)	Forecast Results 2015-16	Planned Results 2016-17
Expenses		
Conservation of Canada's Natural Environment	\$ 398,310	\$ 386,283
Weather Information	251,283	237,411
Threats from Pollution Minimized	272,154	230,823
Internal Services	212,465	211,796
Total Expenses	1,134,212	1,066,313
Revenues		
Sales of goods and services	87,204	86,299
Other revenues	18,392	20,176
Revenues earned on behalf of Government	(17,000)	(17,879)
Total Revenues	88,596	88,596
Net cost of operations before government funding and transfers	\$ 1,045,616	\$ 977,717

The accompanying notes form an integral part of the future-oriented statement of operations.

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NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)

1. Methodology and Significant Assumptions

The future-oriented statement of operations has been prepared on the basis of government priorities and departmental plans as described in the Report on Plans and Priorities.

The information in the forecast results for fiscal year 2015-16 is based on actual results as at December 31, 2015 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2016-17 fiscal year.

The main assumptions underlying the forecasts are as follows:

- (a) The department's activities will remain substantially the same as for the previous year;
- (b) 2015-16 estimated expenses and revenues, including the determination of amounts internal and external to the government, are based on historical data and trends, up-to-date Annual Reference Level Update (ARLU) information and supplementary estimates. Figures for the forecast and planned results do not include items such as carry-forward funding. The general historical pattern is expected to continue;
- (c) 2016-17 planned expenses and revenues, including the determination of amounts internal and external to the government, are based on historical data and trends and up-to-date Annual Reference Level Update (ARLU) information. The general historical pattern is expected to continue; and
- (d) Estimated year end information for 2015-16 is used as the opening position for the 2016-17 forecasts.

These assumptions are adopted as at December 28, 2015.

2. Variations and Changes to the Forecast Financial Information

While every attempt has been made to forecast final results for the remainder of 2015-16 and for 2016-17, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this future-oriented statement of operations, Environment and Climate Change 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.

Factors that could lead to material differences between the future-oriented statement of operations and the subsequent actual statement of operations include the following:

- (a) The timing and amount 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 the amount of revenue earned;
- (d) Further changes to the operating budget through additional new initiatives or technical adjustments later in the year; and
- (e) Deficit reduction action plan measures.

Once the Report on Plans and Priorities is presented, Environment and Climate Change Canada will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)

3. Summary of Significant Accounting Policies

The future-oriented statement of operations has been prepared using Government's accounting policies that came into effect for the 2011-12 fiscal year which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

(a) Expenses

Expenses are recorded on an accrual basis. Expenses for the Department's operations are recorded when goods are received or services are rendered, including services provided without charges for accommodation, employee contributions to health and dental insurance plans, legal services and worker's compensation, which are recorded as expenses at their estimated cost. Vacation pay and compensatory leave, as well as severance benefits, are accrued and expenses are recorded as the benefits are earned by employees under their terms of employment.

Transfer payments are recorded as expenses when the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement or, in the case of transactions that do not form part of an existing program, 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 statement. 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.

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

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

(b) Revenues

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

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 related expenses are incurred.

Funds that have been received are recorded as deferred revenue, provided the Department 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 the Department's liabilities. While the Deputy Head is expected to maintain accounting control, he 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.

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)

4. Parliamentary Authorities

The Department is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the Department do not parallel financial reporting according to generally accepted accounting principles because authorities are primarily based on cash flow requirements. Items recognized in the future-oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, the Department has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to requested authorities:

(in thousands of dollars)	Forecast Results 2015-16	Planned Results 2016-17
Net cost of operations before government funding and transfers	\$ 1,045,616	\$ 977,717
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(40,919)	(43,750)
Services provided without charge by other government departments	(102,173)	(98,246)
Refunds/adjustments to previous years' expenses	3,853	4,028
(Increase) decrease in liabilities related to the workforce adjustment	1,466	(262)
Increase in accrued liabilities not charged to authorities	(4,098)	(4,274)
Decrease in vacation pay and compensatory leave	2,111	2,481
Decrease in employee future benefits	1,035	912
Decrease in environmental liabilities	2,452	1,052
Increase in inventory	2,696	1,179
Total items affecting net cost of operations but not affecting authorities	(133,577)	(136,880)
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Acquisition of tangible capital assets	70,598	60,539
Capital lease payments	673	712
Total items not affecting net cost of operations but affecting authorities	71,271	61,251
Requested authorities	\$ 983,310	\$ 902,088

NOTES TO THE FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)

4. Parliamentary Authorities (continued)

(b) Authorities requested:

(in thousands of dollars)	Forecast Results 2015-16	Planned Results 2016-17
Authorities requested		
Vote 1 - Operating expenditures	\$ 705,083	\$ 605,313
Vote 5 - Capital expenditures	70,598	60,539
Vote 10 - Grants & Contributions	119,226	154,304
Statutory amounts	88,404	81,933
Requested authorities	\$ 983,311	\$ 902,089

Requested authorities for the year ending March 31, 2017 are the planned spending amounts presented in the 2016-17 Report on Plans and Priorities. Requested authorities for the year ending March 31, 2016 include amounts presented in the 2015-16 Main Estimates and Supplementary Estimates (A) and (B) and amounts planned for presentation in Supplementary Estimates (C); it does not include items such as the carry-forward funding.