



# **FUTURE-ORIENTED STATEMENT OF OPERATIONS 2019-20**



*Environment and Climate Change Canada*

FUTURE-ORIENTED STATEMENT OF OPERATIONS (Unaudited)

For the year ending March 31 (in thousands of dollars)	Forecast Results 2018-19	Planned Results 2019-20
<b>Expenses</b>		
Taking Action on Clean Growth and Climate Change	\$ 603,190	\$ 719,050
Preventing and Managing Pollution	394,345	386,960
Conserving Nature	262,683	318,328
Predicting Weather and Environmental Conditions	291,182	296,319
Internal Services	241,851	235,409
<b>Total Expenses</b>	<b>1,793,251</b>	<b>1,956,066</b>
<b>Revenues</b>		
Sales of goods and services	82,186	80,974
Other revenues	36,912	38,817
Revenues earned on behalf of Government	(9,806)	(11,793)
<b>Total Revenues</b>	<b>109,292</b>	<b>107,998</b>
<b>Net cost of operations before government funding and transfers</b>	<b>\$ 1,683,959</b>	<b>\$ 1,848,068</b>

*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 Departmental Plan.

The information in the forecast results for fiscal year 2018-19 is based on actual results as at December 31, 2018 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for fiscal year 2019-20.

The main assumptions underlying the forecasts are as follows:

- (a) The department's activities will remain substantially the same as in the previous year;
- (b) 2018-19 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, budget implementation, supplementary estimates and carry-forward funding. The general historical pattern is expected to continue;
- (c) 2019-20 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. Figures for the planned results do not include items such as carry-forward funding. The general historical pattern is expected to continue; and
- (d) Estimated year end information for 2018-19 is used as the opening position for the 2019-20 forecasts.

These assumptions are made as at December 31, 2018.

### 2. Variations and Changes to the Forecast Financial Information

Although every attempt has been made to forecast final results for the remainder of 2018-19 and for 2019-20, actual results achieved for both years are likely to differ 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 about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

Factors that could lead to material differences between the Future-Oriented Statement of Operations and the historical statement of operations include:

- (a) the timing and the amount of acquisitions and disposals of property, plant and equipment, which may affect gains, losses and amortization expense;
- (b) the implementation of new collective agreements;
- (c) economic conditions, which may affect both the amount of revenue earned and the collectability of loan receivables;
- (d) interest rates in effect at the time of issue, which will affect the net present value of non-interest-bearing loans; and
- (e) other changes to the operating budget, such as new initiatives or technical adjustments later in the fiscal year.

After the Departmental Plan is tabled in Parliament, 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 Results 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 of Canada's accounting policies in effect for fiscal year 2018-19, and is 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**

Transfer payments are recorded as an expense in the year the transfer is authorized and all eligibility criteria have been met by the recipient.

Other expenses are generally recorded when goods are received or services are rendered and include expenses related to personnel, professional and special services, repair and maintenance, utilities, materials and supplies, as well as amortization of tangible capital assets. Provisions to reflect changes in the value of assets or liabilities, such as provisions for bad debts, loans, investments and advances and inventory obsolescence, as well as utilization of inventories and prepaid expenses, and other are also included in other expenses.

**(b) Revenues**

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

Deferred revenue consists of amounts received in advance of the delivery of goods and rendering of services that will be recognized as revenue in a subsequent fiscal year as it is earned.

Other revenues are recognized in the period the event giving rise to the revenues occurred.

Revenues that are non-respendable are not available to discharge the department's liabilities. Although the deputy head is expected to maintain accounting control, he or she has no authority over the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented as a reduction of the department's gross revenues.

## *Environment and Climate Change Canada*

### 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 differs from financial reporting according to generally accepted accounting principles because authorities are based mainly 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 2018-19	Planned Results 2019-20
Net cost of operations before government funding and transfers	\$ 1,683,959	\$ 1,848,068
Adjustment for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(49,677)	(55,104)
Services provided without charge by other government departments	(103,879)	(106,139)
Refunds/adjustments to previous years' expenses	3,845	3,638
Decrease (increase) in accrued liabilities not charged to authorities	9,340	1,532
Decrease (increase) in vacation pay and compensatory leave	(1,653)	(989)
Decrease (increase) in employee future benefits	(698)	371
Decrease (increase) in environmental liabilities	8,313	27,211
Increase (decrease) in inventory	103	0
Total items affecting net cost of operations but not affecting authorities	(134,306)	(129,480)
Adjustment for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	90,030	82,323
Decrease in lease obligations for tangible capital assets	794	839
Total items not affecting net cost of operations but affecting authorities	90,824	83,162
<b>Requested authorities</b>	<b>\$ 1,640,477</b>	<b>\$ 1,801,750</b>

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

#### 4. Parliamentary Authorities (continued)

*(b) Authorities requested:*

(in thousands of dollars)	Forecast Results for 2018-19	Planned Results for 2019-20
Authorities requested		
Vote 1 - Operating expenditures	\$ 817,272	\$ 837,299
Vote 5 - Capital expenditures	90,030	82,323
Vote 10 - Grants & Contributions	640,440	787,559
Statutory amounts	92,735	94,569
<b>Total authorities requested</b>	<b>\$ 1,640,477</b>	<b>\$ 1,801,750</b>

Requested authorities for the year ending March 31, 2020 are the planned spending amounts presented in the 2019-20 Departmental Plan. Requested authorities for the year ending March 31, 2019 include amounts presented in the 2018-19 Main Estimates, Budget Implementation and Supplementary Estimates (A) and (B) as well as the carry-forward funding.