



AUDITOR'S REPORT

To the Minister of Agriculture and Food

I have audited the statement of financial position of the Department of Agriculture and Food as at March 31, 2007, and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Department's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

[Original signed by Fred J. Dunn]
FCA
Auditor General

Edmonton, Alberta
May 24, 2007

[The official version of this Report of the Auditor General, and the information the Report covers, is in printed form.]

Department – continued
Department of Agriculture and Food – Financial Statements 2006-2007

Statement of Operations for the Year Ended March 31, 2007
(in thousands)

	2007 Budget (Schedule 4)	2007 Actual	2006 Actual (Restated - Note 3)
Revenues (Schedule 1)			
Transfers from the Government of Canada	\$ 5,200	\$ 14,724	\$ 4,739
Internal government transfers	22,220	22,220	22,220
Other revenue	5,643	7,081	24,366
Premiums, fees and licenses	1,980	1,641	1,354
	35,043	45,666	52,679

Expenses – Directly Incurred (Note 2(b) and Schedule 8)
Voted (Schedules 3 and 5)

Ministry support services	13,687	13,188	14,632
Planning and competitiveness	13,097	12,489	11,203
Environment and food safety	78,325	62,877	57,704
Industry development	46,793	45,708	81,896
Rural services	36,216	36,641	34,910
Infrastructure assistance	29,000	50,515	29,441
Agriculture assistance –			
Canadian agricultural income stabilization	133,787	420,888	291,228
BSE recovery	–	–	18,853
Insurance and lending	203,290	185,095	178,884
Farm fuel distribution allowance	33,500	32,446	33,295
Farm income assistance	–	(236)	(368)
Other assistance	2,000	1,632	4,090
	589,695	861,243	755,768

continued

Department – continued
Department of Agriculture and Food – Financial Statements 2006-2007

continued
Statement of Operations for the Year Ended March 31, 2007
(in thousands)

	2007 Budget (Schedule 4)	2007 Actual	2006 Actual (Restated - Note 3)
Statutory (Schedules 3 and 5)			
Valuation adjustments –			
Provision for vacation pay	–	155	346
Provision for doubtful accounts	–	50	357
	–	205	703
	589,695	861,448	756,471
Loss on disposal of tangible capital assets	–	(25)	(4)
Net operating results	\$(554,652)	\$(815,807)	\$(703,796)

*The accompanying notes and schedules
are part of these financial statements.*

Department – continued
Department of Agriculture and Food – Financial Statements 2006-2007

Statement of Financial Position as at March 31, 2007
(in thousands)

	2007	2006 (Restated - Note 3)
Assets		
Cash	\$ 210	\$ 86
Accounts receivable <i>(Note 4)</i>	40,090	48,283
Loans and advances <i>(Note 5)</i>	11	9
Tangible capital assets <i>(Note 6)</i>	33,838	31,909
	\$ 74,149	\$ 80,287
Liabilities		
Accounts payable and accrued liabilities <i>(Note 7)</i>	\$ 99,315	\$ 88,084
Unearned revenue	4,099	3,278
	103,414	91,362
Net Liabilities		
Net liabilities at beginning of year	(11,075)	(109,799)
Net operating results	(815,807)	(703,796)
Net transfer from general revenues	797,617	802,520
Net liabilities at end of year	(29,265)	(11,075)
	\$ 74,149	\$ 80,287

*The accompanying notes and schedules
are part of these financial statements.*

Department – continued
Department of Agriculture and Food – Financial Statements 2006-2007

Statement of Cash Flows for the Year Ended March 31, 2007

(in thousands)

	2007	2006 (Restated - Note 3)
Operating Transactions		
Net operating results	\$(815,807)	\$(703,796)
Non-cash items included in net operating results –		
Amortization	4,042	3,780
Valuation adjustments	205	703
Loss on disposal of tangible capital assets	25	4
	(811,535)	(699,309)
Decrease in accounts receivable	8,143	76,638
Increase (decrease) in accounts payable and accrued liabilities	11,076	(176,545)
Increase (decrease) in unearned revenue	821	(262)
Cash applied to operating transactions	(791,495)	(799,478)
Capital Transactions		
Acquisition of tangible capital assets	(4,580)	(3,816)
Transferred assets	(1,523)	(7)
Disposal of tangible capital assets	107	44
Cash applied to capital transactions	(5,996)	(3,779)
Investing Transactions		
Loans and advances	(2)	(9)
Repayment of loans and advances	–	10
Cash (applied to) provided by investing transactions	(2)	1
Financing Transactions		
Net transfer from general revenues	797,617	802,520
Increase (decrease) in cash	124	(736)
Cash, beginning of year	86	822
Cash, end of year	\$ 210	\$ 86

*The accompanying notes and schedules
are part of these financial statements.*

Notes to the Financial Statements for the Year Ended March 31, 2007

Note 1 Authority and Purpose

The Department of Agriculture and Food operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statutes of Alberta 2000. The purpose of the Department is to enable the growth of a globally competitive, sustainable agriculture and food industry through essential policy, legislation, information and services in partnership with vibrant rural communities.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

(a) Reporting Entity

The reporting entity is the Department of Agriculture and Food, which is part of the Ministry of Agriculture and Food for which the Minister of Agriculture and Food is accountable. The other entity reporting to the Minister is Agriculture Financial Services Corporation. The activities of this organization are not included in these financial statements. The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues – All revenues are reported on the accrual basis of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers – Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

Transfers from Government of Canada – Transfers from Government of Canada are recognized as revenues when authorized by federal legislation or federal/provincial agreements, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Dedicated Revenue – Dedicated revenue initiatives provide a basis for authorized spending. Dedicated revenues are shown as credits or recoveries in the details of the Government Estimates for a supply vote. If budgeted revenues are not fully realized, spending is reduced by an equivalent amount. If actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Directly Incurred – Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses such as salaries, supplies, etc., directly incurred expenses also include:

- amortization of tangible capital assets.
- pension costs which comprise the cost of employer contributions for current service of employees during the year.
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay, guarantees, and indemnities.

Grants are recognized as expenses when authorized, eligibility criteria if any are met, and a reasonable estimate of the amounts can be made.

Incurred by Others – Services contributed by other entities in support of the Department operations are disclosed in Schedule 8.

Department – continued
Department of Agriculture and Food – Financial Statements 2006-2007

Assets – Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals.

Assets acquired by right are not included. Tangible capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is \$100,000 and the threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Liabilities – Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

Net Liabilities – Net liabilities represent the difference between the carrying value of assets held by the Department and its liabilities.

Measurement Uncertainty (*in thousands*) – Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

These financial statements include the Department's contribution of \$420,888 to Agriculture Financial Services Corporation for the Department's share of program payments under the Canadian Agricultural Income Stabilization (CAIS) program that is subject to measurement uncertainty. The Department's contribution for the CAIS program could change substantially in the future, if factors considered by management in establishing the estimates were to change significantly.

Included in the Department's contribution toward the cost of the CAIS program are estimated contributions for the 2006 claim year of \$128,151 for the vast majority of claims that have not yet been received because the deadline for submission of complete information is after the end of the fiscal year. CAIS program payments are triggered when the participant's claim-year program margin falls below their support level.

The two factors impacting estimated indemnities payable for the 2006 claim year are the number of participants and estimated program margins. The estimated number of participants for the 2006 claim year is based on the number of farm operations participating in the program during the 2005 claim year. The estimated program margins are based on forecasted changes in eligible income and expenses and inventories between 2005 and 2006. Based on historical experience of variability between forecasts and actual results of key assumptions, the estimated indemnities for the 2006 claim would range from \$108,388 to \$150,945.

The Department's contribution includes estimated contributions of \$54,194 for claims received but not processed for the 2004 and 2005 claim years. The estimates for the 2004 and 2005 claim years are based on the number of claims received but not yet processed and the estimated average payment per claim.

The Department's contribution also includes estimated contributions of \$125,111 for related programs. The related programs were approved by the Government of Alberta for the 2003, 2004, 2005 and 2006 claim years. The estimate is based on the historical payment ratio for claims processed.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances and accounts payable and accrued liabilities are estimated to approximate their carrying values because of the short term nature of these instruments. Fair values of loans are not reported due to there being no organized financial market for the instruments and it is not practicable within constraints of timeliness or cost to estimate the fair value with sufficient reliability.

Department – continued
Department of Agriculture and Food – Financial Statements 2006-2007

Note 3 Government Reorganization

(in thousands)

As a result of restructuring of government ministries announced on December 13, 2006, responsibility for Rural Development was transferred to the Department of Employment, Immigration and Industry. Comparatives for 2006 have been restated to reflect the current responsibilities. Net liabilities on March 31, 2005 is made up as follows:

Net Liabilities as previously reported	(\$109,937)
Transfer to the Department of Employment, Immigration and Industry	<u>138</u>
Net Liabilities at March 31, 2005	<u>(\$109,799)</u>

The costs of certain administrative functions are now the responsibility of the Department of Service Alberta. The Department of Service Alberta continues to provide the Department with the services related to these administrative functions, but no consideration is exchanged. Administrative costs for 2006 have been restated as if the Department had never been assigned responsibility.

Note 4 Accounts Receivable

	2007	2006
	Gross Amount	Net Realizable Value
	Allowance for Doubtful Accounts	Net Realizable Value
	<i>(in thousands)</i>	
Accounts receivable	\$40,928	\$39,976
Refunds from suppliers	<u>114</u>	<u>114</u>
	<u>\$41,042</u>	<u>\$40,090</u>
	<u>\$952</u>	<u>\$48,283</u>

Accounts receivable are unsecured and non-interest bearing.

Note 5 Loans and Advances

	2007	2006
	Gross Amount	Net Realizable Value
	Allowance for Doubtful Accounts	Net Realizable Value
	<i>(in thousands)</i>	
Travel advances	\$ 4	\$ 5
Loans receivable	<u>9</u>	<u>4</u>
	<u>\$13</u>	<u>\$ 9</u>
	<u>\$ 2</u>	<u>\$ 7</u>
	<u>\$11</u>	<u>\$ 9</u>

Department – continued
Department of Agriculture and Food – Financial Statements 2006-2007

Note 6 Tangible Capital Assets

Estimated Useful Life	Land	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	2007 Totals	2006 Totals
	Indefinite	40 years	10 years	3 - 5 years	35 years		
<i>(in thousands)</i>							
Historical cost							
Beginning of year	\$122	\$1,739	\$28,012	\$3,321	\$50,425	\$83,619	\$80,343
Additions	–	–	5,448	655	–	6,103	3,823
Disposals	–	–	(464)	–	(437)	(901)	(547)
	<u>\$122</u>	<u>\$1,739</u>	<u>\$32,996</u>	<u>\$3,976</u>	<u>\$49,988</u>	<u>\$88,821</u>	<u>\$83,619</u>
Accumulated amortization							
Beginning of year	\$ –	\$ 175	\$13,840	\$1,542	\$36,153	\$51,710	\$48,429
Amortization expense	–	43	2,204	363	1,432	4,042	3,780
Effect of disposals	–	–	(458)	–	(311)	(769)	(499)
	<u>\$ –</u>	<u>\$ 218</u>	<u>\$15,586</u>	<u>\$1,905</u>	<u>\$37,274</u>	<u>\$54,983</u>	<u>\$51,710</u>
Net book value at							
March 31, 2007	<u>\$122</u>	<u>\$1,521</u>	<u>\$17,410</u>	<u>\$2,071</u>	<u>\$12,714</u>	<u>\$33,838</u>	
Net book value at							
March 31, 2006	<u>\$122</u>	<u>\$1,564</u>	<u>\$14,172</u>	<u>\$1,779</u>	<u>\$14,272</u>		<u>\$31,909</u>

Historical cost includes work-in-progress at March 31, 2007 totaling \$1,987 comprised of: equipment \$1,190 (2006 - \$408) and computer hardware and software \$797 (2006 - \$981). This has not been amortized during the period.

Note 7 Accounts Payable and Accrued Liabilities

	2007	2006 (Restated - Note 3)
<i>(in thousands)</i>		
Accounts payable – general	\$ 3,883	\$ 2,472
Manpower	12,090	11,902
Grants	77,846	66,423
Allowance for loan guarantees	1,204	2,604
Supplies and services and capital purchases	4,292	4,683
	<u>\$99,315</u>	<u>\$88,084</u>

Note 8 Contractual Obligations

	2007	2006
<i>(in thousands)</i>		
Grants	\$16,505	\$4,447
Service contracts	5,689	3,719
	<u>\$22,194</u>	<u>\$8,166</u>

Department – continued
Department of Agriculture and Food – Financial Statements 2006-2007

Note 8 Contractual Obligations (continued)

The aggregate amounts payable for the unexpired terms of these contractual obligations are as follows:

	Grants	Service Contracts <i>(in thousands)</i>	Total
2008	\$15,101	\$4,140	\$19,241
2009	1,152	1,221	2,373
2010	124	175	299
2011	128	147	275
2012	–	6	6
	<u>\$16,505</u>	<u>\$5,689</u>	<u>\$22,194</u>

Note 9 Contingent Liabilities

(in thousands)

At March 31, 2007, the Department is a defendant in five legal claims (2006 – five legal claims). These claims have specified amounts totaling \$2,082 (2006 – \$5,185). Included in the total legal claims is one claim amounting to \$1,332 (2006 – one claim amounting to \$1,332) in which the Department has been jointly named with other entities. Three claims amounting to \$1,632 (2006 – two claims amounting to \$4,533) are covered by the Alberta Risk Management Fund.

The resulting loss, if any, from these claims cannot be determined.

Note 10 Guarantees

	2007	2006	Expiry Date
	<i>(in thousands)</i>		
Feeder Associations	\$44,424	\$49,675	Ongoing
Rural Utilities Act	62	183	Ongoing
Agricultural Societies Act	11	12	2015
	44,497	49,870	
Allowance for loan guarantees	<u>(1,204)</u>	<u>(2,604)</u>	
	<u>\$43,293</u>	<u>\$47,266</u>	

Guarantee programs and their limits are established under the following Acts:

- *Feeder Associations Guarantee Act* (authorized guarantee limit set by Order in Council is \$55 million)
- *Rural Utilities Act* (authorized guarantee limit set by statute is \$50 million)
- *Agricultural Societies Act* (authorized guarantee limit set by statute is \$50 million)

The lender takes appropriate security prior to issuing a loan to the borrower, which is guaranteed by the Province. The security taken depends on the nature of the loan. Interest rates are negotiated with the lender by the borrower.

The expiry date shown for guarantees under the *Agricultural Societies Act* is the latest expiry date for guaranteed loans under the program.

Note 11 Trust Funds Under Administration

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

Department – continued
Department of Agriculture and Food – Financial Statements 2006-2007

Note 11 Trust Funds Under Administration (continued)

As at March 31, 2007 trust funds under administration were as follows:

	2007	2006
	<i>(in thousands)</i>	
4-H General Trust	\$ 3	\$ 51
Wheat Board Monies Trust Fund	138	96
Claude Gallinger Memorial Trust Fund	<u>23</u>	<u>23</u>
	<u>\$164</u>	<u>\$170</u>

Note 12 Payments Under Agreement

(in thousands)

The Department has entered into an agreement to deliver the Canadian Food Safety and Quality Program that is fully funded by the Government of Canada.

Costs incurred under this agreement are made by the Department under authority of the *Financial Administration Act, Section 25*. Accounts receivable includes \$998 (2006 - \$74) and accounts payable includes \$48 (2006 - \$41) relating to payments under agreement.

Amounts paid and payable under agreement with program sponsors are as follows:

	2007	2006
2005 Agriculture ministers' conference	\$ –	\$ 70
Canadian food safety and quality program	1,432	84
Alberta mature animal transition program	–	4
Federal cull animal program	<u>–</u>	<u>7</u>
	<u>\$1,432</u>	<u>\$165</u>

Note 13 Defined Benefit Plans

(in thousands)

The Department participates in the multi-employer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$6,208 for the year ended March 31, 2007 (2006 – \$5,817).

At December 31, 2006, the Management Employees Pension Plan reported a deficiency of \$6,765 (2005 – \$165,895) and the Public Service Pension Plan reported a surplus of \$153,024 (2005 – deficiency of \$187,704). At December 31, 2006, the Supplementary Retirement Plan for Public Service Managers had a surplus of \$3,698 (2005 – \$10,018).

The Department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2007, the Bargaining Unit Plan reported an actuarial surplus of \$153 (2006 – actuarial deficiency of \$8,699) and the Management, Opted Out and Excluded Plan an actuarial surplus of \$10,148 (2006 – \$8,309). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 14 Comparative Figures

Certain 2006 figures have been reclassified to conform to the 2007 presentation.

Note 15 Approval of the Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Department – continued
Department of Agriculture and Food – Schedule to Financial Statements
Revenues for the Year Ended March 31, 2007

Schedule 1
(in thousands)

	2007 Budget	2007 Actual	2006 Actual (Restated - Note 3)
Transfers from the Government of Canada			
Canada/Alberta BSE assistance	\$ –	\$ –	\$10,004
Canadian farm income program	–	–	(19,188)
Irrigation infrastructure	–	–	1,967
BSE surveillance	4,000	5,065	5,061
Other	<u>1,200</u>	<u>9,659</u>	<u>6,895</u>
	<u>5,200</u>	<u>14,724</u>	<u>4,739</u>
Internal government transfers			
Transfers from the lottery fund	<u>22,220</u>	<u>22,220</u>	<u>22,220</u>
Other revenue			
Project contributions	3,838	3,255	3,541
Rail hopper car revenue	650	949	1,179
Green certificate and home study	880	517	368
Publications	225	216	233
Refunds of expenditures			
Previous years'	–	1,385	18,494
Other	–	(16)	(500)
Surplus sales	–	82	25
Miscellaneous	<u>50</u>	<u>693</u>	<u>1,026</u>
	<u>5,643</u>	<u>7,081</u>	<u>24,366</u>
Premiums, fees and licenses			
Livestock water program	140	316	187
Food processing centre fees	600	775	686
Business incubator fees	350	4	–
Meat services	250	189	214
Livestock production and meat quality	400	159	127
Dairy laboratory and analytical services	–	8	11
Other	<u>240</u>	<u>190</u>	<u>129</u>
	<u>1,980</u>	<u>1,641</u>	<u>1,354</u>
	<u>\$35,043</u>	<u>\$45,666</u>	<u>\$52,679</u>

Department – continued
Department of Agriculture and Food – Schedule to Financial Statements
Dedicated Revenue Initiatives for the Year Ended March 31, 2007

Schedule 2
(in thousands)

	Authorized Dedicated Revenues	Actual Dedicated Revenues	(Shortfall)/ Excess
Ministry support services	\$ 225	\$ 216	\$ (9)
Planning and competitiveness	673	871	198
Rural services	1,540	1,278	(262)
Industry development	7,948	6,557	(1,391)
Environment and food safety	<u>6,901</u>	<u>6,803</u>	<u>(98)</u>
	<u>\$17,287</u>	<u>\$15,725</u>	<u>\$(1,562)⁽¹⁾</u>

Ministry Support Services dedicated revenue initiatives include fees for sale of publications.

Planning and Competitiveness dedicated revenue initiatives include fees for Policy Secretariat (\$30), Economics and Competitiveness (\$35) and Strategy and Business Planning (\$806).

Rural Services dedicated revenue initiatives include fees for Rural Utilities (\$65), Rural Community and Leadership Development (\$821) and Agriculture Industry Development and Diversification (\$392).

Industry Development dedicated revenue initiatives include: Food Processing Development Centre (\$1,332), Ag Research (\$2,213), Bio-Industrial Technologies (\$631), Business Expansion and Commercialization (\$2,369), Growth Strategy Secretariat (\$3) and Program Information Services (\$9).

Environment and Food Safety dedicated revenue initiatives include: Food Safety Initiatives (\$4,564), Resource Management and Irrigation (\$1,491), Regulatory Services (\$349) and various Technical Services Programs (\$399).

The revenue and expense of each initiative's dedicated revenue and expense are reported in the Statement of Operations.

(1) Shortfall is deducted from the current year's authorized budget, as disclosed in Schedules 4 and 5 of the financial statements.

Department – continued
Department of Agriculture and Food – Schedule to Financial Statements
Expenses – Directly Incurred Detailed by Object for the Year Ended March 31, 2007

Schedule 3
(in thousands)

	2007 Budget	2007 Actual	2006 Actual (Restated - Note 3)
Voted			
Salaries, wages and employee benefits	\$ 85,629	\$ 82,580	\$ 80,508
Supplies and services	39,487	35,072	37,686
Grants	460,213	739,485	633,738
Financial transactions and other	66	64	56
Amortization of tangible capital assets	<u>4,300</u>	<u>4,042</u>	<u>3,780</u>
Total voted expenses	<u>\$589,695</u>	<u>\$861,243</u>	<u>\$755,768</u>
Statutory			
Valuation adjustments			
Provision for vacation pay	\$ -	\$ 155	\$ 346
Provision for doubtful accounts	<u>-</u>	<u>50</u>	<u>357</u>
	<u>\$ -</u>	<u>\$ 205</u>	<u>\$ 703</u>

Department – continued
Department of Agriculture and Food – Schedule to Financial Statements
Authorized Budget for the Year Ended March 31, 2007

Schedule 4
(in thousands)

	2006-2007 Estimates (a)	Adjustment (b)	2006-2007 Budget	Authorized Supplementary (c)	2006-2007 Authorized Budget
Revenues					
Transfers from the Government of Canada	\$ 5,200	\$ -	\$ 5,200	\$ 3,719	\$ 8,919
Internal government transfers	22,220	-	22,220	-	22,220
Other revenue	5,643	-	5,643	5,395	11,038
Fees, permits and licenses	1,980	-	1,980	-	1,980
	<u>35,043</u>	<u>-</u>	<u>35,043</u>	<u>9,114</u>	<u>44,157</u>
Expenses – directly incurred					
Voted expenses					
Planning and competitiveness	48,597	-	48,597	637	49,234
Agriculture insurance and lending assistance	337,077	-	337,077	311,000	648,077
Environment and food safety	102,325	(1,018)	101,307	5,263	106,570
Industry development	51,793	(612)	51,181	6,809	57,990
Rural services	36,216	(125)	36,091	160	36,251
Ministry support services	13,687	(193)	13,494	-	13,494
Dedicated revenue shortfall (Schedule 2)	-	(1,562)	(1,562)	-	(1,562)
	<u>589,695</u>	<u>(3,510)</u>	<u>586,185</u>	<u>323,869</u>	<u>910,054</u>
Net operating results	<u>\$(554,652)</u>	<u>\$ 3,510</u>	<u>\$(551,142)</u>	<u>\$(314,755)</u>	<u>\$(865,897)</u>
Equipment/inventory purchases	\$ 1,266	\$ 1,948	\$ 3,214	\$ 1,045	\$ 4,259

(a) Restated from Government Estimates due to the restructuring of government and internal reorganization.

(b) Adjustments include dedicated revenue shortfalls.

(c) Supplementary Estimates were approved on September 8, 2006 and March 23, 2007. Treasury Board approval is pursuant to Section 24 (2) of the Financial Administration Act for net budgeted initiatives), which were approved on August 8, 2006 and February 6, 2007.

Department – continued
Department of Agriculture and Food – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized
Budget for the Year Ended March 31, 2007

Schedule 5
(in thousands)

	2006-2007 Estimates (a)	Adjustments (b)	2006-2007 Budget	Authorized Supplementary (c)	2006-2007 Authorized Budget	2006-2007 Actual Expenses (d)	Unexpended (Over Expended)
Voted Expenses and Capital Investments							
1.0 Ministry support services							
1.0.1 Minister's office	\$ 474	\$ -	\$ 474	\$ -	\$ 474	\$ 443	\$ 31
1.0.2 Deputy minister's office	504	-	504	-	504	560	(56)
1.0.3 Farmers' advocate	822	-	822	-	822	889	(67)
1.0.4 Corporate services							
- Expense	7,805	(193)	7,612	-	7,612	7,194	418
- Capital investment	70	193	263	-	263	221	42
1.0.5 Agriculture information division	2,160	-	2,160	-	2,160	2,281	(121)
1.0.6 Communications	334	-	334	-	334	332	2
1.0.7 Human resources							
- Expense	1,588	-	1,588	-	1,588	1,489	99
- Capital investment	-	-	-	-	-	9	(9)
Total program	13,757	-	13,757	-	13,757	13,418	339
2.0 Planning and competitiveness							
2.0.1 Program support	1,767	-	1,767	-	1,767	1,797	(30)
2.0.2 Policy secretariat	3,859	-	3,859	-	3,859	3,640	219
2.0.3 Alberta grain commission	487	-	487	-	487	471	16
2.0.4 Economics and competitiveness	4,454	-	4,454	-	4,454	4,426	28
2.0.5 Strategic direction and program policy							
- Expense	2,530	-	2,530	-	2,530	2,155	375
- Capital investment	-	-	-	-	-	45	(45)
2.0.6 Farm fuel distribution allowance	33,500	-	33,500	-	33,500	32,446	1,054
2.0.7 Farm water program	2,000	-	2,000	637	2,637	1,632	1,005
2.0.8 Farm income assistance program	-	-	-	-	-	-	-
Total program	48,597	-	48,597	637	49,234	46,612	2,622

Department – continued
Department of Agriculture and Food – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized
Budget for the Year Ended March 31, 2007

Schedule 5 continued

	2006-2007 Estimates (a)	Adjustments (b)	2006-2007 Budget	Authorized Supplementary (c)	2006-2007 Authorized Budget	2006-2007 Actual Expenses (d)	Unexpended (Over Expended)
Voted Expenses and Capital Investments							
3.0 Rural services							
3.0.1 Program support	350	-	350	-	350	338	12
3.0.2 Rural utilities							
- Expense	6,131	(125)	6,006	-	6,006	6,319	(313)
- Capital investment	-	125	125	-	125	122	3
3.0.3 Rural community and leadership development							
- Expense	7,515	-	7,515	160	7,675	7,883	(208)
- Capital investment	-	-	-	-	-	1	(1)
3.0.4 Agricultural service boards							
- Expense funded by lotteries	10,600	-	10,600	-	10,600	10,585	15
3.0.5 Agriculture societies							
- Expense funded by lotteries	8,670	-	8,670	-	8,670	8,670	-
3.0.6 Agriculture initiatives							
- Expense funded by lotteries	2,950	-	2,950	-	2,950	2,846	104
Total program	<u>36,216</u>	<u>-</u>	<u>36,216</u>	<u>160</u>	<u>36,376</u>	<u>36,764</u>	<u>(388)</u>

Department – continued
Department of Agriculture and Food – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized
Budget for the Year Ended March 31, 2007

Schedule 5 continued

	2006-2007 Estimates (a)	Adjustments (b)	2006-2007 Budget	Authorized Supplementary (c)	2006-2007 Authorized Budget	2006-2007 Actual Expenses (d)	Unexpended (Over Expended)
Voted Expenses and Capital Investments							
4.0 Industry development							
4.0.1 Program support	1,571	-	1,571	-	1,571	1,466	105
4.0.2 Marketing council	814	-	814	-	814	911	(97)
4.0.3 Agriculture research							
- Expense	15,209	-	15,209	-	15,209	14,639	570
- Capital investment	350	-	350	-	350	543	(193)
4.0.4 Food processing development							
- Expense	4,928	(612)	4,316	-	4,316	4,562	(246)
- Capital investment	266	612	878	437	1,315	1,468	(153)
4.0.5 Bio-industrial technologies							
- Expense	2,610	-	2,610	680	3,290	3,765	(475)
- Capital investment	-	-	-	-	-	68	(68)
4.0.6 Business expansion and commercialization							
- Expense	5,817	-	5,817	1,329	7,146	6,345	801
- Capital investment	-	-	-	-	-	1	(1)
4.0.7 Agriculture industry development and diversification							
- Expense	9,167	-	9,167	-	9,167	10,084	(917)
- Capital investment	-	-	-	-	-	4	(4)
4.0.8 Growth strategy secretariat							
- Expense	6,677	-	6,677	-	6,677	3,853	2,824
- Capital investment	-	-	-	-	-	1	(1)
4.0.9 Market recovery and value added research and development							
- Capital investment	-	-	-	-	-	83	(83)
4.0.10 Infrastructure assistance for municipal wastewater							
- Capital investment	5,000	-	5,000	4,800	9,800	8,273	1,527
4.0.11 Industrial and environmental infrastructure							
- Capital investment	-	-	-	-	-	-	-
Total program	52,409	-	52,409	7,246	59,655	56,066	3,589

Department – continued
Department of Agriculture and Food – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized
Budget for the Year Ended March 31, 2007

Schedule 5 continued

	2006-2007 Estimates (a)	Adjustments (b)	2006-2007 Budget	Authorized Supplementary (c)	2006-2007 Authorized Budget	2006-2007 Actual Expenses (d)	Unexpended (Over Expended)
Voted Expenses and Capital Investments							
5.0 Environment and food safety							
5.0.1 Program support	1,877	-	1,877	-	1,877	1,578	299
5.0.2 Food chain traceability	-	-	-	-	-	336	(336)
5.0.3 Resource management and irrigation							
- Expense	13,606	(610)	12,996	575	13,571	13,308	263
- Capital investment	200	610	810	608	1,418	1,339	79
5.0.4 Food safety							
- Expense	33,414	(351)	33,063	4,470	37,533	19,054	18,479
- Capital investment	380	351	731	-	731	737	(6)
5.0.5 Surveillance support	15,200	-	15,200	-	15,200	13,351	1,849
5.0.6 Regulatory services							
- Expense	7,036	-	7,036	-	7,036	7,705	(669)
- Capital investment	-	-	-	-	-	2	(2)
5.0.7 Technical services							
- Expense	6,880	(57)	6,823	218	7,041	7,196	(155)
- Capital investment	-	57	57	-	57	57	-
5.0.8 Irrigation secretariat	312	-	312	-	312	349	(37)
5.0.9 Irrigation infrastructure assistance	24,000	-	24,000	-	24,000	42,242	(18,242)
Total program	102,905	-	102,905	5,871	108,776	107,254	1,522

Department – continued
Department of Agriculture and Food – Schedule of Comparison of Expenses – Directly Incurred and Capital Investments by Element to Authorized Budget for the Year Ended March 31, 2007

Schedule 5 continued

Voted Expenses and Capital Investments	2006-2007 Estimates (a)	Adjustments (b)	2006-2007 Budget	Authorized Supplementary (c)	2006-2007 Authorized Budget	2006-2007 Actual Expenses (d)	Unexpended (Over Expended)
6.0 Agriculture insurance and lending assistance							
6.0.1 Lending assistance	2,762	–	2,762	–	2,762	2,761	1
6.0.2 Farm income disaster	–	–	–	–	–	(236)	236
6.0.3 Crop insurance	198,155	–	198,155	–	198,155	178,764	19,391
6.0.4 Wildlife damage	2,373	–	2,373	–	2,373	3,570	(1,197)
6.0.5 Canadian agricultural income stabilization	133,787	–	133,787	311,000	444,787	420,888	23,899
Total program	<u>337,077</u>	–	<u>337,077</u>	<u>311,000</u>	<u>648,077</u>	<u>605,747</u>	<u>42,330</u>
Dedicated revenue shortfall (Schedule 2)	–	(1,562)	(1,562)	–	(1,562)	–	(1,562)
	<u>\$590,961</u>	<u>\$(1,562)</u>	<u>\$589,399</u>	<u>\$324,914</u>	<u>\$914,313</u>	<u>\$865,861</u>	<u>\$ 48,452</u>
Expense	\$567,475	\$(3,510)	\$563,965	\$323,869	\$887,834	\$839,142	\$ 48,692
Expense funded by lotteries	<u>22,220</u>	–	<u>22,220</u>	–	<u>22,220</u>	<u>22,101</u>	<u>119</u>
	<u>589,695</u>	<u>(3,510)</u>	<u>586,185</u>	<u>323,869</u>	<u>910,054</u>	<u>861,243</u>	<u>48,811</u>
Capital investment	1,266	1,948	3,214	1,045	4,259	4,618	(359)
	<u>\$590,961</u>	<u>\$(1,562)</u>	<u>\$589,399</u>	<u>\$324,914</u>	<u>\$914,313</u>	<u>\$865,861</u>	<u>\$ 48,452</u>
Statutory Expenses							
Valuation adjustments	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 205	\$ (205)

(a) Restated from Government Estimates due to the restructuring of government and internal reorganization.

(b) Adjustments include dedicated revenue shortfalls.

(c) Supplementary Estimates were approved on September 8, 2006 and March 23, 2007. Treasury Board approval is pursuant to Section 24 (2) of the Financial Administration Act.

(d) Includes achievement bonus amounting to \$1,999.

Department – continued
Department of Agriculture and Food – Schedule of Salary and Benefits Disclosure
for the Year Ended March 31, 2007

Schedule 6

	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	2007		2006
			Other Non-Cash Benefits ⁽³⁾	Total	Total
Department					
Deputy Minister ^{(4) (5)}	\$206,818	\$77,440	\$45,326	\$329,584	\$262,292
Assistant Deputy Ministers					
Planning and Competitiveness	146,598	24,679	35,087	206,364	252,680
Industry Development	157,044	28,112	37,002	222,158	207,377
Environment and Food Safety	157,044	28,268	36,757	222,069	205,884
Organizational Effectiveness and Rural Services ⁽⁶⁾	157,044	31,409	37,546	225,999	123,642
Executive Directors					
Agriculture Corporate Services ⁽⁷⁾	–	–	–	–	89,861
Information Division	128,568	27,744	31,005	187,317	172,486
Rural Development Initiatives ⁽⁸⁾	–	–	–	–	153,933
Human Resources	122,589	20,295	30,703	173,587	156,985
Senior Financial Officer ⁽⁹⁾	64,284	13,174	16,347	93,805	–
Boards and Agencies					
Farmers' Advocate	128,568	20,552	6,070	155,190	142,659
General Manager, Agricultural Products Marketing Council ⁽⁵⁾	127,882	8,743	31,412	168,037	152,257

Prepared in accordance with Treasury Board Directive 12/98 as amended.

Total salary and benefits relating to a position are disclosed.

- (1) Base salary includes regular base pay.
- (2) Other cash benefits include bonuses, vacation payouts, overtime and lump sum payments.
- (3) Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension and supplementary retirement plans, health care, dental coverage, group life insurance, disability plans, short and long term professional memberships and tuition fees.
- (4) Automobile provided, no dollar amount included in other non-cash benefits.
- (5) The position was occupied by two individuals during the year.
- (6) Due to restructuring of government, position title changed January 25, 2007; previously reported as the Assistant Deputy Minister of Rural Development.
- (7) Position responsibilities were encompassed within the Assistant Deputy Minister of Rural Development effective September 12, 2005.
- (8) Position was a member of Executive Team until January 31, 2006.
- (9) Position became a member of Executive Team on October 1, 2006.

Department – continued
Department of Agriculture and Food – Schedule of Related Party Transactions
for the Year Ended March 31, 2007

Schedule 7

(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid certain taxes and fees set by regulation for permits, licenses and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2007	2006	2007	2006 (Restated - Note 3)
Revenues				
Grants	\$ 240	\$ –	\$22,220	\$22,220
Fees and charges	–	–	–	–
Other	–	–	313	1,224
	<u>\$ 240</u>	<u>\$ –</u>	<u>\$22,533</u>	<u>\$23,444</u>
Expenses – directly incurred				
Grants	\$605,746	\$469,683	\$ 158	\$ 406
Other services	–	159	4,536	3,617
	<u>\$605,746</u>	<u>\$469,842</u>	<u>\$ 4,694</u>	<u>\$ 4,023</u>
Tangible capital assets				
Transferred from Advanced Education and Technology	\$ –	\$ –	\$ 801	\$ 7
Transferred from Environment	–	–	518	–
Transferred from Infrastructure and Transportation	–	–	212	–
Transferred to Service Alberta	–	–	(8)	–
Payable to				
Agriculture Financial Services Corporation	48,188	7,994	–	–
Ministry of Advanced Education and Technology	–	–	588	459
Receivable from				
Ministry of Municipal Affairs and Housing	–	–	2,777	4,812
	<u>\$ 48,188</u>	<u>\$ 7,994</u>	<u>\$ 4,888</u>	<u>\$ 5,278</u>

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Entities in the Ministry		Other Entities	
	2007	2006	2007	2006
Expenses – incurred by others				
Accommodation	\$ –	\$ –	\$12,955	\$13,245
Legal	–	–	693	486
Other	–	–	5,057	4,631
	<u>\$ –</u>	<u>\$ –</u>	<u>\$18,705</u>	<u>\$18,362</u>

Note: The Department receives services under contracts managed by the Ministry of Service Alberta. Any commitments under these contracts are reported by the Ministry of Service Alberta.

Department – continued
Department of Agriculture and Food – Schedule to Financial Statements
Allocated Costs for the Year Ended March 31, 2007

Schedule 8
(in thousands)

Program	2007						2006		
	Expenses – Incurred by Others						Valuation Adjustments ⁽⁶⁾		
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Service Alberta ⁽⁴⁾	Corporate Internal Audit Services ⁽⁵⁾	Vacation Pay	Doubtful Accounts	Total Expenses	Total Expenses (Restated - Note 3)
Industry development	\$ 45,708	\$ 4,413	\$163	\$ –	\$ –	\$ 614	\$ 1	\$ 50,899	\$ 86,890
Environment and food safety	62,877	4,705	368	–	–	17	–	67,967	62,870
Planning and competitiveness	12,489	1,393	57	–	–	(192)	47	13,794	13,721
Infrastructure assistance	50,515	–	–	–	–	–	–	50,515	29,441
Ministry support services	13,188	1,281	91	4,989	68	123	2	19,742	16,371
Rural services	36,641	1,163	14	–	–	(407)	–	37,411	34,910
Agriculture assistance									
Canadian agricultural income stabilization	420,888	–	–	–	–	–	–	420,888	291,228
BSE recovery	–	–	–	–	–	–	–	–	18,853
Insurance and lending	185,095	–	–	–	–	–	–	185,095	178,884
Farm fuel distribution allowance	32,446	–	–	–	–	–	–	32,446	33,295
Farm income assistance	(236)	–	–	–	–	–	–	(236)	(368)
Other assistance	1,632	–	–	–	–	–	–	1,632	4,090
	<u>\$861,243</u>	<u>\$12,955</u>	<u>\$693</u>	<u>\$4,989</u>	<u>\$68</u>	<u>\$ 155</u>	<u>\$50</u>	<u>\$880,153</u>	<u>\$770,185</u>

(1) Expenses – Directly incurred as per the Statement of Operations, excluding valuation adjustments.

(2) Costs shown for Accommodation on Schedule 7, allocated by budgeted full-time equivalent employment.

(3) Costs shown for Legal Services on Schedule 7, allocated by estimated costs incurred by each program.

(4) Costs shown for Service Alberta on Schedule 7, allocated by estimated costs incurred by each program.

(5) Costs shown for Corporate Internal Audit Services on Schedule 7, allocated by estimated costs incurred by each program.

(6) Valuation Adjustments as per Statement of Operations. Employee Benefits and Doubtful Accounts provision included in Valuation Adjustments were allocated as follows:

– Vacation Pay – allocated to the program by employee.

– Doubtful Accounts Provision – estimated allocation to program.